

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: April 15, 2020

Final Decision Date Deadline: April 15, 2020

STATEMENT OF THE ISSUE: In accordance with Section 11.100.060(l) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the amount of the Residential Rental Housing Fee will be determined by the City Council after a recommendation by the Board is provided to the City Council. Prior to July 1, the Board is required to hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year. To that end, staff members have prepared a proposed budget, fee study, and 10-year financial projection for the 2020-21 fiscal year for the Rent Board's consideration and comment. The purpose of this item is to receive preliminary feedback from the Board prior to the scheduling of a public hearing for potential adoption of the Fiscal Year 2019-20 budget prior to the July 1 deadline.

INDICATE APPROPRIATE BODY

- | | | | | |
|---|---|--|--|---|
| <input type="checkbox"/> City Council | <input type="checkbox"/> Redevelopment Agency | <input type="checkbox"/> Housing Authority | <input type="checkbox"/> Surplus Property Authority | <input type="checkbox"/> Joint Powers Financing Authority |
| <input type="checkbox"/> Finance Standing Committee | <input type="checkbox"/> Public Safety Public Services Standing Committee | <input type="checkbox"/> Local Reuse Authority | <input checked="" type="checkbox"/> Other: <u>Rent Board</u> | |

ITEM

- | | | |
|---|--|--|
| <input type="checkbox"/> Presentation/Proclamation/Commendation (3-Minute Time Limit) | | |
| <input type="checkbox"/> Public Hearing | <input type="checkbox"/> Regulation | <input checked="" type="checkbox"/> Other: <u>STUDY AND ACTION SESSION</u> |
| <input type="checkbox"/> Contract/Agreement | <input type="checkbox"/> Rent Board As Whole | |
| <input type="checkbox"/> Grant Application/Acceptance | <input type="checkbox"/> Claims Filed Against City of Richmond | |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Video/PowerPoint Presentation (contact KCRT @ 620.6759) | |

RECOMMENDED ACTION: RECEIVE a draft Fiscal Year 2020-21 Rent Program budget and corresponding Rental Housing Fee study, including 10-year financial projections and financial recommendations prepared by Kevin W. Harper and Associates, and PROVIDE direction to staff – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

AGENDA ITEM NO:
G-1.



AGENDA REPORT

DATE: April 15, 2020

TO: Chair Maddock and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Paige Roosa, Deputy Director

SUBJECT: DRAFT FISCAL YEAR 2020-21 BUDGET, FEE STUDY, AND 10-YEAR FINANCIAL PROJECTION

STATEMENT OF THE ISSUE:

In accordance with Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the amount of the Residential Rental Housing Fee will be determined by the City Council after a recommendation by the Board is provided to the City Council. Prior to July 1, the Board is required to hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year. To that end, staff members have prepared a proposed budget, fee study, and 10-year financial projection for the 2020-21 fiscal year for the Rent Board's consideration and comment. The purpose of this item is to receive preliminary feedback from the Board prior to the scheduling of a public hearing for potential adoption of the Fiscal Year 2019-20 budget prior to the July 1 deadline.

RECOMMENDED ACTION:

RECEIVE a draft Fiscal Year 2020-21 Rent Program budget and corresponding Rental Housing Fee study, including 10-year financial projections and financial recommendations prepared by Kevin W. Harper and Associates, and PROVIDE direction to staff – Rent Program (Nicolas Traylor/Paige Roosa – 620-6564).

FISCAL IMPACT:

The proposed budget and Rental Housing Fee study for the 2020-21 fiscal year would authorize \$2,896,242 in expenses and \$2,898,951 in revenue. Proposed fees for the 2020-21 fiscal year are \$219 for Fully Covered Rental Units and \$124 for Partially Covered Rental Units, including Governmentally Subsidized Rental Units.

DISCUSSION:

Proposed Fiscal Year 2020-21 Goals

The proposed Fiscal Year 2020-21 budget has been prepared for the Board's consideration in acknowledgement of the following goals in three broad categories: Program Development, Outreach, and Program Sustainability and Compliance.

PROGRAM DEVELOPMENT:

1. **Continue to invest resources in staff training**, particularly for the Rent Program Services Analysts, to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board Regulations, and related State and Federal laws.
2. **Continue to implement the formal mediation program** to provide free formal and informal mediation services to Landlords and Tenants as a means of resolving disputes that have a reasonable nexus to the Rent Ordinance through the assistance of a trained mediator.
3. **Continue to develop an online filing system for the submission of Property Enrollment and Tenancy Registration forms**, as well as the filing of rent increase and termination of tenancy notices on the City's e-trakit website.

OUTREACH:

1. **Publicize the Guide to Rent Control in Richmond and develop one-page fact sheets** on common topics such as Just Cause for Eviction, Owner Move-In evictions, the Ellis Act, and the Relocation Ordinance.
2. **Develop a Comprehensive Outreach Plan** that includes, but is not limited to, continuing to bolster our social media presence, producing informational, infographic, and/or testimonial videos to highlight aspects of the Rent Ordinance and services provided by the Rent Program and expanding outreach efforts to local businesses, schools, non-profits, neighborhood councils, and other community stakeholders.
3. **Launch Tenancy Registration Outreach** by beginning to mail out Notices of the Maximum Allowable Rent (MAR) (sent to Landlords and Tenants when Tenancy Registration Forms are submitted), and create a database accessible to the public where community members can research the MAR for a particular rental unit.

PROGRAM SUSTAINABILITY AND COMPLIANCE:

1. **Continue to improve collection of the Rental Housing Fee** (greater than 85% compliance) to build up the Rent Program’s reserves

2. **Continue to work collaboratively with other City departments** to improve rental housing inspection options, seismic safety policy, enforcement of the Relocation Ordinance, and the collection of other City fees, such as the Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee

3. **Implement more stringent exemption verification processes** to require that claims of non-applicability or exemption are fully investigated and approved or denied by Rent Program staff (or the Rent Board, in the event of an appeal).

Proposed Fiscal Year 2020-21 Budget Summary

The proposed budget for the 2020-21 fiscal year is approximately 1% lower than that adopted in 2019. This is due primarily to decreases in salary costs, as staff turnover will allow for replacements of positions at lower salaries. Management staff members recommend reallocation of two of the Rent Program Services Analyst II positions to Rent Program Services Analyst I positions, which will result in substantial salary savings (\$27,845) and will reduce the need to raise fees to compensate for the loss of nearly 2,000 applicable Rental Units between 2019 and 2020.

