

SECTION IV

SOURCES AND AMOUNTS OF FUNDING

This section reflects the actual expenditures for FY 2005, the budgeted and forecasted expenditures for FY 2006, and the budgeted expenditures for FY 2007. Also included in this section is the net change to the reserves for the Consolidated MTW and Special Purpose Programs as well as the adequacy of the reserves and any proposed actions.

A. Source and Amount of Funding Included in the Consolidated MTW Budget

Under MTW, OHA has consolidated the Public Housing Program, the Capital Fund Program, and the Section 8 Housing Choice Voucher Program funding into one unified budget. Following is the FY 2007 budget that was adopted by the OHA Board of Commissioners on April 24, 2006.

(as of 4/17/06)

SOURCE:	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Public Housing Dwelling Rental Income ¹	\$9,115,391	\$9,800,000	\$9,980,000	\$10,400,000
Public Housing Operating Subsidy Block Grant ²	\$10,813,686	\$9,664,000	\$9,758,000	\$9,988,000
Capital Fund Block Grant ³	\$4,114,122	\$7,887,000	\$3,179,000	\$10,233,000
Housing Choice Voucher Block Grant ⁴	\$141,551,476	\$140,100,000	\$137,220,000	\$136,136,000
Housing Choice Voucher Project Reserve ⁵	\$11,401,314	\$0	\$0	\$0
Other Income	\$332,038	\$235,000	\$186,000	\$186,000
Investment Income	\$401,654	\$363,000	\$972,000	\$800,000
Total Consolidated MTW Revenue	\$177,729,681	\$168,049,000	\$161,295,000	\$167,743,000

Notes:

- Rental Income increased by **4.2%** over the forecast due to anticipated lower vacancies and a higher average rent per unit.
- Public Housing Operating Subsidy is estimated at **\$9,988,000**, which is **92%** of the **\$10,857,000** the Authority is eligible for. This amounts to a shortfall of **\$869,000**. For the FY 2006 and FY 2007 the Authority will be under-funded in the amount of **\$2,100,000**.
- Capital Fund Block Grant revenue will increase by 221% due to the increase in rehabilitation work on scattered sites.
- Section 8 Housing Choice Voucher Block Grant is estimated at **\$136,136,000**, which is **94.6%** of the **\$143,909,000** the Authority is eligible for. This amounts to a shortfall of **\$7,773,000**. For the FY2006 and FY 2007 the Authority will be under-funded in the amount of **\$13,600,000**.
- In FY2005 the Authority elected to exercise its one-time option under the MTW agreement to draw down the Project Reserve of \$11,401,314 maintained at HUD.

B. Source and Amount of Special Purpose Funding

(as of 4/17/06)

SOURCE:	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Sec 8 Moderate Rehab Subsidy	\$3,629,748	\$3,682,000	\$3,539,000	\$3,493,000
Sec 8 Moderate Rehab Investment Income	\$36,570	\$35,000	\$42,000	\$40,000
Sec 8 Moderate Rehab Other Income	\$0	\$3,000	\$0	\$0
Sec 8 Mainstream Subsidy	\$839,794	\$1,957,000	\$1,960,000	\$1,934,000
Shelter Plus Care Subsidy	\$2,363,223	\$2,371,000	\$2,421,000	\$2,457,000
Shelter Plus Care Investment Income	\$0	\$2,000	\$0	\$0
Sec 8 Pension Fund (Acorn)	\$269,111	\$263,000	\$246,000	\$247,000
Family Self Sufficiency	\$126,000	\$126,000	\$126,000	\$126,000
HOPE VI Grants ¹	\$11,346,138	\$12,000,000	\$11,400,000	\$6,800,000
Prior FY2005 Capital Fund ²	\$16,512,594	\$0	\$0	\$0

ROSS Homeownership Grant	\$27,651	\$171,000	\$85,000	\$65,000
Local Fund Rental Income	\$112,259	\$100,000	\$91,000	\$50,000
Local Fund Investment Income	\$315,064	\$280,000	\$250,000	\$275,000
Local Fund Other Income	\$165,660	\$166,000	\$170,000	\$175,000
Gain on Sale of Capital Assets	\$296,540	\$0	\$538,000	\$0
Total	\$36,040,352	\$21,156,000	\$20,868,000	\$15,662,000

Notes:

1. Funding is for Lion Creek Crossings HOPE VI Project.
2. The balance of all available prior FY2005 Capital Fund in the amount of \$16,512,594 was drawn down and expended.

