

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 23, 2021



Contra
Costa
County

Subject: Annual Agency Budget Fiscal Year 2022

RECOMMENDATIONS

1. APPROVE the Housing Authority's Fiscal Year 2022 Annual Agency Budget; and
2. ADOPT PHA Board Resolution No. 5232 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) 2022. At present, HUD's allocations to housing authorities under the federal government's FY 2021 budget are not finalized. As a result, the proposed budget presented here 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. The federal fiscal year (FFY) runs from October 1st through September 30th. As a result, HACCC's budget year is bifurcated by two FFYs. Additional unpredictability is added to HACCC's budget process by the fact that the agency's major programs are funded on a calendar year basis.

Action of Board On: **03/23/2021** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

AYE: John Gioia, District I
Supervisor

Candace Andersen,
District II Supervisor

Diane Burgis, District III
Supervisor

Karen Mitchoff, District
IV Supervisor

Federal D. Glover,
District V Supervisor

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 23, 2021

Joseph Villarreal, Executive Director

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

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

BACKGROUND (CONT'D)

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 decades now, 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 nine years, public housing proration levels have been as follows:

2021 95.23% (advanced funding)
2020 112.00% (as a result of COVID-19 supplemental funding)
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:

2021 80.00% (current HUD advance)
2020 92.00% (as a result of COVID-19 supplemental funding)
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 including updated projections, 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.

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

	2021-2022 Budget	2020-2021 Budget	Change
Revenue	\$209,095,880	\$181,082,889	\$28,012,991
Operating Expenditures	\$ 30,306,338	\$ 28,231,899	\$ 2,074,439
Program Costs, Debt Service & Other Capital Improvements	\$178,098,764	\$153,502,665	\$24,596,099
To Reserves	\$ 690,778	-\$651,675	\$ 1,342,453

	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2021	\$ -0-	\$12,240,444	\$12,240,444
FY 2022 Budget Impact	\$ 627,397	\$ 63,382	\$ 690,779
Projected 3/31/2021	\$ 627,397	\$12,303,826	\$12,931,223

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 9,251 families. Due to funding and regulatory restrictions, HACCC is projected to house an average of 7,886 families per month under the proposed budget.

HCV Summary

	2021-2022 Budget	2020-2021 Budget	Change
Revenue	\$181,696,744	\$154,948,218	\$ 26,748,526
Expenditures	\$ 11,176,341	\$ 9,242,747	\$ 1,933,594
Program Costs, Debt Service & Other Capital Improvements	\$169,518,140	\$146,094,005	\$23,424,135
To Reserves	\$ 1,002,263	-\$ 388,534	\$ 1,390,798
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2021	\$ 0	\$ 5,985,278	\$ 5,985,278
FY 2022 Budget Impact	\$ 23,912	\$ 978,351	\$ 1,002,263
Projected to 3/31/2022	\$ 23,912	\$ 6,963,629	\$ 6,987,541

Explanation of Change:

The increase in revenue and expense is primarily related to the expansion in program activities related to portability and the fact that HUD's Fair Market Rents are starting to catch up to the Bay Area rental market.

Public Housing & Capital Fund Overview:

HACCC previously owned and managed 1,179 public housing units at 16 different sites throughout the County. These numbers were reduced during the prior budget year to 965 units, due to the removal of our Las Deltas property in North Richmond from the public

housing program. Despite the loss of 214 units, the budget was not dramatically impacted. This is because the property has been primarily vacant for most of the past decade. Not only HACCC not collect tenant rents from a vacant property, we no longer receive a HUD subsidy for the unit if it is vacant. Revenue to manage public housing 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

	2021-2022 Budget	2020-2021 Budget	Change
Revenue	\$13,924,080	\$13,577,775	\$ 346,305
Expenditures	\$12,393,722	\$12,185,591	\$ 208,131
Program Costs, Debt Service & Other Capital Improvements	\$ 1,675,885	\$ 1,502,608	\$ 173,277
To Reserves	-\$ 145,527	-\$ 110,424	-\$ 35,103