The proposed budget of \$2,896,242 would fund expenses in the following categories:

Category	Proposed FY 2020-21 Budget
Salaries and Wages	\$1,243,295
Fringe Benefits	\$714,894
Professional and Administrative Services	\$240,116
Cost Pool (Indirect Service Charges, Space at 440 Civic Center Plaza, General Liability)	\$193,532
Other Operating Expenses	\$73,334
Supplemental Liability Insurance Policy (SLIP)	\$8,865
Noncapital Assets – Computer Hardware	\$1,100
Utilities	\$284
17% Operating Reserve	\$420,821
TOTAL	\$2,896,242

Ten-Year Financial Projection and Recommendations

In February 2020, the Rent Program entered into a contract with Kevin W. Harper CPA and Associates to prepare 10-year financial projections for the Rent Program and issue recommendations in support of the agency's goal of achieving long-term financial stability. These projections and CPA recommendations are provided in Appendices B and C, respectively, of the attached Fiscal Year 2020-21 Budget and Rental Housing Fee Study (Attachment 1).

Proposed Fiscal Year 2020-21 Rental Housing Fee Study

Section 11.100.060(l)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance ("Rent Ordinance") provides all Landlords shall pay a Residential Rental Housing Fee to fund the Rent Program budget. The amount of the Rental Housing Fee is annually established by the Richmond Rent Board and approved by the City Council.

Under Section 50076 of the California Government Code, fees charged for any service or regulatory activity must not exceed the reasonable cost of providing the service. Those fees must be approved by the City Council, as the legislative body, in public session. Therefore, a fee study is necessary to ensure that the Residential Rental Housing Fee recommended by the Rent Board and charged to Landlords is commensurate to the level of services provided by the Rent Program.

The fee study is designed to allow the Rent Program Department to recover costs of all budgeted operations, including, but not limited to:

- Personnel costs of staff, benefits, and overtime;
- Risk management and supplemental liability insurance plan (SLIP);
- Charges allocated to City Departments to reimburse the General Fund for administrative services by central service departments (i.e. City Council, City Manager, City Attorney, City Clerk, Finance, HR, etc.);
- Information Technology (IT) expenses associated with a property and rent-tracking database and maintenance of computer hardware and software;
- Legal costs to support enforcement and defense of legal challenges to the Rent Ordinance;
- Costs of education and outreach, including the printing and distribution of print materials and hosting of community workshops and seminars;
- Contracts for translation and other professional services;
- Mileage and attendance at conferences and trainings; and,
- An operating reserve to fund unanticipated costs and variations in collection of the Rental Housing Fee.

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Staff members recommend the Board continue to utilize a tiered-fee approach to the Fiscal Year 2019-20 Rental Housing Fee to ensure the requirements of Section 50076 of the California Government Code are met.

Table 1 contains the fees corresponding to the proposed Fiscal Year 2020-21 budget.

Table 1. Fiscal Year 2020-21 Proposed Budget and Rental Housing Fees

		Proposed for FY 2020-21	Change from FY 2019-20
TOTAL EXPENDITURES:¹		\$2,896,242	-\$27,342 (-1%)
Fully Covered Units²	7,433	\$219	\$7 (3.3%)
Partially Covered Units (including subsidized units)³	10,251	\$124	\$12 (10.7%)
TOTAL REVENUE⁴:		\$2,898,951	-\$38,257 (-1%)

The proposed Rental Housing Fees represent a 3.3 percent increase for Fully Covered Rental Units and a 10.7 percent increase for Partially Covered Rental Units. The table below compares the proposed Fiscal Year 2020-21 Rental Housing Fee to prior year fees.

Table 2. Comparison of Proposed Fiscal Year 2020-21 Rental Housing Fee to Prior Year Fees

Fiscal Year	Fully Covered Rental Units	Partially Covered Rental Units	Governmentally Subsidized Rental Units
2017-18	\$145	\$145	\$145
2018-19	\$207	\$100	\$50
2019-20	\$212	\$112	\$112
2020-21 (Proposed)	\$219	\$124	\$124

Consideration of a 50% Pass Through of the Rental Housing Fee

In conjunction with the adoption of the Fiscal Year 2020-21 budget and Rental Housing Fee study, staff members recommend that the Board revisit the policy consideration of allowing Landlords who pay the Rental Housing Fee on time to pass through fifty

¹ Total expenditures include a 17% operating reserve (the minimum recommended by the GFOA)

² Includes suspected Fully Covered rental units

³ Includes suspected Partially Covered rental units

⁴ Fees rounded to the nearest full dollar

percent (50%) of the Rental Housing Fee to Tenants in monthly installments. Such policies are commonplace in peer rent control jurisdictions and provide an equitable means by which Tenants and Landlords can share the costs of a program that ultimately benefits the community at-large. If the Board determines that such a pass through policy is advisable, staff members recommend that the Board adopt a simple policy to minimize administrative complexities that could ultimately result in an increase in the Rental Housing Fee. Table 3 shows the financial implication of such a policy on Richmond Landlords and Tenants.

Table 3. Proposed 50% Pass Through Amount to Landlords and Tenants

	Fully Covered Rental Units	Partially Covered Rental Units
Proposed FY 2020-21 Fee	\$219	\$124
Landlord Pays⁵ (50%)	\$219	\$124
Possible Pass-Through Amount After Timely Payment (50%)	\$109.50	\$62
Monthly Cost to Tenant	\$9.13	\$5.20

Conclusion and Proposed Actions

The proposed 2020-21 budget reflects the short and long-term goals of the Rent Program; that is, to create an actively enforced program that effectively serves empowered and knowledgeable community members. The Fiscal Year 2020-21 Fee Study will allow the Rent Program to recover costs of all budgeted operations in a manner consistent with Section 50076 of the California Government Code with modest increases in the Rental Housing Fees for Landlords.

The recommendations put forth by staff for consideration by the Rent Board are as follows:

- Staff members recommend that the Board receive the projections and recommendations put forth by Kevin Harper CPA and Associates;
- Adopt the proposed Fiscal Year 2020-21 Budget to provide the support necessary for continued development of all Rent Program operations;
- Approve the Fiscal Year 2020-21 Rental Housing Fee Study;

⁵ Note that these figures are meant to illustrate that Landlords who pay the Rental Housing Fee to the Rent Program on time and in full would be able to collect up to 50% of the Rental Housing Fee from the Tenant in monthly installments. The proposed policy would not relinquish Landlords of the obligation to pay the Rent Program the entire Rental Housing Fee by the due date.

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- Direct staff to prepare a regulation that would allow Landlords who timely pay the Rental Housing Fee to pass through fifty percent (50%) of the Rental Housing Fee to Tenants in monthly installments; and
- Recommend to the City Council adoption of a two-tier fee structure of \$219 for Fully Covered Rental Units and \$124 for Partially Covered Rental Units, including Governmentally Subsidized Rental Units.

