

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 12, 2019



Contra
Costa
County

Subject: FY 2020 ANNUAL AGENCY BUDGET

RECOMMENDATIONS

ADOPT PHA Resolution No. 5221 approving the Housing Authority's Fiscal Year 2020 Annual Agency Budget.

BACKGROUND

In compliance with the U. S. Department of Housing and Urban Development's (HUD) regulations, the Housing Authority of the County of Contra Costa (HACCC) has prepared its proposed budget for fiscal year (FY) 2020. At present, the federal government's FY 2019 budget is not finalized. The federal fiscal year (FFY) runs from October 1st through September 30th, meaning that HACCC's budget year is bifurcated by two FFYs. Additionally, most of HACCC's programs are funded on a calendar year basis which adds another layer of complexity to budget projections. HACCC's proposed budget is based on current HUD funding advances. Staff will update HACCC's budget as part of the quarterly budget to actual presentations, unless a significant change occurs earlier.

Three primary factors impact the funding of a housing authority's public housing and housing choice voucher (HCV) programs. These factors are the amount of funding allocated to HUD by Congress, the national utilization rate (number of families housed) and the local

Action of Board On: **03/12/2019** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

AYE: John Gioia,
Commissioner
Candace Andersen,
Commissioner
Diane Burgis,
Commissioner
Karen Mitchoff,
Commissioner
Federal D. Glover,
Commissioner
Jannel George-Oden,
Commissioner

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 12, 2019

Joseph Villarreal, Executive Director

By: , Deputy

Contact: 925-957-8028

cc:

utilization rate. Congressional funding of HUD sets baseline funding for the Department's programs. For well over a decade HUD has not been fully funded by Congress. As a result, housing authority programs are almost always funded at less than 100% of

BACKGROUND (CONT'D)

need. Once Congressional funding is known, HUD adjusts the funding provided to housing authorities based on the national utilization rate of each program. Utilization is the number of families under contract at a given time or period. At the national level, if utilization has increased past HUD's budget projections because more families are being housed, then HUD will reduce the money available to each housing authority. If fewer families are being housed nationally, then the money available to each housing authority is increased. At the individual housing authority level proration works in reverse. Within the parameters set by Congressional funding and national utilization, funding for an individual housing authority will rise when local utilization increases and will fall when the number of families housed drops. HUD calculates program funding and utilization retroactively. Final public housing funding in a given calendar year is not usually calculated until November of the same calendar year. Funding for the voucher program is normally adjusted quarterly, with final funding usually calculated by March of the following calendar year.

As stated above, housing authorities usually never receive full program funding. Further, there are often significant swings in program funding levels from year-to-year. Over the past seven years, public housing proration levels have been as follows:

2019 90.00% (current HUD advance)
2018 94.74%
2017 93.10%
2016 90.21%
2015 85.36%
2014 88.79%
2013 81.86%

During the same period, HCV administrative fee proration levels have been as follows:

2019 80.00% (current HUD advance)
2018 80.00% (for first 3qtrs., final quarter will be determined when HUD's FY19 budget is finalized)
2017 77.51%
2016 83.94%
2015 81.57%
2014 79.77%
2013 69.27%

In developing HACCC's proposed budget, staff used HUD's two year forecasting tool to project Housing Assistance Payments (HAP) for the HCV program. Additionally, staff incorporated the transfer of the Richmond Housing Authority's (RHA) HCV program, effective July 1, 2019.

Administrative fees and other revenue items were estimated by utilizing the past three-year's median funding levels. The two primary expenditures, labor and benefits, were computed using projected costs based on the currently approved pay schedule. All other expenditures were computed by augmenting the three-year median funding levels with any planned activities.

HACCC's proposed overall budget is shown below in comparison to last year's approved budget, along with the projected change in reserve levels. This overview is followed by a breakdown of HACCC's four major program areas, HCV, Public Housing, State and Local programs and Certificate programs. Each section provides a brief program overview, the projected budget, last year's approved budget along, the projected change in reserve levels and an explanation of the change from prior year. A more detailed budget is available for viewing at HACCC's administrative office.

