

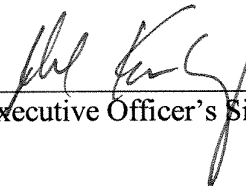
Office of the Executive Officer

**TO BE DELIVERED
AGENDA MATERIAL**

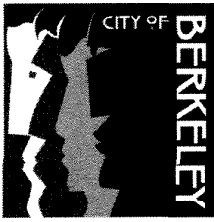
Meeting Date: May 17, 2005

Item Number: 2

Item Description: BHA'S FY 2005-2006 BUDGET ADOPTION



Executive Officer's Signature



Office of the Executive Officer

ACTION CALENDAR
May 17, 2005

To: Honorable Chairperson and
Members of the Housing Authority

From: *PK* Phil Kamlarz, Executive Officer

Subject: FY 2005-2006 Budget Adoption

RECOMMENDATION

Adopt a Resolution approving the Berkeley Housing Authority Fiscal Year 2005-2006 budgets for the Section 8 Programs in the amount of \$1,846,760, and the Public Housing Program in the amount of \$569,883 for a total budget of \$2,416,643.

SUMMARY

Beginning January 1, 2005, HUD changed the funding formula and funding cycle for the Section 8 Housing Choice Voucher Program. Previously, BHA received Administrative Fees based on the number of units leased under the program and HAP funds based on actual costs of rents to landlords. Now under the new funding formula and cycle, BHA will be provided an annual budget at a fixed level of funding for both Administrative Fee and HAP and must carry out the work necessary to meet HUD requirements within this funding level.

The total Berkeley Housing Authority (BHA) budget proposed for next year is \$2,416,643. This amount excludes the Housing Assistance Payments (HAP) to landlords, which will approximate \$25,001,293 for the Section 8, Moderate Rehabilitation and Shelter Plus Care Programs combined, and is accounted for separately from the City's financial tracking system. This budget includes all other BHA operational and administrative expenses for all programs including Public Housing operations and the Capital Fund program. To facilitate the review of next year's program budgets, this report provides the status of BHA's Budget vs. Actual for the current fiscal year (Exhibit A) and projects a surplus of \$88,250 as agency reserve. The projections for next year (Exhibits B & C) show a total operating deficit of \$171,440 for the Section 8 Programs and \$127 for the Public Housing Programs, if no changes are made.

A major emphasis of this report is how the HUD funding cuts impact BHA and its clients, and BHA's plans to manage the funding shortfall while presenting a self-supporting budget for the next year. Current Section 8 and Public Housing clients are not at risk of losing housing, nor will the BHA need to reduce the number of units currently leased, however, the delivery of services will be more difficult to manage. A summation of the BHA budget for the FY 2005-2006 is as follows:

SECTION 8 PROGRAMS

(Exhibit B)

Section 8 Housing Choice Voucher Program – The current funding has been appropriated for calendar year, (CY) January 1 through December 31, 2005, rather than BHA's fiscal year (FY) July 1, 2005 through June 30, 2006, and represents a major setback in Section 8 funding for housing authorities nationwide. This change, which was issued as a directive on January 21, 2005 under the Consolidated Appropriations Act provides BHA with a fixed amount of funding for Housing Assistance Payments (HAP), through the calendar year (CY) from January 1, 2005 through December 31, 2005. Therefore, the funding and this budget, for the second half of BHA's fiscal year (FY), January 1 through June 30, 2006, is projected based on the actual funding level for the first half of the fiscal year.

Although BHA is authorized for 1,841 units under the Section 8 HCV program, the approved HAP funding supports only 1,781 units based on the current average monthly HAP of \$1,039 approved by HUD for CY 2005. Based on this formula, BHA received a fixed amount of \$22,215,562 for Housing Assistance Payments. This amount is \$945,673 less than the prior year funding which could have supported full lease up to the authorized level.