DOCUMENTS ATTACHED:

Attachment 1 – Draft Fiscal Year 2020-21 Budget and Rental Housing Fee Study

DRAFT FISCAL YEAR 2020-21 BUDGET AND RENTAL HOUSING FEE STUDY

CITY OF RICHMOND RENT PROGRAM

APRIL 2020



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I. RENT PROGRAM ORGANIZATION AND GOALS

Mission Statement

The mission of the Rent Program is to promote neighborhood and community stability, healthy housing, and affordability for Richmond tenants through the regulating of those landlord/tenant matters that reasonably relate to rents and evictions, while maintaining a landlord’s right to a fair return.

Proposed Fiscal Year 2020-21 Organizational Chart and Labor Summary

The Richmond Rent Program was established following the adoption of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (Rent Ordinance) by a majority of Richmond voters in 2016. In accordance with the Rent Ordinance, an Executive Director appointed by a five-member Rent Board comprised of Richmond residents leads the Rent Program. No more than two members of the Rent Board may own or manage rental property or act as realtors.

The following figures illustrate the how the proposed staffing plan for the upcoming year compare to prior years. Figure 1 contains the proposed organizational chart for the 2020-21 fiscal year, and Figures 2 and 3 provide a summary of filled full-time equivalents (FTEs) since Fiscal Year 2018-19.

Figure 1. Proposed FY 2020-21 Rent Program Organizational Chart

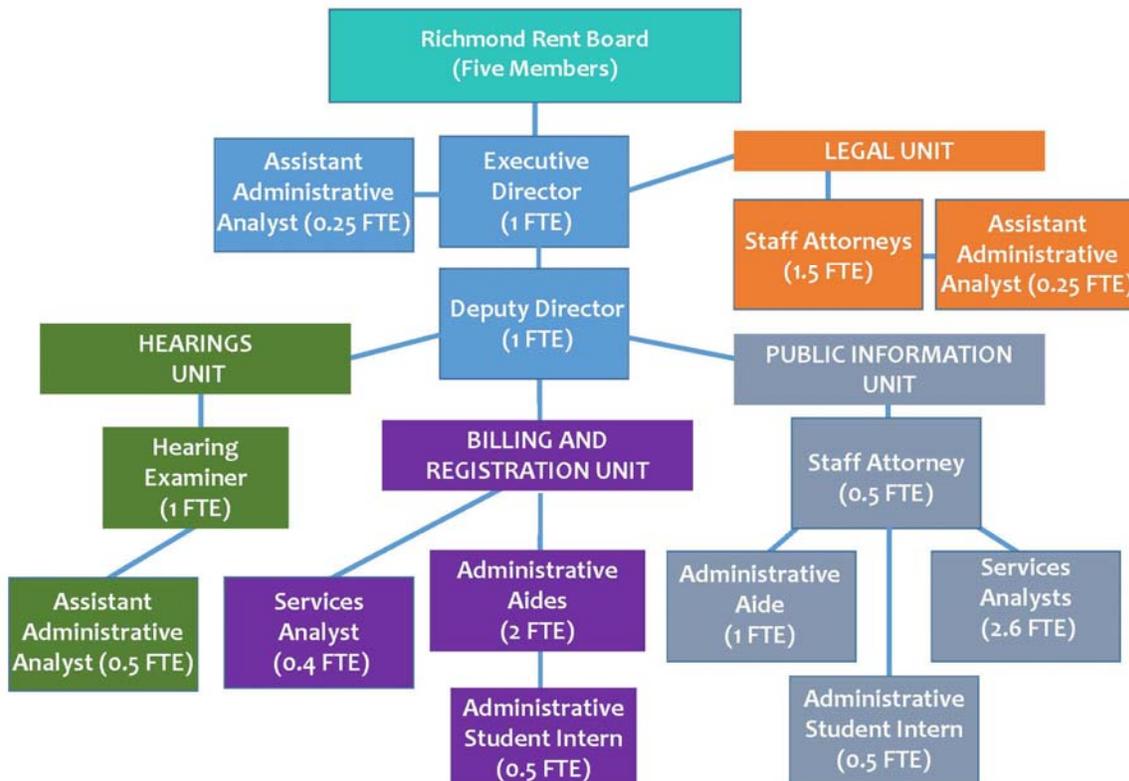


Figure 2. Fiscal Year 2020-21 Labor Summary

<u>Unit</u>	<u>Authorized Positions 2018/2019</u>	<u>Authorized Positions 2019/2020</u>	<u>Proposed Positions 2020/2021</u>	<u>Amount of Change 19/20 - 20/21</u>
Management	4.5	2.5	2.25	-0.25
Legal	N/A	1.5	1.75	0.25
Public Information	4.25	4.6	4.6	0
Billing & Registration	N/A	2.9	2.9	0
Hearings	1.25	1.5	1.5	0
TOTAL	10	13	13	0

Figure 3. Permanent Staff by Classification

<u>Classification</u>	<u>Authorized Positions 2018/2019</u>	<u>Authorized Positions 2019/2020</u>	<u>Proposed Positions 2020/2021</u>	<u>Amount of Change 19/20 - 20/21</u>
Administrative Aide	1	3	3	0
Administrative Student Intern	2	1	1	0
Assistant Administrative Analyst	1	1	1	0
Deputy Director	1	1	1	0
Executive Director	1	1	1	0
Hearing Examiner	1	1	1	0
Rent Program Services Analyst	2	3	3	0
Staff Attorney	1	2	2	0
Total	10	13	13	0

Progress Towards the Achievement of Fiscal Year 2019-20 Goals

As part of the Fiscal Year 2019-20 Rent Program budget development process, staff members identified a series of goals, for which the proposed Fiscal Year 2020-21 budget would support. Table 1, on the following page, provides a status update on the goals established for the 2019-20 fiscal year.