C. Total Revenue Budget

(as of 4/17/06)

SOURCE:	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Consolidated MTW Revenue	\$177,729,681	\$168,049,000	\$161,295,000	\$167,743,000
Special Purpose Funding	\$36,040,352	\$21,156,000	\$20,868,000	\$15,662,000
Total Revenue	\$213,770,033	\$189,205,000	\$182,163,000	\$183,405,000

D. Explanation of Projected Changes and Proposed Actions

1. Effect of Federal Budget Shortfall

Federal budget cutbacks in public housing subsidy, capital fund revenue, and Section 8 Housing Choice Voucher funding continue to hinder the Authority's ability to upgrade it's housing stock and provide more housing for those in need. The Public Housing Program has been operating at a deficit for a number of years and continues to be subsidized by the Section 8 and Local Fund reserves. With the advent of project based budgeting and project based management the Authority staff will be stretched to effectively operate the private market housing model. The Authority will have to use substantial reserves to upgrade and rehab certain housing stock in disrepair.

2. Investment Policy

Utilizing MTW authority, OHA will continue to explore the adoption of investment policies consistent with California State law to replace HUD investment policies. The primary goal is to allow OHA the flexibility to invest its financial resources productively and efficiently, without a duplication of regulations.

3. Advance Local Fund Reserves

OHA may continue to loan monies for public housing activities from the Local Fund reserves to fund projects consistent with the goals of the agency such as land acquisition, public housing redevelopment and capital improvements. Such loans are to be repaid from future years consolidated public housing funds. Interest may be charged at the prevailing investment rate.

SECTION V USES OF FUNDS

This section reflects FY 2005 forecasted expenditures, FY 2006 budgeted expenditures, forecasted FY 2007 expenditures, and net change to reserves for the Consolidated MTW and Special Purpose Programs. This section will also indicate the adequacy of the reserves and any proposed actions.

A. Fiscal Year Expenditures

(as of 4/17/06)

CONSOLIDATED MTW	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Line Item:				
Administration & General ¹	\$20,613,762	\$22,080,000	\$21,302,000	\$25,326,000
Tenant Services	\$363,924	\$389,000	\$358,000	\$472,000
Utilities	\$2,528,826	\$2,540,000	\$2,524,000	\$2,693,000
Maintenance & Contracts ²	\$7,591,626	\$8,200,000	\$7,641,000	\$9,068,000
Police Services	\$1,437,403	\$1,723,000	\$1,771,000	\$1,741,000
Housing Assistance Payments ³	\$128,078,226	\$130,545,000	\$115,700,000	\$122,717,000
Capital Projects ⁴	\$4,114,122	\$6,288,000	\$3,179,000	\$9,051,000
Capital Equipment	\$256,017	\$528,000	\$578,000	\$377,000
Total Consolidated MTW Expenditures	\$164,983,906	\$172,293,000	\$153,053,000	\$171,445,000
SPECIAL PURPOSE PROGRAMS				
Line Item:				
Administration & General	\$753,005	\$1,640,000	\$1,166,000	\$1,457,000
Tenant Services	24,786	\$214,000	\$0	\$0
Utilities	\$0	\$5,000	\$7,000	\$7,000
Maintenance & Contracts	\$50,440	\$56,000	\$12,000	\$14,000
Police Services	\$75,624	\$26,000	\$8,000	\$8,000
Housing Assistance Payments	\$6,497,941	\$5,519,000	\$7,257,000	\$7,441,000
HOPE VI-Lion Creek Crossings ⁵	\$11,346,138	\$11,265,000	\$11,400,000	\$6,800,000
Prior FY 2005 Capital Fund Projects	\$16,512,594	\$0	\$0	\$0
Sec 8 Reserve Investments-HOPE VI ⁵	\$1,638,951	\$5,414,000	\$2,075,000	\$4,140,000
Sec 8 Reserve Investments-Capital Projects ⁴	\$249,977	\$680,000	\$680,000	\$6,500,000
State 12 & State 6 Reserves-Capital Projects	\$0	\$896,000	\$300,000	\$1,300,000
Capital Equipment	\$0	\$7,000	\$22,000	\$12,000
Total Special Purpose Expenditures	\$37,149,456	\$25,722,000	\$22,927,000	\$27,679,000
TOTAL USES OF FUNDS				
Consolidated MTW Expenditures	\$164,983,906	\$172,293,000	\$153,053,000	\$171,445,000
Special Purpose Expenditures	\$37,149,456	\$25,722,000	22,927,000	\$27,679,000
Total Expenditures	\$202,133,362	\$198,015,000	\$175,980,000	\$199,124,000