The agency has already implemented cost-cutting measures to reduce the HAP and administrative expenses such as reviewing rents offered under the program to ensure they are not inflated and changing the Payment Standard to not exceed 110% of the Fair Market Rent published by HUD. As a result, the current average monthly HAP per unit has stabilized at \$1,031, which is under the HUD approved \$1,039 per month. Therefore, BHA will be able to support HAP for approximately 1,800 units if HUD funding does not decline for the second half of the fiscal year and BHA maintains the average monthly HAP per unit cost. As a result of Administrative Fee cuts in CY 2006, the projected FY 2006 budget for this program shows an operational deficit of \$171,562. The BHA does, however, have operational reserve funds of approximately \$90,000 from the current year and will cut one (1) FTE position and reclassify another at a savings of \$80,000 to cover the shortfall.

Moderate Rehabilitation Program –The recent HUD funding cuts have not affected this program and the agency will receive \$90,658 for Administrative fee and \$568,320 for HAP to administer the program during FY 2006. The "Mod Rehab" program provides 98 Single Room Occupancy (SRO) units to low-income homeless individuals in the City of Berkeley and BHA projects a balanced budget for FY 2006.

Shelter Plus Care Program – The FY 2006 budget for this program consists of \$2,217,411 for HAP and \$193,077 for Administrative Fees. This includes new funding for 11 additional units in the amount of \$159,060, and the projected budget for FY 2006 reflects a minor surplus. There are 168 authorized units under this program, which provides housing and supportive services to homeless, disabled, low-income individuals and families.

PUBLIC HOUSING PROGRAMS

(Exhibit C)

Low-Income Public Housing (LIPH) – Federal – This program has 61 three-and four- bedroom units of federally owned scattered sites which provide housing for low-income and disabled families. The program has been contracted to Affordable Housing Associates (AHA) for day-to-day operation, maintenance and property management since January 1, 2004. Current funding for this program is from tenant rent charges (65%) and HUD subsidy (35%), which total \$341,438. HUD funding cuts have affected the operating subsidy by approximately eight percent from the prior fiscal year, however the projected FY closeout budget for this program shows an operational breakeven through utilization of \$22,349 from Capital Funds for salary and benefits. In an effort to increase revenue for this program, BHA is collecting actual utility consumption for the 61 units in an effort to recapture additional utility subsidy funding from HUD.

Capital Fund Program (CFP) – Federal – The Capital Fund Program provides funding for capital improvements under the Low-Income Public Housing program. The FY 2004 approved Capital Funding in the amount of \$127,128 will be utilized during the FY 2006 to renovate four vacant units scheduled for major improvements at an approximate cost of \$52,000 and fund the upgrade of BHA's existing computer system at a cost of approximately \$52,000. As stated earlier, a portion of the remaining Capital Fund balance will be used to offset any operational deficit in the Low-Income Public Housing Program.

Rental Housing Construction Program (RHCP) – State - BHA projects a balanced budget for FY 2006 for this program, which is also contracted to Affordable Housing Associates for day-to-day operation and maintenance of the units. This program provides 14 three and four-bedroom units of scattered sites from the State of California for low and moderate-income families.

FISCAL IMPACTS OF RECOMMENDATION

Budget Status: FY 2005-2006 - With financial support from the reserve account funds for the Section 8 and Capital Fund programs, together with one FTE staff reduction, the BHA is able to present a balanced budget for FY 2005-2006. Moreover, unless HUD further reduces the amount of funds available to the programs next year, the BHA can expect to continue providing subsidized rents to support up to 1,781 units in the Section 8 Housing Choice Voucher program while maintaining all other programs.

Budget Status: FY 2006-2007 and Beyond – Reserve funds will be depleted at the end of next fiscal year and will no longer be a means to offset insufficient operating subsidy for the Section 8 Housing Choice Voucher program. BHA will continue to explore ways to further reduce operating costs while sustaining the viability of its programs and it is possible that HUD will increase administrative funding due to BHA requests for reconsideration or to provide cost of living increases.