Table 1. Progress towards achievement of Fiscal Year 2019-20 goals

Fiscal Year 2019-20 Goal	Progress Towards Achievement
Continue to invest resources in staff training, particularly for the Rent Program Services Analysts, to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board Regulations, and related State and Federal laws	Complete. Formal trainings on special topic areas, such as the Maintenance of Net Operating petition process, the Relocation Ordinance, and AB 1482 were provided to Rent Program Services Analysts, in addition to several informal trainings provided throughout the year.
Launch the formal mediation program	Nearly complete. With mediation guidelines and administrative procedures in place, staff members are currently assessing the bandwidth of the Public Information Unit to determine how many mediations may be scheduled per month.
Continue to develop an online filing system for the submission of Property Enrollment and Tenancy Registration forms, as well as the filing of rent increase and termination of tenancy notices on the City's e-trakit website	Progress is ongoing. Online submission of forms and notices has yet to be fully launched; staff members anticipate systems will continue to be developed in the 2020-21 fiscal year.
Publicize the Guide to Rent Control in Richmond and develop one-page fact sheets on common topics such as Just Cause for Eviction, Owner Move-In evictions, the Ellis Act, and the Relocation Ordinance	Nearly Complete. The Guide to Rent Control has been completed and is slated to be distributed to Landlords and Tenants concurrent with the mailing of Rent Validation Reports for fully-covered rental units. Landlords and Tenants of partially-covered rental units are anticipated to receive the Guide to Rent Control as well, in the absence of a Rent Validation Report.
Expand education efforts to target specific groups, such as (but not limited to) Tenants and providers of affordable housing, realtors, and monolingual Spanish-speaking households	Progress is ongoing. During FY 2019-20, the Executive Director and Deputy Director presented to Richmond's various Neighborhood Councils, as well as special interest groups such as the Point Richmond Business Association. Focus groups held entirely in Spanish were conducted for the proposed Owner Move-In regulations. The Executive Director is currently developing an outreach strategy to conduct site visits and make connections with local businesses, churches, and community centers.
Develop systems to produce Notices of the Maximum Allowable Rent (MAR) (sent to Landlords and Tenants when Tenancy Registration Forms are submitted), including a database accessible to the public where community members can research the MAR for a particular rental unit	Nearly complete. More than half of all rent-controlled tenancies have been registered to date; however, thousands of forms still need to be entered into the database. Billing and Registration unit staff are working closely with the City's IT department staff to develop notices that can be automatically generated and mailed to Landlords and Tenants to educate them about the Maximum Allowable Rent for their specific unit. It is anticipated these forms will begin to be sent out during the 2020-21 fiscal year.

ITEM G-1 ATTACHMENT 1

City of Richmond Rent Program
FY 2020-21 Budget and Rental Housing Fee Study

Fiscal Year 2019-20 Goal	Progress Towards Achievement
Improve collection of the Rental Housing Fee (greater than 80% compliance) to build up the Rent Program's reserves	Complete. More Rental Housing Fee revenue has been collected during the 2019-20 fiscal year than in any other year. Revenue projections predict 89% of budgeted revenue will be collected by the close of the fiscal year.
Continue to work collaboratively with other City departments to improve rental housing inspection options, seismic safety policy, enforcement of the Relocation Ordinance, and the collection of other City fees, such as the Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee	Progress is ongoing. Rent Program staff continue to host monthly meetings with the Richmond Police Department, Code Enforcement, Richmond Housing Authority, and Community Development Department to foster open communication about issues pertaining to the Rent Ordinance. Staff also implemented several systems during the 2019-20 fiscal year to improve compliance with payment of City fees, such as automatic triggers in the database of Rental Units to alert staff when rental business licenses are issued. These systems allow staff to ensure properties with residential rental business licenses are included in the database of rental units in the City.
Continue to develop and refine the City's first comprehensive database of Rental Units, which provides benefits City-wide, in the form of fee collection, communication, and property information	Progress is ongoing. The Rent Program continues to invest significant staff resources in database verification and development. Enrollment and tenancy registration processes continue to be central to the creation of an accurate database. Targeted efforts were made during the 2019-20 fiscal year to identify rental units absent from the database through review of online rental listing sites. In addition, staff conducted targeted outreach to large complexes (such as condominium complexes in Marina Bay) to identify rental units.

Proposed Fiscal Year 2020-21 Goals

The proposed Fiscal Year 2020-21 budget has been prepared for the Board's consideration in acknowledgement of the following goals in three broad categories: Program Development, Outreach, and Program Sustainability and Compliance.

PROGRAM DEVELOPMENT:

1. **Continue to invest resources in staff training**, particularly for the Rent Program Services Analysts, to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board Regulations, and related State and Federal laws.
2. **Continue to implement the formal mediation program** to provide free formal and informal mediation services to Landlords and Tenants as a means of resolving disputes that have a reasonable nexus to the Rent Ordinance through the assistance of a trained mediator.
3. **Continue to develop an online filing system for the submission of Property Enrollment and Tenancy Registration forms**, as well as the filing of rent increase and termination of tenancy notices on the City's e-trakit website.

OUTREACH:

1. **Publicize the Guide to Rent Control in Richmond and develop one-page fact sheets** on common topics such as Just Cause for Eviction, Owner Move-In evictions, the Ellis Act, and the Relocation Ordinance.
2. **Develop a Comprehensive Outreach Plan** that includes, but is not limited to, continuing to bolster our social media presence, producing informational, infographic, and/or testimonial videos to highlight aspects of the Rent Ordinance and services provided by the Rent Program and expanding outreach efforts to local businesses, schools, non-profits, neighborhood councils, and other community stakeholders.
3. **Launch Tenancy Registration Outreach** by beginning to mail out Notices of the Maximum Allowable Rent (MAR) (sent to Landlords and Tenants when Tenancy Registration Forms are submitted), and create a database accessible to the public where community members can research the MAR for a particular rental unit.

PROGRAM SUSTAINABILITY AND COMPLIANCE:

1. **Continue to improve collection of the Rental Housing Fee** (greater than 85% compliance) to build up the Rent Program's reserves
2. **Continue to work collaboratively with other City departments** to improve rental housing inspection options, seismic safety policy, enforcement of the Relocation Ordinance, and the collection of other City fees, such as the Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee
3. **Implement more stringent exemption verification processes** to require that claims of non-applicability or exemption are fully investigated and approved or denied by Rent Program staff (or the Rent Board, in the event of an appeal).

II. PROPOSED FY 2020-21 BUDGET

The figure below contains the proposed Fiscal Year 2020-21 budget based on anticipated program needs. Detailed descriptions of the components within each line item are contained in the sections that follow.