Notes:

1. Consolidated MTW Administration and General Expenditures for FY 2007 increased 18.9% over the FY 2006 forecast. This increase is due to projected higher staffing levels, increases in fringe benefit costs, and additional costs for consultants to deal with project based management, labor, and strategic planning issues.
2. Maintenance and Contract costs increased by **18.7%** over the FY 2006 forecast due to higher staffing levels and increases in maintenance contract and extraordinary maintenance costs.
3. Section 8 Voucher HAP payments increased **5.4%** over the FY 2006 forecast due to expanded unit lease up.
4. A detailed list of capital project expenditures for FY 2007 is located in Section VI, Item B.
5. The projected balance of HUD funding for this project in FY 2007 is **\$6,800,000**. Further funding for this project will be provided through the use of Section 8 Housing Choice Voucher reserves.

B. Net Change in Reserves

(as of 4/17/06)

CONSOLIDATED MTW	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Total Revenue	\$177,729,681	\$168,049,000	\$161,295,000	\$167,743,000
Total Expenditures	\$164,983,000	\$172,293,000	\$153,053,000	\$171,445,000
Total Net Change To Reserves	\$12,746,681	(\$4,244,000)	\$8,242,000	(\$3,702,000)

SPECIAL PURPOSE PROGRAMS	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Total Revenue	\$36,040,352	\$21,156,000	\$20,868,000	\$15,662,000
Total Expenditures	\$37,149,456	\$25,722,000	\$22,927,000	\$27,679,000
Total Net Change To Reserves	(\$1,109,104)	(\$4,566,000)	(\$2,059,000)	(\$12,017,000)

TOTAL ALL PROGRAMS	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Total Revenue	\$213,770,033	\$189,205,000	\$182,163,000	\$183,405,000
Total Expenditures	\$202,132,456	\$198,015,000	\$175,980,000	\$199,124,000
Total Net Change To Reserves	\$11,637,577	(\$8,810,000)	\$6,183,000	(\$15,719,000)

Notes:

The FY2005 net gain to reserves of \$11,637,577 was primarily due to the one-time draw down of the \$11,401,314 Section 8 Housing Choice Voucher Project Reserve. The FY2006 forecasted net gain of \$6,183,000 is due to the decrease in Section 8 Housing Choice Voucher housing assistance payments to landlords because of under leasing of units.

C. Adequacy of Reserves

(as of 4/17/06)

	FY 2005 Actual	FY 2006 Budget	FY 2006 Forecast	FY 2007 Budget
Section 8 Housing Choice Voucher Project Reserves	\$11,401,314	\$11,401,314	\$11,401,314	\$11,401,314
Section 8 and Local Fund Administrative Fee Reserves	\$22,029,904	\$14,115,904	\$28,512,904	\$14,093,904
State 12 and State 6 Reserves	\$2,287,375	\$1,391,375	\$1,987,375	\$687,375
Total Net Change To Reserves	\$35,718,593	\$26,908,593	\$41,901,593	\$26,182,593

Notes:

The FY2006 forecasted reserve balance of \$41,901,593 at the fiscal year end 2006 is adequate to cover the fiscal year end 2007 budgeted deficit of (\$15,719,000). The deficit is primarily attributable to the following factors:

1. HUD funding shortfall in the Public Housing Operating Subsidy Block Grant (\$869,000);
2. HUD funding shortfall in the Section 8 Housing Choice Voucher Block Grant (\$7,773,000);
3. The Oakland Housing Authority's commitment to invest \$4,140,000 of reserves to cover costs of the Lion Creek Crossings HOPE VI Project;
4. Proposed investment of \$6,500,000 Section 8 Housing Choice Voucher reserves to fund capital improvement projects.
5. Proposed investment of \$1,300,000 in locally owned non-federal housing stock.

The projected reserve balance of \$26,182,593 at the end of FY2007 is adequate to support 2½ months of operation of the Sec 8 Housing Choice Voucher Program or it is adequate to provide 2½ years of subsidy to the Low Rent Program at its present need.