



Berkeley Housing Authority

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Item 7A
NEW BUSINESS
March 20, 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 December 31, 2024

I. Background

On June 13, 2024, the BHA Board of Commissioners approved the operating budget for FY2025 with a projected annual operating surplus 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 January 31, 2025. It includes actual transactions from July 2024 to December 2025 (*Col. c*) and a projection of revenue and expenses for the months of February through June 2025 (*Col. e*) to arrive at the FY2025 estimated total revenue and expenses (*Col. f*).

As of January 31st, BHA projects an annual operating surplus of \$913,731 (*Col. f, Line 84*) across all programs, a significant increase (by \$891,265) from our originally projected net income (\$22,466) at the beginning of the fiscal year. This resulted from exercising fungibility by using approximately \$1.4 million in HAP funding to cover 100% of operating expenses for the months of July through December 2024, freeing the administrative fees received during those months for future expenses. This was done to keep the Net Restricted Reserve within the 4% threshold and prevent a recapture of excess HAP funding at the end of the 2024 calendar year.

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

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 FEB-JUNE 2025 PROJECTED	FY2025 ESTIMATED TOTAL	INCREASE (DECREASE)	%
1 HOUSING ASSISTANCE PAYMENTS (HAP)									
2 HAP Received from HUD	\$ 42,547,835	\$ 24,819,570	\$ 21,258,923	\$ (3,560,647)	-14%	\$ 19,506,639	\$ 40,765,562	\$ (1,782,273)	-4%
3 Miscellaneous Income -HAP	\$ -	\$ -	\$ 2,073	\$ 2,073	100%	\$ -	\$ 2,073	\$ 2,073	100%
4 Less HAP Paid to Owners	\$ (38,679,469)	\$ (22,563,024)	\$ (22,080,853)	\$ 482,170	-2%	\$ (16,331,412)	\$ (38,412,265)	\$ (267,204)	1%
5 Less MTW Eligible Expenses	\$ (219,407)	\$ (127,987)	\$ (19,450)	\$ 108,537	-85%	\$ (199,956)	\$ (219,407)	\$ -	0%
6 Less Transfer to Operating revenue	\$ (399,878)	\$ (233,262)	\$ (1,405,065)	\$ (1,171,803)	502%	\$ -	\$ (1,405,065)	\$ (1,005,187)	251%
7 HAP Surplus (Deficit)	\$ 3,249,081	\$ 1,895,297	\$ (2,244,372)	\$ (4,139,669)	5.01068	\$ 2,975,271	\$ 730,899	\$ (3,052,591)	0

The approved budget projected a 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 \$40,765,562 (Col. f, Line 2), approximately \$1.8 million less than originally budgeted from HAP funding. This is primarily due to (1) lower actual unit months leased (UML) and PUC than originally budgeted, and (2) a projected pro-ration of only 97.5% in HAP funding for CY2025 resulting in lower than budgeted HAP allocation for January – June 2025. The projected HAP revenue for February – June 2025 assumes the receipt of additional HUD funding for CY2024 for the reimbursement of HAP funding used for operating expenses.

HAP expenses are projected to be \$38,412,265 (Col. f, Line 4), \$267K less than our originally budgeted HAP expenses. This amount is derived from actual HAP expenditures through January 31, 2025 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 03/01/2025.

We anticipate excess HAP funding of \$730,899 (Col. f, Line 7) from all programs on June 30, 2025.

HCV							
	HAP REVENUE			HAP EXPENSES			
FY2025	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	Excess HAP
ACTUAL							
Jul-24	3,108,552	2,798,321	(310,231)	2,869,212	2,826,692	(42,520)	(28,371)
Aug-24	3,108,552	2,720,286	(388,266)	2,869,212	2,878,921	9,709	(158,635)
Sep-24	3,108,552	2,720,286	(388,266)	2,869,212	2,746,337	(122,875)	(26,051)
Oct-24	3,108,552	2,720,286	(388,266)	2,869,212	2,873,699	4,487	(153,413)
Nov-24	3,108,552	1,217,372	(1,891,180)	2,869,212	2,748,528	(120,684)	(1,531,156)
Dec-24	3,108,552	3,880,974	772,422	2,869,212	2,763,481	(105,731)	1,117,493
Jan-25	3,108,552	2,768,538	(340,014)	2,869,212	2,785,605	(83,608)	(17,067)
TWO-YEAR-TOOL							
Feb-25	3,108,552	5,246,940	2,138,388	2,869,212	2,880,893	11,681	2,366,047
Mar-25	3,108,552	3,033,961	(74,591)	2,869,212	2,922,095	52,883	111,866
Apr-25	3,108,552	3,033,961	(74,591)	2,869,212	2,921,141	51,929	112,820
May-25	3,108,552	3,033,961	(74,591)	2,869,212	2,924,565	55,353	109,396
Jun-25	3,108,552	3,033,961	(74,591)	2,869,212	2,929,744	60,532	104,217
Total	37,302,627	36,208,847	(1,093,780)	34,430,545	34,201,700	(228,845)	2,007,147
MTW Eligible Expenses				219,407	219,407	-	(219,407)
Transfer to Operating revenue (Fungibility)				399,878	1,405,065	1,005,187	(1,405,065)
Fraud recovery							2,073
Excess HAP				35,049,830	35,826,172	776,342	384,749
UTILIZATION				79%	78%	-1%	
PER UNIT COST (PUC)				\$ 1,826	\$ 1,811	\$ (15.00)	

