



Boards of Commissioners Update

November 2016

Boards of Commissioners Update – November 2016

Table of Contents

Topic:	Page
2016 3rd Quarter Financial Results	

BOARD UPDATE

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TO: Boards of Commissioners

Fresno Housing Authority

FROM: Preston Prince

CEO/Executive Director

DATE: 11/15/16

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SUBJECT: Financial Operating Results through September 30, 2016

Executive Summary

The purpose of this update is to present the financial operating results as of September 30, 2016, along with a brief summary of variances from the current approved budgets. Projections have been incorporated into the year-to-date budget to account for the timing of cash flows and known variable expenses. These adjustments were based on historical trends and the most current information available.

Please see attached financial reports for summary revenues and expenses by budget and division. The supplementary budget reports provided with this memo shows the consolidation of all Agency programmatic budgets combined into six divisions. Each budget, separately and together as a whole, is intended to ensure that the Fresno Housing Authority and its related entities remain fiscally sound while investing in the Agency's future, and delivering services in accordance with our mission statement.

Agency Operating Budget

Overall, the Agency is performing in line with our original budget expectations. Total net income is about \$53 thousand lower than projected, expenses are \$900 thousand lower, and unrestricted net income is \$23 thousand better than budgeted. While, total net income is closely aligned with the original budget, variances within certain Agency division, specifically Assisted Housing (AHD) and Planning & Community Development (P&CD), are notable. Further details are outlined below.

Total income is approximately \$53 thousand below the year-to-date (YTD) budget, with the largest variances within AHD and P&CD. The \$1.1 million deviation in P&CD is attributable to the delay in receiving budgeted developer fees, however these variances are only due to timing and we expect to collect the outstanding fees during the fourth quarter of 2016 or in the first quarter of 2017. Staff will be explaining these changes further in future 2017 budget discussions. Within the Assisted Housing (AHD) division, the Housing Choice

Voucher program has seen a significant increase in Administrative Fee Revenue under the HUD Grant Income line item due an increase in proration levels at the Federal level. Staff originally budgeted 70% proration for FY2016, however estimated Federal proration levels have been increased to 84%, which will earn the Agency approximately an additional \$1.5 million dollars over the original budgeted revenue amount.

Year-to-date operating and non-operating expenditures are \$900 thousand lower than budgeted, with major expense savings in Payroll Expenses, and higher than budgeted expenses in Tenant Services Expense. Staff expects that there will be some permanent savings in the 2016 budget for Payroll Expenses because of several key, open positions that were held vacant for longer than anticipated. As we progress with 2017 budget planning, staff is reassessing the need for those open positions in light of the current uncertainty around the Federal budget. Tenant Services Expense has been increasing as the Agency has increased leasing in some of our homeless grant programs (including CalWorks, TBRA, and Shelter Plus Care). These programs are funded on a reimbursement-basis, meaning the Agency gets reimbursed for every dollar it spends on these programs and the program nets zero at the end of the year. Therefore, as expenses increase there will be a corresponding increase in Grant Income to the program, and there will be no net impact to the budget.

Housing Assistance Payments (HAP) Budget

Housing Assistance Payments (HAP) are the subsidies paid to landlords on behalf of residents participating in the Housing Choice Voucher program (formerly known as "Section 8") and the Shelter Plus Care program. Revenues and expenses for Housing Assistance Payments are off budget as of September 30, 2016 due to cash management policies implemented by HUD. Revenues are approximately \$6 million dollar less than anticipated due to lower HAP expense levels and HUD's forced utilization of Agency-held HAP reserves. HAP expenditures are lower than originally budgeted due to lower than anticipated voucher utilization rates in the City, and decreasing Per Unit Costs (PUC) across both programs. Staff is currently leasing up in the City program to increase voucher utilization rates. PUC is also being addressed as we implement higher payment standards. As we expend additional dollars in 2016, HUD will readjust the HAP income to match our expenses.

Mixed Finance Budget

The Fresno Housing Authority has sponsored and developed numerous affordable housing properties across Fresno County. Over the past seven years, the Boards have approved over 20 projects, beginning with Yosemite Village, and including Granada Commons, two phases of Parc Grove Commons, three Renaissance projects, four RAD projects, and several other developments throughout Fresno County. We collectively call these groups of projects the "Mixed Finance Properties" because we used several ("mixed") financing sources to acquire and construct the units. Silvercrest, Inc., a wholly-owned subsidiary of the Agency, acts as the Managing General Partner (MGP) of these properties. The role of the MGP is to manage the on-going operations of the partnership, including the financial performance of the properties. Because of this duty, and because the Agency has a vested interest in the success of these properties, we present the Mixed Finance budgets and financial results to the Boards of Commissioners.

As of September 2016, the Mixed Finance properties are operating slightly better than the budget parameters set at the beginning of the year. Revenues are \$387 thousand better than budget, however, operating and non-operating expenses are \$47 thousand higher than anticipated. Revenue variances are mainly attributable to reimbursements received as Other Income for property tax payments that were made in 2015. These payments are one-time only and not expected to be recurring over the years.