Agency Summary

	2019-2020 Budget	2018-2019 Budget	Change
Revenue	\$183,857,681	\$137,181,965	\$46,675,716
Operating Expenditures	\$ 25,957,656	\$ 24,314,812	\$ 1,642,844
Program Costs, Debt Service & Other Capital Improvements	\$157,584,008	\$113,142,116	\$44,471,829
To Reserves	\$ 316,017	\$ (274,963)	\$ 590,980
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/19	\$ (256,340)	\$ 12,061,479	\$11,805,139
FY 2019 Budget Impact	\$ (89,058)	\$ 404,751	\$ 315,693
Projected 3/31/20	\$ (345,398)	\$ 12,466,230	\$12,120,832

As a reminder, almost all reserves are restricted for use within each program. The designation of restricted or unrestricted reserves merely indicates that the funds are obligated for special use within the program (restricted) or that they can be used for any purpose tied to the program (unrestricted). The only exception to this rule is the unrestricted balance within the State and Local Fund. This balance can be used in any of HACCC's programs.

Housing Choice Voucher Overview:

The HCV program provides rental assistance to families in the private market. HACCC qualifies families for the program based on income. Eligible families find a home in the private rental market and HACCC provides them with a subsidy via a HAP contract with

the property owner. HAP is paid by HACCC directly to the owner. Through its HCV program, HACCC is authorized to provide affordable housing assistance to as many as 8,925 families (this includes 2,004 families from the City of Richmond's HCV program). Due to funding and regulatory restrictions, HACCC is projected to house an average of 8,098 families per month under the proposed budget.

HCV Summary

	2019-2020 Budget	2018-2019 Budget	Change
Revenue	\$158,543,289	\$114,086,817	\$44,456,472
Expenditures	\$ 9,137,677	\$ 7,073,098	\$ 2,064,579
Program Costs, Debt Service & Other Capital Improvements	\$149,303,339	\$107,321,470	\$41,981,869
To Reserves	\$ 102,272	\$ (307,751)	\$ 410,023
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/19	\$0	\$ 4,977,942	\$ 4,977,942
FY 2019 Budget Impact	\$0	\$ 102,272	\$ 102,272
Projected to 3/31/20	\$0	\$ 5,080,214	\$ 5,080,214

Explanation of Change:

The increase in revenue and program costs are primarily related to the transfer of RHA's HCV program. A projected increase in HAP funding tied to ongoing rent increases for both HACCC's and RHA's HCV program also played a role in the projected increase. Of the \$44.5 million increase in revenue, approximately \$2.5 million is an increase in HACCC's administrative fees and projected extraordinary administrative fees. As with total revenue, the projected increase in administrative funding is tied to the RHA HCV transfer.

Public Housing & Capital Fund Overview:

HACCC owns and manages 1,179 public housing units at 16 different sites throughout the County. This number will be reduced during this budget year to 963 units due to the removal of the North Richmond units from the public housing program. Revenue to manage these properties is derived from tenant rents and an operating subsidy received from HUD. Because tenant rents are limited by income, and are significantly less than the operating costs of the properties, HUD provides a subsidy to supplement the shortfall in actual operating costs versus tenant rents. HUD also provides annual Capital Fund grants via formula to approximately 3,300 housing authorities. Capital Fund grants may be used for the development, financing, and modernization of public housing developments as well as for management improvements.

Public Housing Summary - All Units

	2019-2020 Budget	2018-2019 Budget	Change
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Revenue	\$12,595,614	\$11,867,879	\$ 727,735
Expenditures	\$10,581,167	\$11,448,135	(\$ 866,968)
Program Costs, Debt Service & Other Capital Improvements	\$ 1,912,519	\$ 431,157	\$1,481,362
To Reserves	\$ 101,928	(\$ 11,413)	\$ 113,341

Public Housing by Asset Management Property (Amp)	Area	2019-2020 Revenue	2019-2020 Expenditure	2019-2020 Residual/(Loss)
AMP-1,Ca001,Ca011,	Martinez	\$ 811,262	\$ 757,634	\$ 53,628
AMP-2,Ca045a,Ca045b	San Pablo	\$ 1,432,811	\$ 1,315,694	\$ 117,118
AMP-3,Ca004,Ca008,Ca012	Brentwood, Oakley	\$ 974,188	\$ 1,000,862	\$ (26,675)
AMP-4,Ca010	Rodeo	\$ 2,515,151	\$ 2,540,883	(25,732)
AMP-5,Ca005	Pittsburg	\$ 1,771,657	\$ 1,780,279	\$ (8,622)
AMP-6,Ca009a,Ca009b	North Richmond	\$ 314,144	\$ 209,500	\$ 104,644
AMP-7,Ca006	North Richmond	\$ 104,961	\$ 91,276	\$ 13,685
AMP-8,Ca002,Ca013	Bay Point	\$ 419,864	\$ 431,350	\$ (11,486)
AMP-9,Ca003,Ca015	Antioch	\$ 956,315	\$ 1,070,947	\$(114,632)
Capital Funding	All AMPS	\$ 3,295,261	\$ 3,295,261	\$ 0
Program Totals		\$12,595,614	\$12,493,685	\$ 101,928