CURRENT SITUATION AND ITS EFFECT

BHA's 2005 Budget reflects reductions in both HAP and Administrative Fees, each of which have had an impact on operations at BHA including staff reductions, increase in staff workloads

and less customer service. The change to budget-based funding has caused uncertainty surrounding the Administrative Fee, creating a financial disincentive to strive for obtaining full lease up to the authorized level of 1,841 units. Historically, Administrative Fees have accounted for approximately 10% of the total costs of the Section 8 Housing Choice Voucher Program nationwide and prior to this change, BHA was provided a fee for every unit under lease up to the baseline. As a result of cuts over the last three consecutive years, FY 2005 Administrative Fees now represent only 8.9 percent of FY 2004 program costs.

In light of the increased political uncertainties and cuts in HUD budget funding, BHA would like to establish a policy of reaching a 6% build-up of administrative reserve based on the City's current budget policies.

BHA has identified several options to further streamline administration of the Section 8 program. The following measures can be implemented without HUD approval:

- Landlord to provide their own lease documents, eliminating the need for BHA to prepare leases for landlords;
- Mail out notification on inspections to landlord and tenants only when the unit fails and not when it passes;
- Have limited staff hours for phone calls;
- Further reduce hours open to the public;
- Create a threshold for interim income changes for participants;
- Suspend the Homeownership program for one year or require developers of inclusionary condominiums to pay BHA administrative costs for use of the program;
- Upgrade BHA software and further automate operations;
- Use volunteers for non-technical work such as the Rental Referral Listing;
- Implement direct deposit for HAP checks;
- Require landlords to provide their own evidence of rent comparability to the market when requesting rent increases;
- Use other agencies to administer the Security Deposit Loan Program;
- Sub-lease a portion of the office space to other City departments.

Other optional changes which would require HUD authorization are as follows:

- Eliminate the Family Self-Sufficiency Program (program unfunded since 2003);
- Conduct annual income recertifications every other year for elderly/disabled participants;
- Change annual unit inspections to every other year;
- Limit unit transfers by participants to one per year;

There are no current provisions in the regulations to allow housing authorities this level of flexibility in the Housing Choice Voucher Program. The newly proposed Flexible Voucher BHA Program would allow changes of this nature to reduce the administrative costs of the program, but has many deficiencies in terms of overall program funding.

The major change proposed for next year is the elimination of the Office Specialist II position that currently provides reception duties for walk-in clients and telephone answering for people who call the BHA (Exhibit D: Organizational Chart). Important as these are, all other staff are occupied with essential activities that are required in order for the agency to continue. Elimination of this position will have a severe impact on BHA communications with the public, and will cut into other activities since reception will have to be handled on a rotating basis by other staff within very limited hours.

ALTERNATIVE ACTIONS CONSIDERED

The current situation is not sustainable beyond next year. Staff will continue its efforts to obtain an increase in administrative funding. However if these efforts are not successful, then the alternatives are likely to be use of General Fund subsidy to sustain the BHA or dissolve the BHA and allow HUD to transfer its resources to other nearby Housing Authorities.

CONTACT PERSON

Stephen Barton (510) 981-5400
Sharon Jackson (510) 981-5470

Approved:



Stephen Barton, Housing Director

Attachments

- Exhibit A - Budget Table for Section 8 Program Administration – FY 2005
- Exhibit B - Budget Table for Section 8 Program Administration – FY 2006
- Exhibit C - Budget Table for Public Housing Program – FY 2006
- Exhibit D – BHA’s Organizational Chart

RESOLUTION NO.

APPROVING THE BERKELEY HOUSING AUTHORITY FY 2005-2006 BUDGET FOR THE SECTION 8 PROGRAMS IN THE AMOUNT OF \$1,846,760 AND THE PUBLIC HOUSING PROGRAM IN THE AMOUNT OF \$569,883 FOR A TOTAL BUDGET OF \$2,416,643.