MAINSTREAM							
	HAP REVENUE			HAP EXPENSES			
FY2025	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	Excess HAP
ACTUAL							
Jul-24	251,042	167,142	(83,900)	179,700	184,741	5,042	(17,599)
Aug-24	251,042	167,142	(83,900)	179,700	185,779	6,080	(18,637)
Sep-24	251,042	171,847	(79,195)	179,700	179,714	15	(7,867)
Oct-24	251,042	198,447	(52,595)	179,700	178,680	(1,020)	19,767
Nov-24	251,042	177,535	(73,507)	179,700	182,604	2,905	(5,069)
Dec-24	251,042	177,535	(73,507)	179,700	178,802	(898)	(1,267)
Jan-25	251,042	189,925	(61,117)	179,700	169,446	(10,254)	20,479
TWO-YEAR-TOOL							
Feb-25	251,042	189,925	(61,117)	179,700	172,866	(6,834)	17,059
Mar-25	251,042	251,042	-	179,700	173,455	(6,245)	77,587
Apr-25	251,042	251,042	-	179,700	173,912	(5,787)	77,129
May-25	251,042	251,042	-	179,700	175,722	(3,977)	75,319
Jun-25	251,042	251,042	-	179,700	176,781	(2,919)	74,261
Total	3,012,502	2,443,665	(568,837)	2,156,394	2,132,502	(23,892)	311,163
UTILIZATION				84%	81%	-3%	
PER UNIT COST (PUC)				\$ 1,768	\$ 1,835	\$ 67.00	

EHV							
	HAP REVENUE			HAP EXPENSES			
FY2025	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	FY25 BUDGET	FY25 ACTUAL (VMS) /PROJ. ACTUAL (TYT)	Variance	Excess HAP
ACTUAL							
Jul-24	108,149	121,519	13,370	96,468	95,179	(1,289)	26,340
Aug-24	108,149	121,520	13,371	96,468	102,800	6,333	18,720
Sep-24	108,149	94,588	(13,561)	96,468	93,014	(3,454)	1,574
Oct-24	108,149	94,587	(13,562)	96,468	93,927	(2,541)	660
Nov-24	108,149	66,081	(42,068)	96,468	93,388	(3,080)	(27,307)
Dec-24	108,149	66,080	(42,069)	96,468	95,040	(1,428)	(28,960)
Jan-25	108,149	89,712	(18,437)	96,468	95,065	(1,403)	(5,353)
TWO-YEAR-TOOL							
Feb-25	108,149	89,712	(18,437)	96,468	97,117	650	(7,405)
Mar-25	108,149	108,583	434	96,468	94,880	(1,588)	13,703
Apr-25	108,149	108,583	434	96,468	94,585	(1,883)	13,998
May-25	108,149	108,583	434	96,468	94,244	(2,223)	14,339
Jun-25	108,149	108,583	434	96,468	93,905	(2,563)	14,678
Total	1,297,786	1,178,130	(119,656)	1,157,610	1,143,143	(14,467)	34,987
AVE. UTILIZATION				92%	96%	4%	
AVE. PER UNIT COST (PUC)				\$ 2,056.00	\$ 1,949.00	(107)	

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:

	Original Budget	01/31/2025 Projected	Variance
Section 8 (Attach. B)	\$ -	\$913,401	\$ 913,401
Mod Rehab (Attach. C)	\$ -	\$ -	\$ -
Mainstream (Attach. D)	\$ -	\$ -	\$ -
EHV (Attach. E)	\$ -	\$ -	\$ -
Others (Attach. E & F)	\$ 22,466	\$ 13,723	(\$ 8,746)
Operating Surplus (Deficit)	\$ 22,466	\$927,124	\$ 904,655