BUDGET								
Object #	City Account Description	FY 17-18 ACTUALS	FY 18-19 ACTUALS	FY 19-20 ACTUALS <small>THROUGH PERIOD 6</small>	Projected to 6/30/20	FY 19-20 PROJECTED	FY 20-21 PROPOSED	Variance Notes (a)
REVENUES								
340445	Fees/Admin Fees	1,878,958	2,189,703	2,264,071	349,999	2,614,070	2,609,056	(1)
361701	Int & Invest/Pooled-All Other	1,175	367	405	300	705	719	
TOTAL REVENUES		1,880,133	2,190,070	2,264,476	350,299	2,614,775	2,609,775	
EXPENSES								
400001	Salaries & Wages/Executive	252,053	530,092	306,070	333,524	639,594	672,384	(2)
400002	Salaries & Wages/Mgmt-Local 21	153,348	294,152	143,741	124,091	267,832	303,872	(2)
400003	Salaries & Wages/Local 1021	40,563	128,866	51,613	88,522	140,135	199,116	(2)
400006	Salaries & Wages/PT-Temp	52,250	49,557	28,187	28,285	56,472	43,036	(2)
400031	Overtime/General	4,013	4,778	2,094	2,942	5,036	6,000	(2)
400048	Other Pay/Bilingual Pay	892	6,993	3,956	3,956	7,912	12,239	(2)
400049	Other Pay/Auto Allowance	4,200	4,200	2,100	2,100	4,200	4,200	(2)
400050	Other Pay/Medical-In Lieu of	2,900	2,700	1,200	1,200	2,400	2,448	
400079	Comp Absences/WC-Prof-Mgt-Tec	-	1,486	4,187	-	4,187	4,187	
Subtotal - Salaries & Wages		510,218	1,022,823	543,148	584,621	1,127,769	1,243,295	
400103	P-Roll Ben/Medicare Tax-ER Shr	7,457	14,937	7,927	7,927	15,854	16,622	(3)
400104	P-Roll Ben/PERS Benefits	117,805	-	-	-	-	-	
400105	P-Roll Ben/Health Insurance Be	65,719	146,557	72,230	72,230	144,460	151,455	(3)
400106	P-Roll Ben/Dental Insurance	8,403	16,652	8,005	8,005	16,010	16,785	(3)
400109	P-Roll Ben/Employee Assistance	236	430	237	237	474	497	(3)
400110	P-Roll Ben/Professional Dev-Mg	2,252	3,728	1,985	1,985	3,970	4,162	(3)
400111	P-Roll Ben/Vision	1,148	2,106	1,046	1,046	2,092	2,193	(3)
400112	P-Roll Ben/Life Insurance	2,746	5,557	2,124	2,124	4,248	4,454	(3)
400114	P-Roll Ben/Long Term Disabilit	4,778	9,408	4,943	4,943	9,886	10,365	(3)
400116	P-Roll Ben/Unemployment Ins	1,368	1,860	3,116	3,116	6,232	6,534	(3)
400117	P-Roll Ben/Personal/Prof Dev	700	750	-	750	750	786	(3)
400121	P-Roll Ben/Worker Comp-Clerica	6,984	13,806	4,900	4,900	9,800	10,275	(3)
400122	P-Roll Ben/Worker Comp-Prof	28,774	69,352	30,402	30,402	60,804	63,748	(3)
400127	P-Roll Ben/OPEB	19,169	39,338	21,052	21,052	42,104	44,143	(3)
400130	P-Roll Ben/PARS Benefits	706	642	256	256	512	537	(3)
400149	P-Roll Ben/Misc	-	123,021	67,696	67,696	135,392	141,948	(3)
400151	P-Roll Ben/Misc (UAL)	-	162,985	114,644	114,644	229,288	240,391	(3)
Subtotal Fringe Benefits		268,246	611,127	340,563	341,313	681,876	714,894	
400201	Prof Svcs/Professional Svcs	31,757	32,112	9,434	29,434	38,867	17,500	(4)
400206	Prof Svcs/Legal Serv Cost	168,375	137,614	77,080	122,920	200,000	210,000	(5)
400220	Prof Svcs/Info Tech Services	14,376	2,375	-	-	-	-	
400241	Travel & Trng/Meal Allowance	-	359	-	200	200	204	
400242	Travel & Trng/Mileage	38	1,284	-	1,200	1,200	1,224	
400243	Travel & Trng/Conf, Mtng Trng	-	280	-	300	300	1,500	(6)
400245	Travel & Trng/Tuition Rmb/Cert	800	800	-	800	800	800	(7)
499246	Travel & Trng/Registration Fee	60	-	-	-	-	-	
400261	Dues & Pub/Memberships & Dues	-	824	-	1,650	1,650	1,650	(8)
400263	Dues & Pub/Subscription	-	1,500	-	-	-	-	
400271	Ad & Promo/Advertising & Promotional Materials	1,797	1,559	705	705	1,410	200	(9)
400272	Ad & Promo/Community Events	3,762	1,563	1,722	1,722	3,444	3,513	
400280	Adm Exp/Program Supplies	-	5,292	634	634	1,268	3,525	(10)
Subtotal Prof & Admin Services		220,964	185,563	89,575	159,565	249,139	240,116	
400231	Off Exp/Postage & Mailing	25,175	10,849	3,573	3,573	7,146	25,432	(11)
400232	Off Exp/Printing & Binding	2,938	12,071	2,062	2,062	4,124	27,181	(12)
400233	Off Exp/Copying & Duplicating	1,325	46	-	-	-	-	
400304	Rental Exp/Equipment Rental	2,928	8,721	4,000	4,000	8,000	8,000	(13)
400321	Misc Exp/Misc Contrib	-	3,000	-	-	2,000	3,000	(14)
400322	Misc Exp/Misc Exp	4,410	3,061	1,434	1,434	2,868	2,925	
400341	Off Supp/Office Supplies	9,084	8,721	3,331	3,331	6,662	6,795	
400344	Off Supp/Computer Supplies	2,561	18	783	783	1,566	-	
Subtotal Other Operating		48,421	46,486	15,183	15,183	32,366	73,334	
400401	Utilities/Tel & Telegraph	-	254	139	139	278	284	
400552	Prov Fr Ins Loss/Ins Gen Liab	-	8,029	7,491	1,200	8,691	8,865	
400574	Cost Pool/(ISF)-Gen Liab	26,138	55,701	45,631	45,631	91,262	93,087	
400586	Cost Pool/(CAP)-Admin Charges	51,454	51,454	25,726	25,726	51,452	52,481	
400591	Cost Pool/(IND)Civic Ctr Alloc	52,275	52,420	23,512	23,512	47,024	47,964	
400601	Noncap Asst/Comp Hrdware<5K	-	-	5,259	-	5,259	1,100	(15)
400604	Noncap Asst/Furniture <5K	528	13,328	-	-	-	-	
TOTAL EXPENSES		1,178,245	2,047,186	1,096,227	1,196,889	2,295,116	2,475,420	
TOTAL BUDGET (b)		2,425,338	2,804,925	1,396,405	624,171	2,923,584	2,896,242	
NET OPERATING SURPLUS (DEFICIT)		701,888	142,884	1,168,249	(846,590)	319,659	134,355	

Budget Notes

(a) Variance notes are provided for all line items adjusted by a factor or for considerations other than inflation (2%)

