



Berkeley Housing Authority

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Item 7E
NEW BUSINESS
January 9, 2025

Office of the Executive Director

To: Honorable Chair and Members of the Berkeley Housing Authority Board
From: Jesy Yturralde, Finance Manager
Subject: Financial Report: Actual vs Budget for Period Ending November 30, 2024

I. Background

On June 13, 2024, the BHA Board of Commissioners approved the operating budget for FY2025 with a projected annual operating income of \$22,466 across all programs. BHA exercised fungibility using approximately \$399,000 in HAP funding to cover operating expenditures and balance the budget in the Housing Choice Voucher – MTW program. BHA also assumed using about \$59,000 operating reserves in the Mod Rehab, Mainstream and EHV programs to balance the FY2025 budgets for these programs.

Other significant budget assumptions include a 79% utilization of our 1,989 HCV vouchers and administrative fee rates in effect in 2024 at 90% pro-ration. It also included a \$2,469,440 budget in salary and benefits for 13 full-time equivalent positions, including a new Eligibility Technician position.

II. Comparative Financial Report (Actual vs Budget)

The finance report covers the unaudited financial transactions for HAP and operations compared to the FY2024-2025 Budget for the period ending November 30, 2024. It includes actual transactions from July to November 2024 (*Col. c*) and a projection of revenue and expenses for the months of December 2024 through June 2025 (*Col. e*) to arrive at the FY2025 estimated total revenue and expenses (*Col. f*).

As of November 30th, BHA projects an annual operating surplus of \$16,227 (*Col. f, Line 84*), higher by \$6,239 less than our originally projected net income (\$22,466) at the beginning of the fiscal year. This is after utilizing HAP funding (HCV) and operating reserves to cover operating expenses.

II.A. HAP Revenue and Expenses: (Lines 1-7)

Program	Budgeted Utilization & Per Unit Cost (PUC)	Actual & Projected Utilization & PUC – from TYT
HCV	79% / \$1,826	78.42% / \$1,839
Mainstream	84% / \$1,768	81.13% / \$1,889
EHV	92% / \$2,056	95% / \$1,989

The approved budget projected an available HAP funding allocation of \$42,547,835 for all programs (*Col. a, Line 2*); HAP expenses of \$38,679,469 million based upon budgeted utilization and PUCs presented above. (*Col. a, Line 4*); and a budgeted HAP surplus of \$3,249,081 after MTW eligible expenses.

For the current fiscal year, we project HAP revenue to be \$39,673,263 (*Col. f, Line 2*), \$2,874,263 less than originally budgeted from HAP funding. This is primarily due to low utilization in unit months leased (UML) and HAP dollars during the benchmark year, and a projected pro-ration of 97.5% in HAP funding for CY2025. The projected HAP funding also assumes NO recapture of excess HAP in CY2025.

HAP expenses are projected to be \$38,429,322 (*Col. f, Line 4*), \$250,147 less than our originally budgeted HAP expenses. This amount is derived from actual HAP expenditures through November 30, 2024 and HAP projection for the remaining months of the fiscal year utilizing HUD's Two-Year-Tool (Attachment H). The TYT assumes that BHA will continue to issue at least 20 vouchers every month to successful waitlist applicants and the occupancy of 22 new PBV units at Maudelle Miller Shirek by 01/01/2025.

We anticipate excess HAP funding of \$559,055 (*Col. f, Line 7*) from all programs on June 30, 2025.

DESCRIPTION	FY2025 BUDGET	YEAR - TO - DATE				FY2025 ESTIMATED TOTAL			
	(a)	(b)	(c)	(d)		(e)	(f)	(g)	
	FY2025 BUDGET BUDGET	FY2025 YTD BUDGET	FY2025 YTD ACTUAL	INCREASE (DECREASE)	%	EST BUDGET DEC-JUNE 2025 PROJECTED	FY2025 ESTIMATED TOTAL	INCREASE (DECREASE)	%
HOUSING ASSISTANCE PAYMENTS (HAP)									
1 HAP Received from HUD	\$ 42,547,835	\$ 17,728,265	\$ 13,942,027	\$ (3,786,238)	-21%	\$ 25,731,545	\$ 39,673,572	\$ (2,874,263)	-7%
2 Miscellaneous Income -HAP	\$ -	\$ -	\$ 1,884	\$ 1,884	100%	\$ -	\$ 1,884	\$ 1,884	100%
3 Less HAP Paid to Owners	\$ (38,679,469)	\$ (16,116,446)	\$ (15,765,736)	\$ 350,710	-2%	\$ (22,663,586)	\$ (38,429,322)	\$ (250,147)	1%
4 Less MTW Eligible Expenses	\$ (219,407)	\$ (91,419)	\$ (7,500)	\$ 83,919	-92%	\$ (211,907)	\$ (219,407)	\$ -	0%
5 Less Transfer to Operating revenue	\$ (399,878)	\$ (166,616)	\$ -	\$ 166,616	-100%	\$ (467,673)	\$ (467,673)	\$ (67,795)	17%
6 HAP Surplus (Deficit)	\$ 3,249,081	\$ 1,353,784	\$ (1,829,324)	\$ (3,183,108)	-1.1533	\$ 2,388,379	\$ 559,055	\$ (3,190,321)	0
7 Use of Excess HAP Reserve			\$ 1,829,324						
8 Net HAP Surplus (Deficit)	\$ 3,249,081	\$ 1,353,784	\$ -	\$ (3,183,108)		\$ 2,388,379	\$ 559,055	\$ (3,190,321)	