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

1. Operating Revenue is now projected to be \$4,908,725 for the fiscal year, significantly exceeding the budget by \$1,058,2331. This is primarily due to the following: (See Attachment A, Line 21)

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 FEB-JUNE 2025 PROJECTED	FY2025 ESTIMATED TOTAL	INCREASE (DECREASE)	%
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
TOTAL OPERATING REVENUE	\$ 3,850,492	\$ 2,289,477	\$ 3,228,447	\$ 938,970	41%	\$ 1,680,278	\$ 4,908,725	\$ 1,058,233	27%

- a. HAP funding transferred to operations, \$1,405,065, up by \$1,005,187 from originally budgeted amount of \$399,878. (*Attachment A, Line 20*)
 - b. A slight improvement in the administrative fee proration during CY2024 resulted in the increase in Administrative Fees by \$33,621. (*Attachment A, Line 12*)
Budgeted administrative fee proration was 90% while the actual pro-ration used in the CY2024 reconciliation was 91.769%.
 - c. 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*)
2. Operating and capital expenses are now expected to be \$3,702,269, \$177,644 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 \$2,567,576; \$97,560 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.

The approved budget assumed a 3% COLA adjustment during FY2025. The projected salary now includes the estimated retroactive COLA adjustments of 5% for staff due upon ratification of the labor contracts resulting in an increase salary and benefits by approximately \$21,000 for the fiscal year.

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 \$129,044 (*See Attachment A, Lines 41*). This is primarily attributable to the extended 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 \$82,727 variance in inspections services. An 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)	76.7%
HAP Exp as % All Funds	96.7%	96.6%
HAP Exp as % of Elig.	105.1%	100.0%
Proj. 12/31 Total Reserves	\$1,248,356	\$1,231,546
HAP Reserves - % ABA	3.6%	3.5%

HAP Reserve, CY2024-CY2025

CY		AMOUNT
2024	Adjusted HAP Reserve, beginning	\$ 3,008,630
	HAP Funding received, CY2024	\$ 34,300,417
	Total Available HAP Funding, CY2024	\$ 37,309,047
	Add: Fraud recovery	\$ -
	Less: HAP Expenses - CY2024 - TYT	\$ (33,171,873)
	2024 Non HAP exp using HAP - TYT	\$ (2,888,817) \$ (36,060,690)
2025	Adjusted HAP Reserve, beginning	\$ 1,248,357
	HAP Funding, CY2025 - Est. - from TYT (\$33,844,634 X 97.5% pro-ration)	\$ 35,159,171
	Total Available HAP Funding, CY2025	\$ 36,407,528
	Less: PROJECTED HAP Expenses - CY2025 - TYT	\$ (35,175,983)
	2025 Non HAP exp using HAP	\$ (35,175,983)
	Estimated HAP Reserve, 12/31/2025	\$ 1,231,545

BHA is allowed to retain up to \$1.4 million in HAP reserve (\$35,159,171 x 4%). Last month we reported that BHA used of approximately \$2.9 million in HAP funding for operation in 2024 in order to reduce the restricted HAP reserve within the allowable threshold and avoid a

recapture. Consequently, this \$2.9 million will be included in the rebenchmarking calculation increasing the funding allocation for CY2025 and estimated HAP reserve on December 31, 2025.

The exercise of fungibility in 2024 did not only avert a potential recapture, it also resulted in an increase in the unrestricted operating from the unused administrative fee revenue. As of January 31, 2025 the unrestricted operating reserve is approximately \$5.4 million.

The TYT also shows that the 2025 HAP funding level would support the issuance of 20 new HCV vouchers each month, move 22 new PBV households into the Maudelle Shirek Project that recently went live, and potentially increase average utilization from 76.7% on December 31, 2024 to 80.1% at the end of CY2025.

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

As of January 31, 2025 the cash balance of the disposition proceeds deposited in the bank is \$7,441,824. Of this, \$6,160,209 is HUD-restricted, coming from the sale of the former LIPH units, while \$1,281,615 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 over a 15-year period commencing January 2014. 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, January 31, 2025
- B. Budget Status Report: Section 8, January 31, 2025
- C. Budget Status Report: Moderate Rehabilitation, January 31, 2025
- D. Budget Status Report: Mainstream 05, January 31, 2025
- E. Budget Status Report: EHV, January 31, 2025
- F. Budget Status Report: LIPH, January 31, 2025
- G. Budget Status Report: BHA, January 31, 2025
- H. Balance Sheet as of January 31, 2025
- I. Two Year Tool