- (1) Assumes fees increase to \$219 for Fully Covered units and \$124 for Partially Covered units with a collection rate of 90%
 - (2) See page 11 for salary and wage assumptions
 - (3) Fringe benefits estimated at 57.5% of salaries and wages
 - (4) Includes \$3,500 for a subscription with DataTree for property information, \$4,000 for a subscription with WestLaw for legal research purposes, and \$10,000 for translation services
 - (5) Includes \$125,000 contract with the Eviction Defense Center to assist with Unlawful Detainer cases, \$75,000 for a contract with Bay Area Legal Aid for the weekly Housing Rights Clinics, and \$10,000 for legal filing fees in the event of litigation.
 - (6) Reflects the anticipated cost of sending one Staff Attorney to mediation training at a cost of \$1,500 per person
 - (7) In accordance with City personnel policies, eligible employees may receive reimbursement of up to \$800 for higher education tuition
 - (8) Anticipated cost of Bar Association dues for three attorneys (\$550 per Attorney).
 - (9) Budgeted amount reflects requirement to publish notices in the newspaper for public hearings as part of the budget adoption process
 - (10) Budgeted amount includes the following: emails for Rent Boardmembers (\$100 per month), food for Rent Board meetings (\$75 per meeting, 15 meetings per year), business cards (\$600) and labor for refurbishing the mural on Ohio Street (\$40 per hour for 15 hours).
 - (11) Budgeted amount reflects anticipated postage costs for one letter project, one postcard project, invoicing, tenancy registration mailings, and the Guide to Rent Control
 - (12) Budgeted amount reflects anticipated printing costs for one letter project, one postcard project, invoicing, tenancy registration mailings, and the Guide to Rent Control
 - (13) Lease of RICOH copiers including a cost-per-copy amount. 36 month lease ends in 2022.
 - (14) Stipends for 2 UC Berkeley Public Service Center interns, ranging from \$1,000 -\$1,500 per intern
 - (15) Budgeted amount assumes one desktop computer purchase at \$1,100
- (b) Budgeted reserve is calculated as 17% of expenditures (minimum recommended by the GFOA) See below for projected figures:

Starting Reserve Balance	\$55,339.00
Projected Contribution to Reserves FY 2019-20	\$319,659.00
Projected Contribution to Reserves FY 2020-21	\$134,354.88
Ending Reserve Balance FY 2020-21	\$509,352.88

SALARIES AND WAGES	
400001 – 400006 Permanent Employees	Proposed Allocation: \$1,218,408

The allocation reflects salary-related costs for all filled positions and includes a cost-of-living adjustment for all non-exempt staff as set forth in the collective bargaining agreements with the City’s employee unions.

Position	Fiscal Year 2019-20 Salary	Fiscal Year 2020-21 Salary	Notes
Executive Director	\$153,336	\$153,336	Forgo cost of living increase
Hearing Examiner	\$145,380	\$145,380	Forgo cost of living increase
Staff Attorney	\$145,380	\$145,380	Forgo cost of living increase
Deputy Director	\$120,000	\$120,000	Forgo cost of living increase
Staff Attorney	\$108,288	\$108,288	Forgo cost of living increase
<i>Subtotal Executive Staff</i>	<i>\$672,384</i>	<i>\$672,384</i>	
Rent Program Services Analyst	\$89,536	\$94,052	Anticipated to receive regular step increase (to top step)
Assistant Administrative Analyst	\$74,244	\$74,244	Already at top step
Rent Program Services Analyst	\$92,208	\$67,788	Reallocate to Analyst I, budget at Step III
Rent Program Services Analyst	\$75,729	\$67,788	Reallocate to Analyst I, budget at Step III
<i>Subtotal Local 21 Management Staff</i>	<i>\$331,717</i>	<i>\$303,872</i>	
Administrative Aide	\$70,476	\$70,476	Already at top step
Administrative Aide	\$65,606	\$64,320	Position replaced in FY 2019/20; current employee anticipated to receive regular step increase to Step III
Administrative Aide	\$60,098	\$64,320	Anticipated to receive regular step increase to Step III
<i>Subtotal SEIU 1021 Staff</i>	<i>\$196,180</i>	<i>\$199,116</i>	
Administrative Student Intern	\$19,997	\$21,518	Anticipated to receive regular step increase (to top step)
Administrative Student Intern	\$19,997	\$21,518	Anticipated to receive regular step increase (to top step)
<i>Subtotal Part Time/Temp Staff</i>	<i>\$39,994</i>	<i>\$43,036</i>	
TOTAL SALARIES	\$1,240,275	\$1,218,408	

SALARIES AND WAGES	
400031 Overtime	Proposed Allocation: \$6,000

The allocation accounts for \$3,500 for the Billing and Registration Unit and \$1,500 for the Public Information Unit for work which cannot be completed during regularly scheduled hours. Most overtime hours in the Billing and Registration Unit are incurred during billing and registration periods, when there is a high volume of inquiries and thousands of mailers to print and assemble. Staff members anticipate a need for an increase in funds for overtime in the Billing and Registration Unit due to the implementation of the Tenancy Registration project. The majority of overtime hours allocated to the Public Information Unit are to account for weekend or evening outreach events.

SALARIES AND WAGES	
400048 Bilingual Pay	Proposed Allocation: \$12,239

The allocation accounts for the two percent (2%) salary premium granted to eight (7) bilingual staff members employed by the Rent Program. These staff members include:

- Staff Attorney (1 FTE)
- Hearing Examiner (1 FTE)
- Rent Program Services Analysts (3 FTE)
- Administrative Aides (2 FTE)

SALARIES AND WAGES	
400049 Auto Allowance	Proposed Allocation: \$4,200

The allocation accounts for an automobile allowance for the Executive Director, in the amount of \$350 per month.

SALARIES AND WAGES	
400050 Medical In-Lieu Plan	Proposed Allocation: \$2,448

The allocation accounts for employees who opt not to use the City's medical insurance and are able to document to the City's satisfaction that they have group health insurance benefits through a spouse's plan or other source. In accordance with the collective bargaining agreements with the City's employee unions, employees meeting these criteria receive an extra \$200 per month.