Public Housing Reserves	Restricted Reserve Balance	Unrestricted Reserve Balance	Reserve Balance
Projected 3/31/19	\$0	\$1,831,330	\$1,831,330
FY 2019 Budget Impact	\$0	\$ 101,928	\$ 101,928
Projected to 3/31/20	\$0	\$1,933,258	\$1,933,258

Explanation of Change:

The increase in revenue of \$727,735 is the result of deferred capital fund items required by HUD to be recognized on a cash basis. The \$866,968 reduction in expenditures is primarily a result of the conversion of public housing units in North Richmond.

The \$1,481,362 increase in program costs and capital improvements is a result of increased grant funding from HUD and carry-over funding from prior periods.

Housing Certificate Program Overview:

HACCC's Housing Certificate Program is now solely comprised of Shelter-Plus Care certificates. The Shelter-Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services. HACCC

operates the housing and financial portions of the program and the County's Health, Housing and Homeless Program operates the supportive services and casework portions. Approximately 323 clients are assisted under this program.

Certificate Programs Summary	2019-2020 Budget	2018-2019 Budget	Change
Revenue	\$6,259,687	\$5,164,313	\$1,095,374
Expenditures	\$ 654,163	\$ 524,620	\$ 129,543
Program Costs, Debt Service & Other Capital Improvements	\$5,605,201	\$4,643,633	\$ 961,568
To Reserves	\$ 323	\$ (3,940)	\$ 4,263
Certificate Programs Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/18	\$0	\$(8,322)	\$(8,322)
FY 2018 Budget Impact	\$0	\$ 323	\$ 323
Projected to 3/31/19	\$0	\$(7,999)	\$(7,999)

Explanation of Change:

The primary changes in the Certificate Program related to revenues and program costs are increases in HAP funding and expenses as rents continue to rise in the region.

State and Local Overview:

HACCC administers several programs and activities that are either not HUD-funded, or that involve non-restricted HUD funds. HACCC is the managing general partner for two tax credit projects, DeAnza Gardens and Casa Del Rio. Additionally, under HUD's asset management regulations, the State and Local fund receives management fees for administering the public housing and HCV programs. Pension & Other Post-Employment Benefit costs are also reflected in the State and Local fund.

State & Local Summary	2019-2020 Budget	2018-2019 Budget	Change
Revenue	\$6,459,091	\$6,062,956	\$396,135
Expenditures	\$5,584,649	\$5,268,959	\$315,690
Program Costs, Debt Service & Other Capital Improvements	\$ 762,950	\$ 745,856	\$ 17,094
To Reserves	\$ 111,493	\$ 48,141	\$ 63,352
State & Local Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/19	\$12,115,201	\$(10,915,424)	\$1,199,777
FY 2019 Budget Impact	\$ (89,058)	\$ 200,551	\$ 111,493
Projected to 3/31/20	\$12,026,143	\$(10,714,873)	\$1,311,270

Explanation of Change:

The projected changes in revenue are tied to increased management fees as a result of the transfer of RHA's HCV program and planned rent increases at the tax credit properties. The projected increased program costs are all related to the tax credit financed properties, primarily Casa Del Rio which will likely need subsidized until HACCC is able to put project-based vouchers in place there

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners choose not adopt Resolution No. 5221 approving HACCC's budget for the fiscal year 2019-2020, HACCC will not be in compliance with HUD regulations. Further, HACCC will not be in compliance in fulfilling its financial and programmatic obligations to program participants and property owners, as well as HACCC employees, contractors, and vendors.

CLERK'S ADDENDUM

ATTACHMENTS

RES 5221, HUD FORM 52574