II.B. Operating Revenue and Expenses

The overall operating results (after application of program reserves and fungibility in the MTW HCV Program) are as follows:

	<u>Original Budget</u>	<u>11/30/2024 Projected</u>	<u>Variance</u>
Section 8 (<i>Attach. B</i>)	\$ -	\$ -	\$ -
Mod Rehab (<i>Attach. C</i>)	\$ -	\$ -	\$ -
Mainstream (<i>Attach. D</i>)	\$ -	\$ -	\$ -
EHV (<i>Attach. E</i>)	\$ -	\$ -	\$ -
Others (<i>Attach. E & F</i>)	<u>\$ 22,466</u>	<u>\$ 16,227</u>	<u>\$ 6,239</u>
Operating Surplus (Deficit)	<u>\$ 22,466</u>	<u>\$ 16,227</u>	<u>\$ 6,239</u>

The change in projected operating surplus is primarily attributable to the following:

1. Operating Revenue is projected to be \$3,962,057 for the fiscal year, exceeding the budget by \$111,565. (*See Attachment A, Line 21*)
 - a. There are fewer outgoing portable vouchers being managed by other housing authorities due to absorption resulting in lesser administrative fees paid to receiving PHAs. (*Attachment A, Line 14*)
 - b. The finance report also assumes using \$467,771 in HAP funding to cover operating expenses. This is \$67,893 more than what we originally anticipated using the FY2025 budget. (*Attachment A, Line 20*)
2. Operating and capital expenses are now expected to be \$3,658,200, - \$133,575 higher than the original budget of \$3,524,625 (*See Attachment A, Lines 72 + 75*).
 - a. Salary and Benefits. The new projection for Salary and Benefits is \$2,543,726; \$73,710 higher than our original budget (\$2,470,016). (*See Attachment A, Lines 24 and 25*).

The approved budget assumed 13 FTE positions including an Eligibility Technician. During the fiscal year, BHA moved the HQS inspection function in-house, terminating the inspection contract with iSterling, and hiring the Inspector as a full time benefited position. This reduced the inspection services by about \$81,000, but increased salary and benefits by approximately \$150,000.

There are two vacant positions that were filled with temporary employees during the year resulting in some savings in salary and benefits.

- b. Consultants. Consultant fees are anticipated to exceed budget \$107,931 (*See Attachment A, Lines 41*). This is primarily attributable to the continuing services of Grant Consulting on the Wait List project.

- c. Computer Services Maintenance Fee. The City of Berkeley’s billing BHA for the cost of IT services allocated to the housing authority for FY2025 is \$29,000 higher than what was budgeted.
- d. Inspections. As earlier mentioned the contract with iSterling was terminated resulting in a \$80,807 variance in inspections services. The inspector was hired in-house which resulted in an increase in salary and benefits of about \$150K.

III. Two Year Tool

The Two Year Tool (TYT) is a complex spreadsheet used by HUD and PHAs to project the HAP expenditures and HAP reserve levels of Housing Authorities over a two year period. It helps housing authorities in planning and strategizing to maximize utilization of vouchers within the available funding allocation. It uses variables like success rate, attrition rate, period from time issuance to HAP effective date, and average per unit cost (PUC). It also uses assumptions like number of vouchers issued and planned additions and reductions to estimate changes in unit months leased.

