



Berkeley Housing Authority

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Item 7B
NEW BUSINESS
February 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 December 31, 2024. It includes actual transactions from July to December 2024 (*Col. c*) and a projection of revenue and expenses for the months of January through June 2025 (*Col. e*) to arrive at the FY2025 estimated total revenue and expenses (*Col. f*).

As of December 31st, BHA projects an annual operating surplus of \$947,276 (*Col. f, Line 84*) across all programs, a significant increase (by \$924,810) 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 JAN-JUNE 2025 PROJECTED	FY2025 ESTIMATED TOTAL	INCREASE (DECREASE)	%
HOUSING ASSISTANCE PAYMENTS (HAP)									
HAP Received from HUD	\$ 42,547,835	\$ 21,273,918	\$ 18,135,148	\$ (3,138,770)	-15%	\$ 22,247,898	\$ 40,383,046	\$ (2,164,789)	-5%
Miscellaneous Income -HAP	\$ -	\$ -	\$ 1,979	\$ 1,979	100%	\$ -	\$ 1,979	\$ 1,979	100%
Less HAP Paid to Owners	\$ (38,679,469)	\$ (19,339,735)	\$ (18,956,494)	\$ 383,241	-2%	\$ (19,115,891)	\$ (38,072,385)	\$ (607,085)	2%
Less MTW Eligible Expenses	\$ (219,407)	\$ (109,703)	\$ (13,450)	\$ 96,253	-88%	\$ (205,956)	\$ (219,407)	\$ -	0%
Less Transfer to Operating revenue	\$ (399,878)	\$ (199,939)	\$ (1,405,065)	\$ (1,205,126)	603%	\$ -	\$ (1,405,065)	\$ (1,005,187)	251%
HAP Surplus (Deficit)	\$ 3,249,081	\$ 1,624,541	\$ (2,237,882)	\$ (3,862,423)	5.98272	\$ 2,926,051	\$ 688,169	\$ (3,775,082)	0
Use of Excess HAP Reserve			\$ 2,237,882						
Net HAP Surplus (Deficit)	\$ 3,249,081	\$ 1,624,541	\$ -	\$ (3,862,423)		\$ 2,926,051	\$ 688,169	\$ (3,775,082)	

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 \$40,383,046 (Col. f, Line 2), \$2,164,789 less than originally budgeted from HAP funding. This is primarily due to various reasons like (1) lower actual unit months leased (UML) and PUC than originally budgeted, and (2) a projected proration 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 January – 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 \$38,072,385 (Col. f, Line 4), \$607,085 less than our originally budgeted HAP expenses. This amount is derived from actual HAP expenditures through December 31, 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 03/01/2025.

We anticipate excess HAP funding of \$688,169 (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
TWO-YEAR-TOOL							
Jan-25	3,108,552	4,439,026	1,330,474	2,869,212	2,777,763	(91,449)	1,661,263
Feb-25	3,108,552	3,033,961	(74,591)	2,869,212	2,788,041	(81,171)	245,920
Mar-25	3,108,552	3,033,961	(74,591)	2,869,212	2,840,755	(28,457)	193,205
Apr-25	3,108,552	3,033,961	(74,591)	2,869,212	2,848,865	(20,347)	185,096
May-25	3,108,552	3,033,961	(74,591)	2,869,212	2,859,622	(9,590)	174,339
Jun-25	3,108,552	3,033,961	(74,591)	2,869,212	2,872,946	3,734	161,014
Total	37,302,627	35,666,355	(1,636,272)	34,430,545	33,825,651	(604,894)	1,840,704
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							1,979
Excess HAP				35,049,830	35,450,123	400,293	218,211
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)
TWO-YEAR-TOOL							
Jan-25	251,042	251,042	-	179,700	177,988	(1,712)	73,054
Feb-25	251,042	251,042	-	179,700	178,579	(1,121)	72,463
Mar-25	251,042	251,042	-	179,700	179,189	(511)	71,853
Apr-25	251,042	251,042	-	179,700	179,664	(36)	71,378
May-25	251,042	251,042	-	179,700	181,538	1,839	69,504
Jun-25	251,042	251,042	-	179,700	182,634	2,935	68,408
Total	3,012,502	2,565,899	(446,603)	2,156,394	2,169,912	13,518	395,987
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)
TWO-YEAR-TOOL							
Jan-25	108,149	108,583	434	96,468	94,907	(1,560)	13,676
Feb-25	108,149	108,583	434	96,468	95,031	(1,436)	13,552
Mar-25	108,149	108,583	434	96,468	95,131	(1,336)	13,452
Apr-25	108,149	108,583	434	96,468	94,835	(1,632)	13,748
May-25	108,149	108,583	434	96,468	94,494	(1,974)	14,089
Jun-25	108,149	108,583	434	96,468	94,154	(2,314)	14,429
Total	1,297,786	1,215,872	(81,914)	1,157,610	1,141,901	(15,709)	73,971
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	11/30/2024 Projected	Variance
Section 8 (Attach. B)	\$ -	\$931,140	\$ 931,140
Mod Rehab (Attach. C)	\$ -	\$ -	\$ -
Mainstream (Attach. D)	\$ -	\$ 2,625	\$ 2,625
EHV (Attach. E)	\$ -	\$ -	\$ -
Others (Attach. E & F)	\$ 22,466	\$ 13,511	(\$ 8,955)
Operating Surplus (Deficit)	\$ 22,466	\$947,276	\$924,810

