

To: Contra Costa County Housing Authority Board of Commissioners  
 From: Joseph Villarreal, Housing Authority  
 Date: March 10, 2020



Contra  
Costa  
County

Subject: FY 2019-2020 3rd QUARTER BUDGET REPORT

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## **RECOMMENDATIONS**

ACCEPT the 3rd Quarter (Unaudited) Budget Report for the period ending 12/31/19.

## **BACKGROUND**

This report is intended to provide the Board of Commissioners with an overview of the financial operating position of the Housing Authority of the County of Contra Costa (HACCC) for the 3rd quarter period ending 12/31/19. The report begins with a summary of HACCC's overall fiscal standing at the end of the quarter. The overall numbers are then broken down by individual funds. Each fund overview includes a brief program summary and an explanation of the variance between budgeted and actual performance.

## **AGENCY OVERVIEW: Budget Report**

HACCC's overall budget position for the quarter ending 12/31/19 is shown in the chart below. Activity in the Section 8 Voucher and Housing Certificate programs had the most significant impact on HACCC's budget.

The variance in revenue and expenditures at the Agency Level is a summary of all variances

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Action of Board On: **03/10/2020** ☒ 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

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 10, 2020

Joseph Villarreal, Executive Director

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

reported at the program levels. The program revenue variance summary is as follows:

Revenue Variance Summary

Public Housing favorable variance \$ 1,334,759

State and Local favorable variance 272,667

Housing Certificate favorable variance 240,471

Housing Choice Vouchers unfavorable variance

## BACKGROUND (CONT'D)

-1,356,764

Agency Favorable Variance \$ 491,133

### Expenditure Variance Summary

Housing Choice Vouchers favorable variance \$ 2,795,226

State and Local unfavorable variance -1,428,174

Public Housing unfavorable variance - 510,213

Housing Certificate favorable variance - 265,962

Agency Favorable Variance \$ 590,877

HACC Agency Summary	Annual Budget	3rd Quarter Actual 12/31/19	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 182,245,424	\$ 137,175,201	\$ 45,561,356	\$ 182,736,557	\$ 491,133
Expenditures	\$ 181,632,849	\$ 135,633,760	\$ 45,408,212	\$ 181,041,972	\$ 590,877
	\$ 612,575	\$ 1,541,441	\$ 153,144	\$ 1,694,585	

The net change to overall reserves was an increase of \$1,541,441. The summary of Agency Reserves by Program and type is as follows:

Analysis of Agency Reserves	Beginning Balance 4/1/19 (Audited)	3rd Quarter ending 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Total Reserves	\$ 32,479,897	\$ 1,541,441	\$ 34,021,338
<u>Net Invested in Capital Assets</u>			
Housing Choice Vouchers	\$ 353,583	\$ 1,001,986	\$ 1,355,569
Public Housing & Cap. Funds	\$ 6,419,660	\$ 875,523	\$ 7,295,183
State & Local Programs	\$ 13,474,466	\$ (687,526)	\$ 12,786,940
Housing Certificates Programs	-0-	-0-	-0-
Total Capital Assets	\$ 20,247,709	\$ 1,189,983	\$ 21,437,692
<u>Restricted Reserves</u>			
Housing Choice Vouchers	\$ -0-	\$ -0-	\$ -0-
Public Housing & Cap. Funds	\$ -0-	\$ -0-	\$ -0-
State & Local Programs	\$ -0-	\$ 73,046	\$ 73,046
Housing Certificates Programs	\$ -0-	\$ -0-	\$ -0-
Total Restricted Reserves	\$ -0-	\$ 73,046	\$ 73,046

<u>Unrestricted Reserves</u>			
Housing Choice Vouchers	\$ 4,466,902	\$ 411,779	\$ 4,878,681
Public Housing & Cap. Funds	\$ 2,284,261	\$ 25,468	\$ 2,309,729
State & Local Programs	\$ 5,481,025	\$ (133,586)	\$ 5,347,439*
Housing Certificates Programs	\$ -0- .	\$ (25,249)	\$ (25,429)
Total Unrestricted Reserves	\$ 12,232,188	\$ 278,412	\$ 12,510,600

\*Reserve levels do not include unfunded pension & OPEB liability of roughly \$16.3 million. 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 reserves that can be used freely are unrestricted reserves within the State and Local Programs that are not tied to the tax credit properties. These reserves can be used to support any of HACCC's programs.

## **FUNDS OVERVIEW:**

### **Housing Choice Vouchers**

Program Summary - The HCV program provides assistance to families in the private rental market. HACCC qualifies families for the program based on income. These families find a home in the private rental market and HACCC provides them with a subsidy via a Housing Assistance Payments (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 a maximum of 9,428 families. However, due to funding constraints utilization is currently at 7,306.

### **Summary of Difference Between Budgeted and Annual Estimate:**

Revenue – The -\$1,356,764 revenue difference is a direct result of HUD's renewal funding formula not keeping up with significant increases in HAP due to rising increases in rental costs. HACCC was awarded an additional \$6,090,252 in HAP funding from HUD in order to ensure that all current families on the voucher program remain housed. Staff expects HUD to consider an additional round of shortfall funding prior to the end of the current fiscal year since staff's calculations indicate that an additional \$792,130 in shortfall funding is needed to keep all existing families housed. The calculations of the amount needed to fully fund our shortfall are complicated by the recent transfer of Richmond's voucher program to HACCC.

Expenditures- As above, HACCC's anticipated HAP costs were hard to project at the beginning of the fiscal year due to the pending (at the time) transfer of Richmond's voucher program to HACCC. The \$2,795,226 decrease in anticipated expenditures is primarily comprised of a \$1,356,764 saving from reduced HAP expenses (versus projected) and a \$1,001,986 reduction in capitalized costs.