BENEFITS	
400103 - 400151 Fringe Benefits	Proposed Allocation: \$714,894

The allocation accounts for benefits provided to full-time employees. Individual plan changes and/or actual rate changes during the fiscal year may affect the amount actually expended. These benefits include:

- Health Benefits
 - Health Insurance (\$151,455)
 - Dental Insurance (\$16,785)
 - Vision Insurance (\$2,193)
 - Employee Assistance Program (\$497)
- Professional Development funds (\$4,162)
- Medicare Taxes (\$16,622)
- Life Insurance (\$4,454)
- Long-Term Disability Insurance (\$10,365)
- Unemployment Insurance (\$6,534)
- Workers' Comp Insurance
 - Clerical staff (\$10,275)
 - Professional staff (\$63,748)
- Other Post-Employment Benefits (OPEB) (\$44,143)¹
- Public Agency Retirement System (PARS) Benefits (\$537)
- Miscellaneous Benefits (\$382,339)²

PROFESSIONAL AND ADMINISTRATIVE SERVICES	
400201 Professional Services	Proposed Allocation: \$17,500

The allocation accounts for professional services provided by contractors. These services include:

- Translation (written and verbal) (\$10,000)
- Property Information (monthly subscription with DataTree) (\$3,500)
- Legal Information (monthly subscription with WestLaw) (\$4,000)

¹ According to the California Department of Human Resources, through the collective bargaining process and under the authority of Government Code 22944.5, OPEB (Other Post-Employment Benefits) is the method by which the State of California, as the employer, and its employees jointly prefund health benefits that active employees will receive as state retirees. All employees in positions that are eligible for health benefits, whether or not currently enrolled, prefund OPEB. The state prefunds a matching contribution.

² Miscellaneous benefits refer to the employer portion of CalPERS pension costs for miscellaneous (non-sworn) staff. CalPERS costs are remitted in two parts—one being a percentage of payroll each pay period (object code 400149) and the other being a flat dollar amount per FTE for the unfunded liability (object code 400151). CalPERS provides an annual valuation reports that specifies these rates/dollar amounts.

PROFESSIONAL AND ADMINISTRATIVE SERVICES	
400206 Legal Services	Proposed Allocation: \$210,000

The allocation accounts for legal services provided by contractors for community members and Rent Program staff. More specifically, the allocation includes funds for two categories of legal services:

- Community Services Agency Contracts
 - The Rent Program contracts with Bay Area Legal Aid in the amount of \$75,000 to offer weekly legal service clinics for both Landlords and Tenants who are Richmond residents
 - The Rent Program contracts with the Eviction Defense Center in the amount of \$125,000 to provide legal referrals to individuals who need assistance with responding to Unlawful Detainer (eviction) lawsuits.
- Legal filing fees
 - The allocation also includes \$10,000 for anticipated legal filing fees in the event of litigation (estimates approximately \$5,000 per writ)

TRAVEL AND TRAINING	
400241 - 400246 Meals, Mileage, Trainings	Proposed Allocation: \$3,728

The allocation accounts for reimbursement for staff meals and transportation in accordance with the City’s travel policies, as well as tuition reimbursements for educational or training purposes.

More specifically, budgeted funds in this category include the following planned expenses:

- Meal allowances during travel and trainings: \$204
- Mileage reimbursement for travel: \$1,224
- Training costs (Mediation Training for one Staff Attorney): \$1,500
- Tuition reimbursement, consistent with the City’s personnel policies: \$800

DUES AND PUBLICATIONS	
400261 Memberships & Dues	Proposed Allocation: \$1,650

The allocation accounts for California BAR Association dues for three attorneys (\$550 per attorney).

ADVERTISING AND PROMOTION	
400271 - 400272 Advertising & Community Events	Proposed Allocation: \$3,713

The allocation accounts for newspaper announcements as required as part of the budget adoption process (\$200) as well as refreshments and materials for 15 community workshops (approximately \$235 per workshop, for a total of \$3,513).

ADMINISTRATIVE EXPENSES	
400280 Program Supplies	Proposed Allocation: \$3,525

The allocation includes funds for supplies not classified as office supplies, including:

- Emails for Rent Boardmembers (\$100 per month, for a total cost of \$1,200)
- Food for Rent Board meetings (\$75 per month, for a total cost of \$1,125)
- Business cards for staff members (\$50 per order, for an estimated 12 orders, for a total cost of \$600)
- Labor to refurbish the Rent Control and Just Cause for Eviction educational mural on Ohio Street (estimated 40 hours of labor at a cost of approximately \$15 per hour, for a total cost of \$600)

OFFICE EXPENSES	
400231 Postage and Mailing	Proposed Allocation: \$25,432

The allocation includes funds for mailing invoices, letters, postcards, and the Guide to Rent Control to Tenants and Landlords. Specifically, the allocation accounts for the following projects:

- One letter project to 5,000 Landlords/Tenants: \$1,450
- One postcard project to 5,000 Landlords/Tenants: \$1,450
- Rental Housing Fee invoices to 5,716 Landlords: \$1,657
- Late Rental Housing Fee invoices to 1,905 Landlords: \$552
- Sending the Notice of Apparent Lawful Rent Ceiling to 14,866 Tenants and Landlords: \$4,311
- Sending Rent Validation Reports to 14,866 Tenants and Landlords: \$4,311
- Mailing the Guide to Rent Control to 23,400 Tenants and Landlords: \$11,701

OFFICE EXPENSES	
400232 Printing and Binding	Proposed Allocation: \$27,181

The allocation includes funds for printing resources for community members, as well as invoices, letters, postcards, and the Guide to Rent Control to Tenants and Landlords. Specifically, the allocation accounts for the following projects:

- General print materials: \$4,000
- One letter project to 5,000 Landlords/Tenants: \$250
- One postcard project to 5,000 Landlords/Tenants: \$1,100
- Rental Housing Fee invoices to 5,716 Landlords: \$286
- Late Rental Housing Fee invoices to 1,905 Landlords: \$95
- Sending the Notice of Apparent Lawful Rent Ceiling to 14,866 Tenants and Landlords: \$780
- Sending Rent Validation Reports to 14,866 Tenants and Landlords: \$780
- Mailing the Guide to Rent Control to 23,400 Tenants and Landlords: \$19,890

OFFICE EXPENSES	
400304 Equipment Rental	Proposed Allocation: \$8,000

The allocation provides for funding for the lease of combination printers, scanners, copiers, and fax machines at City Hall. In 2019, the Rent Program, in partnership with the Richmond Promise, Arts and Culture, and Department of Infrastructure, Maintenance, and Operations, entered into a 36-month lease with RICOH for two machines for the second floor of 440 Civic Center Plaza building. The cost of the lease is shared equally among participating entities, while the cost per copy is charged to each entity. The cost to the Rent Program is approximately \$666 per month.

MISCELLANEOUS EXPENSES	
400321 - 400322 Miscellaneous Contributions and Expenses	Proposed Allocation: \$5,925

The allocation provides for the Rent Program to continue to partner with the UC Berkeley Public Service Center to retain two student interns for the 2020-21 academic year. The estimated cost is approximately \$1,500 per intern. The allocation also includes \$2,925 for miscellaneous expenses based on minor unforeseen program needs throughout the year.

