

Presentation to the Government Audit and Oversight Committee

Performance Audit of San Francisco Housing Authority

November 21, 2019

Budget & Legislative Analyst's Office



Audit Scope

- Reported 2018 financial shortfall
- Prospective analysis of City's assumption of SFHA's essential functions

SFHA

□ Public Housing

Program	Number of Units
HOPE VI	1,149
HOPE SF	1,917
Scattered Sites	70
Rental Assistance Demonstration	3,480
Total Public Housing Units	6,616

□ Vouchers

- Tenant-Based: 6,215
- Project-Based: 5,950



2018 Voucher Shortfall

- In Fall 2018, \$30 million shortfall identified
 - Caused by:
 - Escalating rents in SF
 - Increase in number of HCVs
 - Inadequate financial reporting and projections
- Shortfall funding:
 - \$10 million eligible for HUD shortfall funding
 - \$20 million provided by City in a forgivable loan from the Housing Trust Fund



HUD and City Response

HUD March 2019 Default Letter

- Cited “substantial default”
- 2 options:

Federal receivership

City assumption of “essential functions”

- Required contract management of voucher and public housing programs by third parties

April 2019 preliminary MOU between City & SFHA

July 2019 draft MOU between City & SFHA



Risk Area 1: Ongoing Shortfall

- ❑ Structural deficit in HUD funding formula for housing vouchers
- ❑ SFHA financial consultants:
 - Annual deficit through 2031 \longrightarrow \$16 million to \$18 million
- ❑ HUD indicated sufficient funding in 2019



Risk Area 2: Severance Packages

- ❑ 194 SFHA employees as of May 2019
- ❑ 42% of employees at SFHA for more than 10 yrs
 - Estimated costs for severance packages could total \$5 million

Risk Area 3: Pension Liability

□ Unfunded Pension and OPEB Liabilities

Unfunded Liabilities	FY 2019-20 Amount
CalPERS	\$20,000,000
Craft Pension	21,356,914
OPEB	20,192,838
Total	\$61,549,752

□ Projected Unfunded Liabilities (Sept 2023)

FY 2019-20 Liability	\$61,549,752
FY 2020-21 Payment	(9,990,500)
FY 2021-22 Payment	(5,647,749)
FY 2022-23 Payment	(5,224,234)
2023 Liability	\$40,687,269

Recommendations

In Agreement

- Reporting to BOS
 - Annual report on voucher program utilization and funding
 - Possible voucher shortfall
 - Mid-year report on all SFHA activities
 - Annual report on unfunded pension and OPEB liabilities

- Severance Payments
 - Evaluate reserves to assess availability
 - Consult with HUD to confirm use of reserves
 - Identify other funding options

Recommendations

In Agreement

- Executive Management
 - Mayor to appoint SFHA Executive Director as a priority
 - Ensure competence of core SFHA staff overseeing contracted services

- Finance/Operations
 - Consider impact to Housing Trust Fund of or City General Fund of potential reduction of Housing Assistance Payments in 5 Year Forecast
 - Director of Real Estate to evaluate space needs for SFHA operations

Recommendations

Not in Agreement

- Oversight
 - Conform with Charter and Admin Code re: annual budget review, contract & lease approvals, property transactions
 - Adopt ordinance to amend Admin Code to codify structure of Housing Authority Commission
- Financial Management
 - Hire qualified in-house financial staff, following completion of restructuring
 - Transition to City's financial system, following restructuring
 - Authorize the Controller to oversee SFHA consistent with City agencies



Conclusion

Thank you to the management and staff of the San Francisco Housing Authority and MOHCD for assistance during this audit.

Questions?