Public Housing by Asset Management Property (Amp)	Area	2021-2022 Revenue	2021-2022 Expenditure	2021-2022 Residual/ - Loss
AMP-1,Ca001,Ca011,	Martinez	\$ 874,224	\$812,062	\$ 62,162
AMP-2,Ca045a,Ca045b	San Pablo	\$1,645,447	\$1,589,461	\$ 55,986
AMP-3,Ca004,Ca008,Ca012	Brentwood, Oakley	\$1,066,718	\$1,286,358	-\$219,640
AMP-4,Ca010	Rodeo	\$2,970,035	\$3,010,235	-\$ 40,199
AMP-5,Ca005	Pittsburg	\$1,995,671	\$1,953,238	\$ 42,433
AMP-6,Ca009a,Ca009b	North Richmond	\$ 20,537	\$ 206,040	-\$185,502
AMP-7,Ca006	North Richmond	\$ 1,456	\$ 126,977	-\$125,520
AMP-8,Ca002,Ca013	Bay Point	\$ 441,291	\$464,095	-\$ 22,804
AMP-9,Ca003,Ca015	Antioch	\$1,028,000	\$1,164,389	-\$136,389
Capital Funding	All AMPS	\$3,880,700	\$3,456,753	\$258,397
Program Totals		\$13,924,800	\$14,069,607	-\$145,527

Public Housing Reserves	Restricted Reserve Balance	Unrestricted Reserve Balance	Reserve Balance
Projected 3/31/21	\$0	\$2,318,217	\$2,318,217
FY 2022 Budget Impact	\$0	-\$ 145,527	-\$ 145,527
Projected to 3/31/22**	\$0	\$2,172,690	\$2,172,690

**** Unrestricted Reserve balance should not be below \$2,030,932**

Explanation of Change:

The increase in revenue and expenditures is a result of the use of Capital Funds supplementing the operations during the transition of the demolition and disposition of the N. Richmond project.

Homeless Certificate Program Overview:

HACCC's Certificate Program is solely comprised of the Authority's Continuum of Care (COC) Funding Program. This 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 currently operates the supportive services and casework portions. Approximately 323 clients are assisted under this program. The Homeless Certificate program is separate from (and in addition to) HACCC's other major homeless programs, the VASH and Mainstream voucher programs. Unlike the Certificate program, funding for both VASH and Mainstream comes from HUD via the voucher program and, thus, is included in the Housing Choice Voucher budget.

Certificate Programs Summary	2021-2022 Budget	2021-2022 Budget	Change
Revenue	\$6,456,381	\$5,838,998	\$ 617,383
Expenditures	\$ 372,432	\$ 680,156	-\$ 307,724
Program Costs, Debt Service & Other Capital Improvements	\$6,208,194	\$5,158,842	\$1,049,352
To Reserves	-\$ 124,245	\$-0-	-\$ 124,245
Certificate Programs Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/21	\$0	-\$125,931	-\$ 125,931
FY 2022 Budget Impact	\$0	-\$124,245	-\$ 124,245
Projected to 3/31/22	\$0	-\$250,176	-\$ 280,176

Explanation of Change:

The primary changes in the Certificate Program related to revenues are a result of increases in HAP funding. The reduced expenditures are the result of a reduction in administrative funding as well as changes in allocation methodology.

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, De Anza 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	2021-2022 Budget	2020-2021 Budget	Change
Revenue	\$7,018,675	\$6,717,909	\$300,766
Expenditures	\$6,363,843	\$6,123,405	\$240,438
Program Costs, Debt Service & Other Capital Improvements	\$ 696,545	\$ 747,221	-\$ 50,676
To Reserves	-\$ 41,713	-\$ 152,717	\$111,004

State & Local Reserves	Restricted Reserve Bal.	Unrestricted Reserve Balance	Reserve Balances
Projected 3/31/21	\$-0-	\$4,062,880	\$4,062,880
FY 2022 Budget Impact	\$ 603,485	-\$ 645,198	-\$ 41,713

Projected to 3/31/22	\$ 603,485	\$3,417,682	\$4,021,167
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Explanation of Change:

The projected changes in revenue and expense are primarily tied to the tax credit properties. The Reserve Balance reported does not include the unfunded Pension and Other Post-Employment Benefits (OPEB) in the amount of \$3,099,155

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners choose not adopt Resolution No. 5232 approving HACCC's budget for the fiscal year 2021-2022, 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.

ATTACHMENTS

HUD 52574