

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item: San Diego Housing Commission's Fiscal Year 2008 Budget

OVERVIEW

The San Diego Housing Commission is submitting their Proposed Fiscal Year 2008 Budget to the Housing Authority for approval. Housing Commission's Proposed FY08 Budget is \$231.3 million, which represents a \$56.2 million (or 20%) reduction from their Fiscal Year 2007 Budget. This is primarily a result of the removal of one-time revenues and expenses that occurred in Fiscal Year 2007, which included the acquisition of the Smart Corner office building and the expense of prior year funds for rental development and lead hazard abatement. The following table compares the Fiscal Year 2008 Proposed Budget to their Fiscal Year 2006 and 2007 Budgets. The columns for FY06 and FY07 reflect the Housing Commission's revised budgets which differ from their proposed budgets by \$20.9 million and \$11.8 million, respectively. It is anticipated that the Housing Commission will request amendments to their budget during the fiscal year when additional federal and/or state grants are received.

BUDGET SUMMARY

	FY06	%	FY07	%	FY08	%	Diff betw. 08 and 07 % change	
REVENUES								
Restricted	\$ 188.4	78%	\$ 193.9	67%	\$ 180.8	78%	\$ (13.1)	-7%
Unrestricted	53.8	22%	93.6	33%	50.5	22%	(43.1)	-46%
Total Revenues	\$ 242.2	100%	\$ 287.5	100%	\$ 231.3	100%	\$ (56.2)	-20%
EXPENSES								
Salaries & Benefits	\$ 16.7	7%	\$ 17.1	6%	\$ 17.8	8%	\$ 0.7	4%
Services & Supplies	7.5	3%	12.3	4%	8.6	4%	(3.7)	-30%
Housing Programs	196.2	81%	232.8	81%	184.9	80%	(47.9)	-21%
Reserves	21.8	9%	25.3	9%	20.0	9%	(5.3)	-21%
Total Expenses	\$ 242.2	100%	\$ 287.5	100%	\$ 231.3	100%	\$ (56.2)	-20%

*Fiscal Year 2006 and 2007 reflects revised budget.

FISCAL/POLICY DISCUSSION

The Housing Commission's Fiscal Year 2008 Proposed Budget is allocated to three activity groups and reserves as detailed in the table to the right.

The Fiscal Year 2008 Budget reflects the first time that the administrative fee from HUD for Rental Assistance will be insufficient to cover expenses. In response to this, the Housing Commission plans on

FISCAL YEAR 2008 BUDGET	
<i>Housing Services</i>	\$ 154.6
Rental Assistance	134.4
Property Management	17.8
Resident Services	2.4
<i>Housing Finance & Development Activities</i>	\$ 45.5
Rental Housing Production	26.0
Homeownership	5.8
Rehabilitation	7.8
Portfolio Servicing & Occupancy Monitoring	2.8
Special Purpose Housing	3.1
<i>Operations</i>	\$ 11.2
Board and Executive	0.9
Support Services	9.5
Policy and Public Affairs	0.8
<i>Reserves</i>	\$ 20.0
Program Reserves	11.9
Contingency Reserves	2.6
Unobligated Reserves	5.5

initiating a process review to determine where and how costs could be reduced. This is similar to the Mayor's Business Process Reengineering (BPR), in which the Housing Commission will review their services to determine which services are core, including the review of federal, state, and local mandates. The IBA is encouraged and supports the Housing Commission's plans to improve their processes to ensure these critical services are delivered in the most efficient and effective manner possible. The IBA suggests that once the process review is completed, the Housing Commission return to Land Use & Housing (LU&H) to communicate their results and findings.

Additionally, an upcoming challenge for the Housing Commission will require them to significantly alter their budget for Fiscal Year 2009. Programmatic changes will need to be implemented during Fiscal Year 2008 to address the HUD mandated conversion of Public Housing to project-based accounting to ensure that each project is economically viable on its own. Currently, Housing Commission develops their budget on an activity-based budgeting basis.

Authority to Amend the Budget

In conjunction with the approval of the Proposed Fiscal Year 2008 Budget, the Housing Commission is requesting authority to amend their budget up to \$500,000 (currently the level is \$250,000). This would not impact their spending authority level of \$250,000; it would basically allow the Housing Commission Board to accept new funds and move funds within their existing budget. The IBA believes that any policy on budget authority

should be consistent with the City's. In that respect, the IBA believes that in viewing the Housing Commission as analogous to a "department" they should have the authority to move funds within their existing budget consistent with the City's Appropriation Ordinance. However, to remain consistent with City policies, the IBA does not recommend that the level of authority to accept funds should change from \$250,000 at this time. Also, since Housing Commission items are publicly noticed, the Housing Authority would be notified in advance of the changes being authorized and have the right, if they so choose, to request that an item be heard before them. This notification process is critical to ensure that the policy and intent laid out by the Housing Authority through the budget is executed appropriately. The IBA believes this serves as a strong and reasonable model for management to execute a budget with flexibility while preserving legislative intent. The IBA would be pleased to work with the Housing Commission further on this issue and refine these processes over time, as well as look more closely at procedures for comparable agencies.

Reserves

Although as a line item, reserves have been reduced in the Proposed FY08 Budget; this is a result of the entire budget being reduced. Total reserves as a percentage of the budget have remained constant for the past two fiscal years (9%). The FY08 Budget proposes an Unobligated Reserves level of 2.5% compared to 1.4% in FY07. The IBA is highly supportive of the increase in Unobligated Reserves.

CONCLUSION

The IBA recommends approval of the San Diego Housing Commission's Fiscal Year 2008 Proposed Budget. In regards to the request to increase the Housing Commission's budget authority from \$250,000 to \$500,000, the IBA is supportive in authorizing the Housing Commission to have the authority to move funds, up to \$500,000, within their existing budget. However, we recommend the authority to accept funds remain at the \$250,000 level (similar to their spending authority).

[SIGNED]

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