WHEREAS, the BHA Board has reviewed the Fiscal Year 2005-2006 proposed budget for the Section 8 and Public Housing Programs; and

WHEREAS, the BHA Board finds that the proposed expenditures are necessary for the efficient and economical operations of the Fiscal Year 2005-2006 Section 8 and Public Housing Programs; and

WHEREAS, the BHA Board has determined that the restructuring of agency personnel as contained in the proposed budget is in the best interest of the agency's budget for FY 2005-2006 and beyond.

NOW THEREFORE, BE IT RESOLVED by the Housing Authority of the City of Berkeley that the Fiscal Year 2005-2006 budget for the Section 8 Programs in the amount of \$1,846,760 and Public Housing Program in the amount of \$569,883 for a combined total budget of \$2,416,643, as shown attached hereto as Exhibit A is hereby approved.

BERKELEY HOUSING AUTHORITY
Section 8 Program Administration
FY 2005 - Budget vs. Actual
For the Period Ending MARCH 31, 2005

Description	Approved Annual Budget	YEAR-TO-DATE				ANNUAL Projection FY 2005 100.00%
		Budget Amount	Actual Amount	Variance Favorable/ (Unfavorable)	% to Appr. Budget 75.0%	
(1)	(2)	(3)	(4)	(3-4)	(4/2)	(3)
Receipts:						
Housing Assistance Payments - Voucher & Mod.	24,984,888	18,738,666	16,734,760	(2,003,906)	67.0%	22,313,013
Housing Assistance Payments - Shelter Plus Care	2,071,314	1,553,486	1,459,578	(93,908)	70.5%	1,946,104
Administrative Fees & Other Fees - Voucher & Mod.	1,622,738	1,217,054	1,140,225	(76,829)	70.3%	1,564,241
Administrative Fees Earned - Shelter Plus Care	180,114	135,086	132,281	(2,805)	73.4%	176,375
Audit Fees	22,500	16,875	3,299	(13,576)	14.7%	22,500
Miscellaneous Income	7,000	5,250				4,399
Total Receipts	28,888,554	21,666,417	19,470,143	(2,191,024)	67.4%	26,026,632
Expenses:						
Housing Assistance Payments - Voucher & Mod Rehab.	24,984,888	18,738,666	16,734,760	2,003,906	67.0%	22,313,013
Housing Assistance Payments - Shelter Plus Care	2,071,314	1,553,486	1,459,578	93,908	70.5%	1,946,104
Total Housing Assistance Payments	27,056,202	20,292,152	18,194,338	2,097,814	67.2%	24,259,117
Administrative Expenses:						
Salaries	862,060	602,781	578,443	24,338	67.1%	827,253
Consultants	10,000	6,992				5,000
Staff Training	2,750	2,063	3,139	(1,076)	114.1%	6,685
Travel	3,000	2,250	1,474	776	49.1%	4,965
Auditing Fees	22,500	16,875				22,500
Office Rent	98,400	73,800	84,751	(10,951)	86.1%	113,001
Office Supplies	20,000	15,000	4,765	10,235	23.8%	10,353
Postage	28,100	21,075	11,572	9,503	41.2%	20,429
Telephone	5,000	3,750	7,664	(3,914)	153.3%	12,719
Publications, Advertisement & Subscriptions	2,500	1,875	164	1,711	6.6%	219
Printing & Reproduction	5,000	3,750	1,599	2,151	32.0%	5,132
Memberships & Dues	2,500	1,875				2,500
Administrative fees to other PHA on Port out	140,000	105,000	43,010	61,990	30.7%	57,347
Other Sundry Items (delivery + other rent)	8,000	6,000	486	5,514	6.1%	5,648
Administrative Contracts (ECS, IKON,...)	35,000	26,250	33,966	(7,716)	97.0%	25,288
Tenant Services	59,080	44,310	51,798	(7,488)	87.7%	69,064
Insurance	4,000	3,000				4,000
Utilities	15,000	11,250	6,516	4,734	43.4%	8,688
Ordinary Equip. Maintenance & Operations	32,960	24,720	23,217	1,503	70.4%	30,956
Vacation Buy Back	19,200	14,400				10,000
Employee Benefits	441,375	308,624	291,177	17,447	66.0%	416,423
Other General Expenses (Stipends)	3,200	2,400	445	1,955	13.9%	3,093
Total Administrative Expenses	1,819,625	1,298,040	1,144,186	110,712	62.9%	1,661,264
Non-Routine Expenses:						
Replacement of Existing Equipment		-				
Betterment & Additions		-				
Total Non-Routine Expenses	-	-	-	-	0.0%	-
Total Expenses	1,819,625	1,298,040	1,144,186	110,712	62.9%	1,661,264
Other Expenditures:						
Prior Year Adjustments		-	12,587	(12,587)		18,001
Total Other Expenditures	-	-	12,587	(12,587)	0.0%	18,001
Total Operating Expenditures	28,875,827	21,590,192	19,351,112	2,195,939	67.0%	25,938,382
Total Surplus (Deficit)	12,727	76,225	119,030			88,250