Expenses are higher than budgeted by approximately \$47 thousand. While overall expenses are in line with the annual budget, there are several variances worth mentioning on certain line items. There has been approximately \$300 thousand in unanticipated construction interest paid by property operations instead of the construction budget, as per usual. This variance shows up under non-operating expenses on Total Financing Expenses. This is an example of a one-time only expense that will not be recurring from year to year. Total non-operating expenses are almost \$300 thousand below budget due to budgeted cash flow distribution payments that are not scheduled to be paid until the end of the year. These payments are only made if the property has sufficiently cash flowed during the year, and the property can afford to make the payments. Staff fully expects that all budgeted payments will be made in 2016. The remaining expense variance lies in administrative expenses. Administrative expenses are higher than budgeted due to auditing fees that are paid at the beginning of the year.

Background Information

The 2016 Operating Budget was approved by the Boards in December 2015 with revenues of \$36.42 million and expenses of \$35.01 million, resulting in total net income of approximately \$1.41 million. Of the \$1.41 million in net income, \$360 thousand is unrestricted and will be added to the Agency's unrestricted reserves by the end of 2016.

The 2016 budget for Housing Assistance Payments was approved in December 2015 with \$80.29 million in revenue and \$79.49 million in expenses, leaving \$790 thousand to be added to restricted HAP reserves.

The Mixed Finance Budget was approved by the Silvercrest Board in April 2016 with revenue of \$9.9 million and expenses of \$8.5 million, with total net income of \$1.4 million.

**Fresno Housing Authority
Financial Results as of September 30, 2016**

	City MF Budget	City MF Actuals	County MF Budget	County MF Actuals	MF Total YTD Budget	MF Total YTD Actuals	\$ Variance	% Variance
MIXED FINANCE BUDGET								
INCOME								
NET TENANT INCOME	5,695,543	5,754,022	2,286,386	2,276,177	7,981,929	8,030,199	48,270	1%
INTEREST INCOME	594	-	-	-	594	-	(594)	0%
OTHER INCOME	150,882	251,718	5,408	240,787	156,290	492,505	336,215	215%
ADMIN & MANAGEMENT FEE INCOME	-	-	-	3,155	-	3,155	3,155	0%
DEVELOPER FEE INCOME	-	-	-	-	-	-	-	0%
HUD GRANT INCOME	-	-	-	-	-	-	-	0%
OTHER GRANT INCOME	-	-	-	-	-	-	-	0%
TOTAL INCOME	5,847,019	6,005,740	2,291,794	2,520,119	8,138,813	8,525,859	387,046	5%
EXPENSES								
PAYROLL EXPENSES	1,077,525	1,042,761	408,199	409,955	1,485,724	1,452,716	(33,008)	-2%
ADMINISTRATIVE EXPENSES	838,654	930,104	371,377	399,769	1,210,031	1,329,873	119,842	10%
TENANT SERVICES EXPENSES	260,104	239,445	114,783	103,206	374,887	342,651	(32,236)	-9%
UTILITY EXPENSES	618,820	643,860	300,705	345,830	919,525	989,690	70,164	8%
MAINTENANCE EXPENSES	992,460	930,381	324,666	324,671	1,317,126	1,255,052	(62,074)	-5%
TAXES & INSURANCE EXPENSES	190,609	130,559	90,625	140,127	281,233	270,686	(10,547)	-4%
TOTAL EXPENSES	3,978,172	3,917,111	1,610,354	1,723,557	5,588,526	5,640,667	52,141	1%
NET OPERATING INCOME	1,868,846	2,088,630	681,440	796,562	2,550,286	2,885,192	334,905	13%
NON-OPERATING EXPENSES								
TOTAL NON-OPERATING EXPENSES	232,806	28,378	87,153	(1,372)	319,959	27,007	(292,952)	-92%
TOTAL FINANCING EXPENSES	801,742	995,475	362,832	445,691	1,164,574	1,441,166	276,593	24%
TOTAL ADJUSTMENTS & OPERATING TRANSFERS	-	-	-	11,415	-	11,415	11,415	0%
TOTAL NON-OPERATING EXPENSES	1,034,548	1,023,854	449,985	455,735	1,484,533	1,479,589	(4,944)	0%
NET CASH FLOW	834,298	1,064,776	231,455	340,827	1,065,753	1,405,603	339,849	32%
UNRESTRICTED CASH FLOW	834,298	1,064,776	231,455	340,827	1,065,753	1,405,603	339,849	32%

