

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



Contra  
Costa  
County

Subject: Annual Agency Budget Fiscal Year 2020

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## **RECOMMENDATIONS**

1. CONSIDER approving the Housing Authority's Fiscal Year 2021 Annual Agency Budget; and
2. CONSIDER adopting PHA Board Resolution No. 5227 approving the Annual Agency Budget on HUD Form 52574.

## **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) 2021. At present, the federal government's FY 2021 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.

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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:

## BACKGROUND (CONT'D)

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 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 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:

2020 96.54% (current HUD advance)

2019 96.54%

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:

2020 80.00% (current HUD advance)

2019 79.00%

2018 80.00%

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, and the PHA Excel Tool for computing Operating Subsidy eligibility for the Public Housing Program. 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 updated approved pay schedule. All other expenditures were computed by augmenting the three-year median funding levels with any new planned activities.

The proposed budget includes the following significant changes for this year:

- The absorption of the Richmond Housing Authority's (RHA) Voucher program and the corresponding addition of six full-time positions and the opening of a branch office in San Pablo.
- Funding of an ongoing file conversion project designed to completely clean up RHA's files and bring them into line with HACCC's protocols. This project is being conducted under a contract with CGI, INC. It is expected that HUD will ultimately reimburse HACCC for at least a portion of this contract.
- A Director of Information Technology. This position has been left vacant for over ten years in response to funding levels, but is needed now to move the agency forward.
- Re-classification of the Recreational Supervisor position to a Resident Services Coordinator.
- The addition of an ongoing contract with Enterprise Fleet Management to allow HACCC to lease vehicles. The contract will provide maintenance and regular fleet upgrades.

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, 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

	2020-2021 Budget	2019-2020 Budget	Change
Revenue	\$181,082,889	\$183,857,681	-\$2,774,792
Operating Expenditures	\$28,231,899	\$25,957,656	- \$2,274,243
Program Costs, Debt Service & Other Capital Improvements	\$153,502,665	\$157,584,008	\$4,081,343
To Reserves	-\$651,675	\$316,017	-\$967,692
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2020	\$97,396	\$12,603,404	\$12,700,800
FY 2021 Budget Impact	\$12,157	-\$663,832	-\$651,675
Projected 3/31/2021	\$109,533	\$11,939,572	\$12,049,125

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 9,248 families. Due to funding and regulatory restrictions, HACCC is projected to house an average of 7,306 families per month under the proposed budget.

### HCV Summary

	2020-2021 Budget	2019-2020 Budget	Change
Revenue	\$154,948,218	\$158,543,289	-\$3,595,071
Expenditures	\$9,242,747	\$9,137,677	-\$105,070
Program Costs, Debt Service & Other Capital Improvements	\$146,094,005	\$149,303,339	\$3,209,334
To Reserves	-\$388,534	\$102,273	\$490,807
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2020	\$0	\$5,015,942	\$5,015,942
FY 2021 Budget Impact	\$0	-\$388,533	-\$388,533
Projected to 3/31/2021	\$0	\$4,627,409	\$4,627,409

### Explanation of Change:

The decrease in revenue and program costs is primarily tied to last year's projections related to the transfer of the RHA's voucher program to HACCC, as it was hard to project the true impact of the conversion. The increase in expenditures is related to the file conversion project designed to clean up RHA's files.

### 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**

	<b>2020-2021 Budget</b>	<b>2019-2020 Budget</b>	<b>Change</b>
Revenue	\$13,577,775	\$12,595,614	\$982,161
Expenditures	\$12,185,591	\$10,581,167	-\$1,604,424
Program Costs, Debt Service & Other Capital Improvements	\$1,502,608	\$1,912,519	\$409,911
To Reserves	-\$110,424	\$101,928	
<b><u>CONSEQUENCE OF NEGATIVE ACTION</u></b>			
Should the Board of Commissioners choose not adopt Resolution No. 5227 approving HACCC's budget for the fiscal year 2020-2021, 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.			
<b><u>CLERK'S ADDENDUM</u></b>			
<b><u>ATTACHMENTS</u></b>			
HUD 52574			