


Office of the Executive Officer

INFORMATION CALENDAR

July 20, 2004

To: Honorable Chairperson and
Members of the Housing Authority

From:  Phil Kamlarz, Executive Officer

Subject: Update on the BHA Section 8 Budget

INTRODUCTION

This report updates the Section 8 budget projections that staff presented at the Berkeley Housing Authority (BHA) Board meeting on June 15, 2004. Subsequent to that meeting, HUD has confirmed yet another revision to the administrative fee rate for Section 8 unit lease up. Fortunately, the new rate lessens the amount of reduction that BHA would have incurred under the initial rate change imposed by the federal agency. Moreover, Council adopted the FY 2004-2005 City budget that includes lower cost of living adjustments for staff salaries, thereby providing additional relief to the BHA budget. Lastly, this report updates the status of staff efforts to meet with union representatives to discuss their concerns and the re-organization efforts underway.

CURRENT SITUATION AND ITS EFFECTS

At the June 15 Board meeting, staff presented a modified Section 8 budget for FY 2003-2004 and a proposed Section 8 budget for FY 2004-2005. These budgets were based on HUD's initial revision to the administrative fee rate issued on April 22, 2004. (Administrative fees are earned for every unit month of Section 8 lease-up, and support all operational and administrative costs of the Section 8 Program, excluding housing assistance payments.) HUD has now confirmed a second revision that lessens the negative financial impact to the BHA. The newly revised rate compensates the BHA at \$69.35 per unit/month of lease up. This compares to the prior rate change reported to the Board of \$64.01 per unit/month of lease up. The rate change remains retroactive to January 2004.

The City's FY 2004-2005 budget, adopted by the City Council on June 22, 2004, provides for lower annualized cost of living adjustments for staff salaries than the amounts previously negotiated as part of the multi-year union contracts. (Full cost of living adjustments per the union contracts will be restored during the later part of FY 2004-2005.) This year's cost of living adjustment equates to an approximate two and three-quarters percent annualized increase, reduced from an approximate five percent increase shown in the preliminary BHA budget analysis. Additional fringe benefits cost savings are realized with the lower base salary amounts.

Attachment A compares the revised projected revenue and expenditure budgets for the Section 8 Program (including Housing Choice Voucher, Moderate Rehab, and Shelter Plus Care programs) using the above updated budget information. The spreadsheet shows projections covering the closeout operations budget for FY 2003-2004, and projections for FY 2004-2005 as well as FY 2005-2006.

Based on the revised projections, we project closing out the FY 2003-2004 Section 8 operations budget (revenues minus expenditures) with a surplus of approximately \$87,000. This compares to the prior budget estimates submitted to the Board on June 22 that showed an operations budget surplus of approximately \$31,000. The difference is attributed to the lower amount of reduced administrative fee earnings for the year based on the latest HUD formula change. FY 2004-2005 projections now show a Section 8 operations budget surplus of approximately \$41,000. This compares to the prior budget estimates that showed a projected deficit of approximately \$36,000. The difference is attributed to both HUD's revised administrative fee rate and the lower cost of living adjustment for staff positions shown in the agency's re-organization plan.

Preliminary projections for the FY 2005-2006 Section 8 operations budget are also shown in Attachment A. These projections assume no change in revenue amounts from the prior year, including HUD's \$69.35 administrative fee rate applied to 1,831 units per month of lease up. On the expenditure side, included in these projections are full restoration of FY 2004-2005 salary cost of living adjustments and an additional four percent adjustment for FY 2005-2006, and an additional \$4,800 for BHA office rent which increases to \$8,600 per month in October 2005. With these inclusions, the projected FY 2005-2006 Section 8 operations budget shows a small deficit of approximately \$26,000.

BHA management had intended to arrange a meeting prior to the preparation of this report with Local 535 representatives to continue discussions on the on-going re-organization efforts that impact staffing and workload assignments. However, the later part of June has been a difficult time to arrange such a meeting due, in part, to the preoccupation of its membership with the ratification process underway to consider reductions to FY 2004-2005 cost of living adjustments. Local 535 will be voting on the proposal on July 1, 2004. We intend to schedule a meeting with the representatives soon after ratification and before the July 20, 2004 BHA Board meeting. Staff will report any significant developments from this meeting at the July 20 BHA Board meeting.

POSSIBLE FUTURE ACTION

No further action on BHA's FY 2004-2005 budget is planned or anticipated.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Not applicable.

CONTACT PERSON

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Approved:



Stephen Barton, Housing Director

Attachment A: Section 8 Budget

**BERKELEY HOUSING AUTHORITY
SECTION 8 BUDGET**

ATTACHMENT A

	FISCAL YEAR 2003-2004	FISCAL YEAR 2004-2005	FISCAL YEAR 2005-2006
REVENUE			
Admin Fee/Section 8	1,469,948 (1)	1,522,926 (4)	1,522,926 (4)
Admin Fee/Mod Rehab	89,149 (2)	89,149	89,149
Audit Fee/Other	14,500	16,500	16,500
Investment Interest	3,455	5,000	5,000
Shelter Plus Care	71,200	75,000	75,000
FSS Coordinator	27,235	-	-
Hard to House Fee	6,950	2,000	2,000
TOTAL REVENUE	1,682,437	1,710,575	1,710,575
EXPENDITURES			
Salaries	863,295	811,208 (5)	852,727 (7)
Other Personnel	75,000	20,000	20,000
Fringe Benefits	345,318 (3)	415,338 (6)	436,596 (6)
Port-Out Fees	57,833	85,000	85,000
Other Administration	253,665	337,910	342,710 (8)
TOTAL EXPENDITURES	1,595,111	1,669,456	1,737,033
BALANCE (DEFICIT)	87,326	41,119	(26,458)

- 1) Based on 20,295 unit months for the year: 7,200 @ \$77.09; 2,591 @ \$71.96; 10,504 @ \$69.35.
- 2) Based on 98 units/month @ \$77.09 per unit month. No HUD COLA.
- 3) Based on 40% fringe benefit rate.
- 4) Based on 21,960 unit months (1830 units/month) @ \$69.35. No HUD COLA.
- 5) All BHA employees except .6 FTE to PH. Dept support staff = .6 FTE.
- 6) Based on 51.2% fringe benefit rate.
- 7) Based on MOU salary rates for FY 2006.
- 8) Includes an additional \$4,800 in BHA office rent from prior year.