

Response to Questions on the *FY 2013 Carryover Review*

Request By: Chairman Bulova

Question: What is the current requirement for funds from Bridging Affordability to meet Housing Choice Voucher (HCV) budget reductions associated with the final impact of sequestration? What changed from the estimates of May 2013?

Response: The worst-case scenario for the HCV program that was presented to the Board of Supervisors at the May 7, 2013 Housing Committee meeting was based on projected Calendar Year 2013 (CY 2013) Department of Housing and Urban Development (HUD) sequestration funding of \$41,387,566. As a result of anticipated federal reductions, staff estimated using \$2.8 million in Bridging Affordability funding to fund current vouchers and maintain a \$1 million HAP reserve. However, based on the latest HUD guidance, the worst-case scenario will likely not take place as the final amount anticipated for the HCV program for CY 2013 is \$42,925,845, an increase of \$1,538,279 over the projected amount. Using this final anticipated amount as the base and projected out for the County's FY 2014, approximately \$1.0 million in Bridging Affordability funding is required to fund current vouchers and maintain a \$1 million HAP reserve.

It should be noted that all projections are based on an assumed attrition rate of 10 vouchers per month, and the Department of Housing and Community Development (HCD) is on-target with that rate at this point in time. The final funding needs for the HCV program will not be fully known until the end of FY 2014. If attrition is less than projected or if the average Housing Assistance Payment goes up (household incomes decline), the amount needed from Bridging Affordability may change. At the current time, however, it is recommended that approximately \$1 million be used to replenish the HAP reserve, which is equivalent to one week of HAP expenses. Replenishing the reserve is based on HUD's best practice as a minimum threshold for HAP reserves and is necessary to protect current voucher holders in the event attrition is less than expected or average subsidies needed are more. Without a reserve, the only choice would be to terminate individuals and families if these changes were to occur. It is recommended that a minimum reserve is available for such unforeseen circumstances, to avoid significant hardship/homelessness for a family or individual in the future, and to practice good financial management. It should be noted that the reserve will be held by the County and not HUD and thus cannot be recaptured by HUD like the current reserve has been.