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

1. Operating Revenue is now projected to be \$4,919,193 for the fiscal year, significantly exceeding the budget by \$1,068,701. 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	FY2025 YTD BUDGET	FY2025 YTD ACTUAL	INCREASE (DECREASE)	%	EST BUDGET JAN-JUNE 2025 PROJECTED	FY2025 ESTIMATED TOTAL	INCREASE (DECREASE)	%
12 Administrative Fees (S8 & MOD REHAB)	\$ 2,941,783	\$ 1,470,892	\$ 1,521,471	\$ 50,579	3%	\$ 1,466,074	\$ 2,987,545	\$ 45,761	2%
13 Administrative fees billed to other PHA on Port in	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%
14 Administrative fees to other PHA on Port out	\$ (75,894)	\$ (37,947)	\$ (18,636)	\$ 19,311	-51%	\$ (39,853)	\$ (58,489)	\$ (17,405)	23%
15 Net Administrative Fees	\$ 2,865,889	\$ 1,432,945	\$ 1,502,835	\$ 69,890	5%	\$ 1,426,221	\$ 2,929,056	\$ 63,166	2%
16 BHA Oversight Fee	\$ 6,922	\$ 3,461	\$ -	\$ (3,461)	0%	\$ 6,922	\$ 6,922	\$ -	0%
17 Preliminary Fee	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%
18 Service Fee	\$ 80,000	\$ 40,000	\$ 200	\$ (39,800)	0%	\$ 80,000	\$ 80,200	\$ 200	0%
19 Miscellaneous Income	\$ 497,803	\$ 286,064	\$ 86,302	\$ (199,762)	0%	\$ 411,649	\$ 497,951	\$ 148	0%
20 Transfer from HAP	\$ 399,878	\$ 199,939	\$ 1,405,065	\$ 1,205,126	603%	\$ -	\$ 1,405,065	\$ 1,005,187	0%
21 TOTAL OPERATING REVENUE	\$ 3,850,492	\$ 1,962,408	\$ 2,994,402	\$ 1,031,994	53%	\$ 1,924,791	\$ 4,919,193	\$ 1,068,701	28%

- 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 \$45,761. (*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 \$3,678,131, - \$153,506 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 \$2,546,607; \$76,591 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 \$127,274 (*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 \$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%	80.7%
HAP Exp as % All Funds	96.7%	94.8%
HAP Exp as % of Elig.	105.1%	98.1%
Proj. 12/31 Total Reserves	\$1,248,356	\$1,904,298
HAP Reserves - % ABA	3.6%	5.4%

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	\$ (34,503,231)
	2025 Non HAP exp using HAP	\$ (34,503,231)
	Estimated HAP Reserve, 12/31/2025	\$ 1,904,297

Last month we projected HAP reserve balances (or excess HAP funding) of \$3,464,413 on December 31, 2024; and \$689,906 on December 31, 2025. We are now projecting HAP reserve balances of \$1,248,357 and \$1,904,297 on December 31, 2024 and December 31, 2025, respectively. This change resulted from using 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 was 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 December 31, 2024 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 80.7% at the end of CY2025.

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

As of December 31, 2024 the cash balance of the disposition proceeds deposited in the bank is \$7,439,129. Of this, \$6,157,712 is HUD-restricted, coming from the sale of the former LIPH units, while \$1,281,417 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, December 31, 2024
- B. Budget Status Report: Section 8, December 31, 2024
- C. Budget Status Report: Moderate Rehabilitation, December 31, 2024
- D. Budget Status Report: Mainstream 05, December 31, 2024
- E. Budget Status Report: EHV, December 31, 2024
- F. Budget Status Report: LIPH, December 31, 2024
- G. Budget Status Report: BHA, December 31, 2024
- H. Balance Sheet as of December 31 2024
- I. Two Year Tool