DATE: June 21, 2016

TO: City Council

THROUGH: Greg Nyhoff, City Manager
          Office of the City Manager

FROM: Arturo Casillas, Housing Director

SUBJECT: Low Rent Public Housing Budget for Fiscal Year 2017

CONTACT: Rhonda Hodge, Housing
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RECOMMENDATION:

That the Board of Commissioners of the Housing Authority of the City of Oxnard 1) adopt a resolution approving and adopting the recommended $7,574,053 operating budget for the Low Rent Public Housing program (“LRPH”) for fiscal year 2017, as presented for each project area and, 2) approve and authorize the use of $420,204 of unrestricted cash/investments to fund the projected deficit.

BACKGROUND

This recommended budget pertains exclusively to the 666 units of LRPH owned and operated by the City of Oxnard Housing Authority (“OHA”). The recommended operating budget for all projects and the Central Office Cost Center (“COCC”) is $7,574,053. The operating budgets, if adopted as recommended, would result in a collective $181,611 deficit. This deficit consists of projected $420,204 shortfall in the COCC minus the residual receipts of the Public Housing projects totaling $238,593. However, residual receipts from other project areas that had surplus income cannot be used to fund COCC deficits.

The public housing program will continue to operate under HUD asset management regulations in fiscal year 2017 whereby each public housing project, as determined in previous years (i.e. 31-1 Colonia Village, 31-4 Pleasant Valley Village, etc.), is funded and budgeted for independently, as is the Central Office Cost Center (“COCC”), which operates on a “fee for service” basis,
which is guided by HUD regulation, with fees paid to the COCC by each housing project. Housing projects, such as the senior buildings (Palm and Plaza Vista), that do not generate sufficient rent revenues and HUD operating subsidy to cover operations, are further subsidized to a limited extent by the OHA’s Capital Fund.

The Low Rent Public Housing program (“LRPH”) is funded primarily with two sources of income: tenant rental income and operating subsidy from the U.S. Department of Housing and Urban Development (“HUD”). The amount of operating subsidy received is based upon a HUD determined formula, which considers the estimated costs to run each Public Housing development and reduces that by the amount of tenant rental income received by each development. So, as tenant rental income goes up, operating subsidy decreases and vice versa. An additional consideration in estimating the amount of operating subsidy each development may receive is based on the level of funding appropriated by Congress each year for the overall program. Operating subsidy for each year is appropriated on a calendar year basis. HUD subsidy for 2016 is estimated to be prorated at 89.73% of eligibility. Subsidy for 2017 is unknown as no federal budget has been adopted. For purposes of the proposed project budgets, the proration of funding is estimated to be 85%; and we are projecting a decrease of approximately $227,501 in operating subsidies, offset by an increase in tenant rent of $134,628. Staff continues to work diligently to maximize tenant rent through timely turnover of units, rent ranging and placing tenants in properly sized units.

The COCC operates on revenue generated from the projects including a management fee, a bookkeeping fee, and an asset management fee, as determined by HUD guidelines and regulations. Under the fee-for-service system certain specialized services are provided to the projects by the COCC or maintenance division, where having a dedicated staff to each project is not practical. Services are charged only as they are used (i.e. higher level carpentry, electrical, plumbing, etc.). Since these fees are classified as expenses to the projects and income to the COCC, on audited financial statements the income and expense for these items is zeroed out so as not to be double counted. On this budget document, however, they are shown both places to clearly present the entire budget for each project and the COCC.

On the expense side, the majority of line items have increased from last year’s budget, adjusted to bring the budget closer to anticipated actual expenses and based upon actual experience over the past three years. Expenses have increased due to higher salaries and benefits, higher utility costs, and an increase in materials for maintenance repairs. Staff will continue to closely monitor the budgets of all project areas and the COCC to try to achieve additional cost savings.

**FINANCIAL IMPACT**

As of April 30, 2016, the Authority’s COCC Unrestricted Cash and Investments are $1,616,940, or 83% of annual operating costs for the COCC. The net financial impact of this action is that the COCC Cash and Investments fund will be reduced by $420,204, leaving a remaining balance of $1,196,736.