(Exhibit A)

BERKELEY HOUSING AUTHORITY
Fiscal Year 2006 Budget
For the Period Ending June 30, 2006

Section 8 Housing Programs

DESCRIPTION HUD Authorized Units ==>	Total Annual Budget 2,107 Units	SECTION 8 - FY 2006		
		Voucher Program 1841 Units	Mod. Rehab Program 98 Units	Shelter + Care Program 168 Units
(1)	(2)=(3)+(4)+(5)	(3)	(4)	(5)
Operating Receipts:				
Administrative Fees	1,636,821	1,353,086	90,658	193,077
Miscellaneous Income	38,500	33,250	4,250	1,000
Total Operating Receipts	\$ 1,675,321	\$ 1,386,336	\$ 94,908	\$ 194,077
Operating Expenses:				
Salaries	877,465	757,043	46,170	74,252
Employee Benefits	501,865	430,855	27,153	43,857
Audit Cost	21,600	20,250	1,350	
Other Administrative Expenses	445,829	352,603	19,742	73,484
Total Operating Expenses	\$ 1,846,759	\$ 1,560,751	\$ 94,415	\$ 191,593
Total Prior Year Adjustment	-	-	-	-
Total Operating Expenditures	\$ 1,846,759	\$ 1,560,751	\$ 94,415	\$ 191,593
Operating Surplus (Deficit)	\$ (171,439)	\$ (174,415)	\$ 493	\$ 2,483
Total Housing Assistance Payments - HAP	\$ 25,001,293	\$ 22,215,562	\$ 568,320	\$ 2,217,411

(Exhibit B)

Public Housing Programs

DESCRIPTION HUD Authorized Units ==>	Total Annual Budget 75 Units	PUBLIC HOUSING - FY 2006		
		Public Housing Federal 61 Units	Public Housing State 14 Units	Public Housing Capital Fund FY04
(1)	(2)=(3)+(4)+(5)	(3)	(4)	(5)
Operating Receipts:				
Tenant Rent Charges	\$ 292,730	223,406	69,324	
Operating Subsidy	274,029	115,532	31,369	127,128
Miscellaneous Income	3,000	2,500	500	
Total Operating Receipts	\$ 569,759	341,438	101,193	127,128
Operating Expenses:				
Salaries	37,955	17,474	4,368	16,113
Employee Benefits	15,845	7,687	1,922	6,236
Other Administrative Expenses	516,082	316,464	95,361	104,257
Total Operating Expenses	\$ 569,882	\$ 341,625	\$ 101,651	\$ 126,606
Total Prior Year Expenditures	-	-	-	-
Total Operating Expenditures	\$ 569,882	\$ 341,625	\$ 101,651	\$ 126,606
Operating Surplus (Deficit)	\$ (126)	\$ (188)	\$ (459)	\$ 521

(Exhibit C)

Berkeley Housing Authority