Summary Outcomes		
Year-End Outcomes		
	2024	2025
UML % of ACC (UMA)	76.6%	80.8%
HAP Exp as % All Funds	90.7%	98.1%
HAP Exp as % of Elig.	98.7%	108.4%
Proj. 12/31 Total Reserves	\$3,464,413	\$689,906
HAP Reserves - % ABA	10.1%	2.1%

HAP Reserve, CY2022-CY2025

CY		AMOUNT	
2022	HUD Reserve, 12/31/2022		\$ 5,337,780
	Prior Period Adjustment		\$ (365,920)
2023	Adjusted HAP Reserve, beginning		\$ 4,971,860
	Offset from CY2022 excess HAP		\$ (1,630,410)
	HAP Funding, CY2023	\$ 32,123,366	
	First Time Renewals/Set Aside	\$ 1,074,248	
	Fraud Recovery	\$ 1,038	\$ 33,198,652
	Total Available HAP Funding, CY2023		\$ 36,540,102
	Less: HAP Expenses - CY2023	\$ (32,306,054)	
	2023 Non HAP exp using HAP	\$ (1,225,418)	\$ (33,531,472)
2024	Adjusted HAP Reserve, beginning		\$ 3,008,630
	HAP Funding, CY2024		\$ 34,300,417
	Total Available HAP Funding, CY2024		\$ 37,309,047
	Less: HAP Expenses - CY2024 - TYT	\$ (33,177,822)	
	2024 Non HAP exp using HAP	\$ (666,812)	\$ (33,844,634)
2025	Adjusted HAP Reserve, beginning		\$ 3,464,413
	HAP Funding, CY2025 - Est. - from TYT (\$33,844,634 X 97.5% pro-ration)		\$ 32,998,518
	Total Available HAP Funding, CY2025		\$ 36,462,931
	Less: HAP Expenses - CY2025 - TYT	\$ (35,773,025)	
	2025 Non HAP exp using HAP		\$ (35,773,025)
	Estimated HAP Reserve, 12/31/2025		\$ 689,906

The TYT projects a HAP reserve balance (or excess HAP funding) on December 31, 2024 of \$3,464,413; and \$689,906 on December 31, 2025. A housing authority with at least 500 units is allowed to retain 4% of its renewal eligibility in its HAP reserve. This is about or approximately \$1.4 million for BHA.

During CY2023, HUD recaptured \$1,630,410 out of BHA's CY2022 HAP reserve in excess of the allowable threshold. To prevent another recapture in CY2023, the Board approved a resolution committing \$3.3 million in HAP reserves to be used exclusively for BHA's MTW local, non-traditional programs and service provision programs in August 2023. Further, BHA exercised fungibility and utilized HAP funding to cover operating/administrative expenses totaling \$1,225,418 in CY2023, which ultimately was renewed in the BHA's 2024 HAP formula; and increased BHA's Unrestricted Net Position (UNP) in the Balance Sheet by the same amount. The UNP may be used for administrative expenses for a variety of purposes.

For CY2024, BHA anticipates using \$666,812 of HAP funding for landlord incentives and operating expenses not covered by administrative fees.

IV. Net Proceeds from Disposition/Sale of Public Housing Units

As of September 30, 2024, the cash balance of the disposition proceeds deposited in the bank is \$7,391,868. Of this, \$6,122,536 is HUD-restricted, coming from the sale of the former LIPH units, while \$1,269,332 are proceeds from the sale of the state RHCP units, and not restricted. We are nearing year 11 of 55 of the “loanback” to Berkeley 75. As of June 30, 2024, the note receivable from Berkeley 75 including any accrued interest totals \$9.8 million. We received an average of \$570,000 per year in the past 10 years, and can expect about the same amount the remaining 44 years, unless BHA requests Related Company/Berkeley 75 to refinance, which may allow cash out of the loan in a lump sum, rather than in annual increments.

HUD approved up to \$2.7 million of the disposition proceeds of the LIPH units to be used to cover BHA operating shortfalls. As of today, BHA has used \$1.15 million for operations, leaving \$1.55 million in the bank to cover future operating deficits, as approved by HUD.

Attachments:

- A. Budget Status Report: All Programs, September 30, 2024
- B. Budget Status Report: Section 8, September 30, 2024
- C. Budget Status Report: Moderate Rehabilitation, September 30, 2024
- D. Budget Status Report: Mainstream 05, September 30, 2024
- E. Budget Status Report: EHV, September 30, 2024
- F. Budget Status Report: LIPH, September 30, 2024
- G. Budget Status Report: BHA, September 30, 2024
- H. Balance Sheet as of September 30, 2024
- I. Two Year Tool