**Fresno Housing Authority
Financial Results as of September 30, 2016**

	Core Budget	Core Actuals	Instrum. Budget	Instrum. Actuals	P&CD Budget	P&CD Actuals	AHD Budget	AHD Actuals	HSM Budget	HSM Actuals	Aff Hsg Budget	Aff Hsg Actuals	Total YTD Budget	Total YTD Actuals	\$ Variance	% Variance
AGENCY OPERATING BUDGET																
INCOME																
NET TENANT INCOME	38,250	5,563	-	-	-	-	-	-	3,724,435	4,412,699	1,472,125	1,037,426	5,234,810	5,455,689	220,879	4%
INTEREST INCOME	3,230	19,829	834,750	751,850	-	45,924	338	62,837	1,072	-	-	337	839,389	880,777	41,388	5%
OTHER INCOME	152,414	194,630	101,063	278,840	195,750	30,144	397,094	407,888	24,899	51,835	28,931	19,632	900,150	982,969	82,819	9%
ADMIN & MANAGEMENT FEE INCOME	5,294,215	5,416,502	45,000	21,601	-	-	-	-	554,632	962,064	-	13,815	5,893,847	6,413,982	520,135	9%
DEVELOPER FEE INCOME	-	-	-	-	3,765,725	2,592,160	-	-	-	-	-	-	3,765,725	2,592,160	(1,173,565)	-31%
HUD GRANT INCOME	-	-	-	-	-	-	6,008,374	7,437,153	3,592,938	2,854,176	-	-	9,601,312	10,291,329	690,017	7%
OTHER GRANT INCOME	-	-	-	-	-	-	460,464	621,295	614,637	18,926	-	-	1,075,101	640,222	(434,880)	-40%
TOTAL INCOME	5,488,109	5,636,524	980,813	1,052,292	3,961,475	2,668,227	6,866,269	8,529,173	8,512,612	8,299,700	1,501,056	1,071,211	27,310,334	27,257,127	(53,206)	0%
EXPENSES																
PAYROLL EXPENSES	3,510,645	3,353,953	-	73,917	1,078,782	1,023,807	4,630,435	3,997,675	2,787,479	2,534,006	174,723	89,904	12,182,063	11,073,262	(1,108,802)	-9%
ADMINISTRATIVE EXPENSES	2,031,006	2,836,801	620,726	588,805	1,011,972	638,293	3,504,288	3,343,672	2,042,675	1,926,220	118,188	69,879	9,328,855	9,403,671	74,816	1%
TENANT SERVICES EXPENSES	39,750	29,535	-	-	-	175	-	530,304	7,947	22,584	-	170	47,697	582,769	535,072	1122%
UTILITY EXPENSES	94,537	143,759	-	-	-	176	-	-	1,281,725	1,361,602	142,416	109,372	1,518,679	1,614,909	96,231	6%
MAINTENANCE EXPENSES	293,811	263,292	37,500	67,542	6,375	9,605	31,875	20,962	1,110,413	1,105,283	375,660	225,111	1,855,634	1,691,795	(163,839)	-9%
TAXES & INSURANCE EXPENSES	21,030	21,690	187	9,067	1,950	22,257	2,042	2,914	284,599	226,289	17,026	7,422	326,835	289,638	(37,197)	-11%
TOTAL EXPENSES	5,990,780	6,649,030	658,414	739,330	2,099,079	1,694,313	8,168,639	7,895,528	7,514,838	7,175,984	828,013	501,858	25,259,763	24,656,043	(603,720)	-2%
NET OPERATING INCOME	(502,671)	(1,012,505)	322,399	312,961	1,862,396	973,914	(1,302,370)	633,645	997,774	1,123,716	673,043	569,353	2,050,571	2,601,084	550,514	27%
NON-OPERATING EXPENSES																
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	-	-	29,822	348,655	369,155	22,800	798	371,455	399,776	28,320	8%
TOTAL FINANCING EXPENSES	237,000	139,074	-	-	-	20,611	-	-	184,131	59,299	247,338	103,643	668,469	322,627	(345,842)	-52%
TOTAL ADJUSTMENTS & OPERATING TRANSFERS	-	20,000	-	-	-	-	-	-	-	-	-	-	-	20,000	20,000	0%
TOTAL NON-OPERATING EXPENSES	237,000	159,074	-	-	-	20,611	-	29,822	532,786	428,454	270,138	104,441	1,039,924	742,402	(297,522)	-29%
NET CASH FLOW	(739,671)	(1,171,579)	322,399	312,961	1,862,396	953,303	(1,302,370)	603,823	464,987	695,261	402,905	464,912	1,010,646	1,858,682	848,036	84%
UNRESTRICTED CASH FLOW	(739,671)	(1,171,579)			1,862,396	953,303	(1,302,370)				402,905	464,912	223,260	246,636	23,376	10%
HOUSING ASSISTANCE PAYMENTS (HAP) BUDGET																
HAP REVENUE							60,464,613	54,571,652					60,464,613	54,571,652	(5,892,960)	-10%
HAP EXPENSES							59,750,285	56,830,205					59,750,285	56,830,205	(2,920,080)	0%
HAP NET INCOME							714,327	(2,258,553)					714,327	(2,258,553)	(2,972,880)	-416%