Housing Choice	Annual Budget	3rd Quarter Actual 12/31/19	Remaining FY	Annual Total	Variance
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		(Unaudited)	Estimate		
Revenue	\$ 158,543,589	\$ 117,550,928	\$ 39,635,897	\$ 157,186,825	\$ (1,356,764)
Expenditures	\$ 158,576,519	\$ 116,137,163	\$ 39,644,130	\$ 155,781,293	\$ 2,795,226
	\$ (32,930)	\$ 1,413,765	\$ (8,233)	\$ 1,405,533	

### Analysis of Program Reserves:

	Beginning Balance 4/1/19 Audited	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 353,583	\$ 1,001,986	\$ 1,355,569
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ 4,466,902	\$ 411,779	\$ 4,878,681
Total Reserves	\$ 4,820,485	\$ 1,413,765	\$ 6,234,250

### Public Housing Operating and Capital Funds

Program Summary - HACCC owns and manages 1,179 public housing units at 16 different sites throughout the County. Operating funds for these properties come from tenant rents as well as an operating subsidy received from HUD that is designed to cover the gap between rents collected from the low-income tenants and annual operating expenses. HUD allocates the Capital Fund annually via formula to approximately 3,200 housing authorities. Capital Fund grants may be used for development, financing, modernization, and management improvements within public housing.

### Summary of Difference Between Budgeted and Annual Estimate:

Revenue – The \$1,334,759 revenue difference is mostly due to an increase in tenant rental income as occupancy has been increased at many sites. Additionally, more operating subsidy was received from HUD than was budgeted.

Expenditures - The \$510,213 expenditure difference was a result of increased utility costs along with greater than expected police and security costs.

Public Housing Operating and Capital Fund	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 10,800,979	\$ 9,435,493	\$ 2,700,245	\$ 12,135,738	\$ 1,334,759
Expenditures	\$ 10,699,051	\$ 8,534,502	\$ 2,674,763	\$ 11,209,264	\$ (510,213)
	\$ 101,928	\$ 900,991	\$ 25,482	\$ 926,474	

### Analysis of Program Reserves:

Public Housing & Capital Fund	Beginning Balance 4/1/19 (Unaudited)	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 6,419,660	\$ 875,523	\$ 7,295,183
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ <u>2,284,261</u>	\$ <u>25,468</u>	\$ <u>2,309,729</u>
Total Reserves	\$ 8,703,921	\$ 900,991	\$ 9,604,912

### State and Local Programs

Program Summary - HACCC administers a variety of programs and activities that are either not funded by HUD or that involve non-restricted HUD funds. Currently, HACCC is the managing general partner for two tax credit projects (DeAnza Gardens & Casa Del Rio). HACCC receives management fees for administering the Public Housing and HCV programs under HUD's asset-management model. In addition, the State and Local Program manages the employee pension and OPEB benefit programs.

### Summary of Difference between Budgeted and Annual Year-End Estimate:

Revenue –The \$272,667 revenue difference is related to assets used to fund capitalized projects in the Tax Credit Properties.

Expenditures - The \$1,428,174 expenditure difference is largely related to increased operating costs. Maintenance increases at the tax credit properties accounted for roughly \$1,280,000 of this increase. The remaining difference in expenses are related to greater operating costs in the Central Office Cost Center due to rising staffing levels tied to the Housing Choice Voucher portability program, and increases in insurance and legal costs.

State & Local Programs	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 6,641,169	\$ 5,253,544	\$ 1,660,292	\$ 6,913,836	\$ 272,667
Expenditures	\$ 6,097,914	\$ 6,001,610	\$ 1,524,479	\$ 7,526,089	\$ (1,428,174)
	\$ 543,254	\$ (748,066)	\$ 135,814	\$ (612,253)	

### Analysis of Reserves:

State & Local Programs	Beginning Balance 4/1/19	3rd Quarter 12/31/19	Reserve Balance Period ending
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Housing Certificate Programs	Balance 12/31/19 Audited	12/31/19 (Unaudited)	12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 13,474,466	\$ (687,526)	\$ 12,786,940
Restricted Reserves	\$ -0-	\$ 73,046	\$ 73,046
Unrestricted Reserves	\$ 5,481,025*	\$ (133,586)	\$ 5,347,439*
Total Reserves	\$ 18,955,491*	\$ (748,066)	\$ 18,207,425*

\* does not include the unfunded pension & opeb liability of roughly \$16.3 million.

## **Housing Certificate Programs**

Program Summary - HACCC administers a Housing Certificate Program tied to the Continuum of Care Program (formerly known as Shelter Plus Care). The Continuum of Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. HACCC assists approximately 327 clients under this program.

### Summary of Difference Between Budgeted and Annual Year-End Estimate:

Revenue & Expenditure -The \$240,471 revenue difference and the \$265,962 expenditure difference are both the result of increased HAP funding being provided to HACCC.

Housing Certificate Programs	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 6,259,687	\$ 4,935,236	\$ 1,564,922	\$ 6,500,158	\$ 240,471
Expenditures	\$ 6,259,364	\$ 4,960,485	\$ 1,564,841	\$ 6,525,326	\$ (265,962)
	\$ 323	\$ (25,249)	\$ 81	\$ (25,168)	

### Analysis of Reserves:

Housing Certificate Programs	Beginning Balance 4/1/19 Audited	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/30/19 (Unaudited)
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ -0-	\$ (25,249)	\$ (25,249)
Total Reserves	\$ -0-	\$ (25,249)	\$ (25,249)

## **FISCAL IMPACT**

None. Information item only.

## **CONSEQUENCE OF NEGATIVE ACTION**

None. Informational item only.

CLERK'S ADDENDUM