OFFICE SUPPLIES	
400341 Office Supplies	Proposed Allocation: \$6,795

The Rent Program purchases office supplies through the City’s purchasing division which contracts with an office supply vendor. This allocation covers traditional office supplies necessary to maintain daily professional operations.

UTILITIES	
400401 Telephone	Proposed Allocation: \$284

The allocation covers the cost of the Executive Director’s work cell phone service.

SUPPLEMENTAL INSURANCE	
400552 General Liability Insurance	Proposed Allocation: \$8,865

The allocation covers the cost of a supplemental liability insurance policy (SLIP) for the Rent Program. More specifically, the policy accounts for Errors and Omissions and General Liability coverage.

COST POOL	
400574 – 400591 General Liability, Admin Charges, Space	Proposed Allocation: \$193,532

The allocation covers General Liability, Administrative Charges, and space at City Hall for the Rent Program. More specifically, the allocation accounts for the following:

- **General Liability and Workers’ Compensation** at a combined cost of \$7,758 per employee, for a total cost of \$93,087
- **Administrative Charges (previously referred to as “Indirect Costs”)** are allocated to City Departments to reimburse the General Fund for administrative services performed by central service departments (e.g. Information Technology (IT), Human Resources, Finance Department, City Manager, City Attorney, City Clerk, and City Council. Allocations are determined in the City’s Cost Allocation Plan (CAP) which is conducted by an external consultant on a periodic basis. Since the Rent Program was not included in the most recent Cost Allocation Plan since it was completed prior to 2017, the City Manager’s Office was used as the basis for the original figure. The City anticipates conducting a new CAP in the near future, and as such, the cost of these charges may increase or decrease depending on the consultant’s findings. The cost allocated in the budget is \$52,481.
- **Civic Center Allocation** refers to the cost of space at 440 Civic Center Plaza. The cost of this space is based on the percentage of total occupied square footage at City Hall.

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This percentage is then applied to the total annual debt service. Based on the most recent assessment, conducted in 2017, the Rent Program is presumed to occupy 0.9% of the total square footage at City Hall. Since the Rent Program's square footage has increased each year since 2017, the budgeted allocation has increased accordingly. The City anticipates conducting a new assessment in the near future, and as such, the cost of these charges may increase or decrease depending on their findings. The cost allocated in the budget is \$47,964.

NONCAPITAL ASSETS	
400601 Computer Hardware Less Than \$5,000	Proposed Allocation: \$1,100

The allocation covers the cost of one additional desktop computer setup for the front desk, at an estimated cost of \$1,100.

DRAFT

III. EXPENSE AND REVENUE SUMMARY

Overview

In accordance with the Rent Ordinance, the Rent Program’s budget is funded by a Residential Rental Housing Fee, paid by all Richmond Landlords.³ Table 2, below, contains a summary of funds expended and collected for departmental operations since the Program’s establishment in 2017. The discrepancy in the percentage of revenue collected in the current Fiscal Year 2018-19, compared to Fiscal Year 2017-18, is due in large part to the delays imposed by the Property Enrollment and Tenancy Registration project, which was required to generate accurate invoices with tiered fees. Collection efforts for all assessed fees are ongoing. In 2019, the Rent Board entered into a contract with a collection services agency to recover unpaid fees. To date, the agency has collected approximately \$20,000 in outstanding fee revenue. This figure is expected to grow as collection efforts continue.

Table 2. Expense and Revenue Summary

FISCAL YEAR	BUDGETED AMOUNT	FUNDS EXPENDED	REVENUE COLLECTED	COLLECTION RATE
2017-18 ⁴	FY 16-17 (partial): \$1,150,433	\$1,967,837	\$2,173,778 ⁵	61%
	FY 17-18: \$2,425,338			
2018-19	\$2,804,925	\$2,099,583	\$2,189,836	78%
2019-20	\$2,923,584	\$2,291,279 ⁶	\$2,614,775 ⁷	89% ⁸

Source: City of Richmond Rent Program, 2020 (reports generated using TrakIT and MUNIS software systems.)

Financial Projections and Recommendations

In February 2019, the Rent Program entered into a contract with Kevin W. Harper CPA and Associates to prepare 10-year financial projections for the Rent Program and issue recommendations in support of the agency’s goal of achieving long-term financial stability. These projections and CPA recommendations are provided in Appendices B and C, respectively, of this report.

³ At their meeting on December 20, 2017, Rent Boardmembers approved a [Reimbursement Agreement](#) between the Rent Board and City of Richmond to repay funds advanced by the City for program startup.

⁴ Includes the Fiscal Year 2016-17 Rental Housing Fee (December 2016 – June 2017)

⁵ This figure includes revenue collected in Fiscal Year 2017-18 for both the Fiscal Year 2016-17 and Fiscal Year 2017-18 fees.

⁶ This figure represents projected total expenses through the end of the 2019-20 fiscal year.

⁷ This figure represents projected total revenues through the end of the 2019-20 fiscal year.

⁸ This figure represents a projected collection rate based on projected expenses and revenues through the end of the 2019-20 fiscal year.

IV. FISCAL YEAR 2019-20 RENTAL HOUSING FEE STUDY

Introduction and Background

Section 11.100.060(l)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“Rent Ordinance”) provides all Landlords shall pay a Residential Rental Housing Fee to fund the Rent Program budget. The amount of the Rental Housing Fee is annually established by the Richmond Rent Board and approved by the City Council.

Under Section 50076 of the California Government Code, fees charged for any service or regulatory activity must not exceed the reasonable cost of providing the service. Those fees must be approved by the City Council, as the legislative body, in public session.

The fee study is designed to allow the Rent Program Department to recover costs of all budgeted operations, including, but not limited to:

- Personnel costs of staff, benefits, and overtime;
- Risk management and supplemental liability insurance plan (SLIP);
- Charges allocated to City Departments to reimburse the General Fund for administrative services by central service departments (i.e. City Council, City Manager, City Attorney, City Clerk, Finance, HR, etc.);
- Information Technology (IT) expenses associated with a property and rent-tracking database and maintenance of computer hardware and software;
- Legal costs to support enforcement and defense of legal challenges to the Rent Ordinance;
- Costs of education and outreach, including the printing and distribution of print materials and hosting of community workshops and seminars;
- Contracts for translation and other professional services;
- Mileage and attendance at conferences and trainings; and,
- An operating reserve to fund unanticipated costs and variations in collection of the Rental Housing Fee.

Structure of the Rental Housing Fee

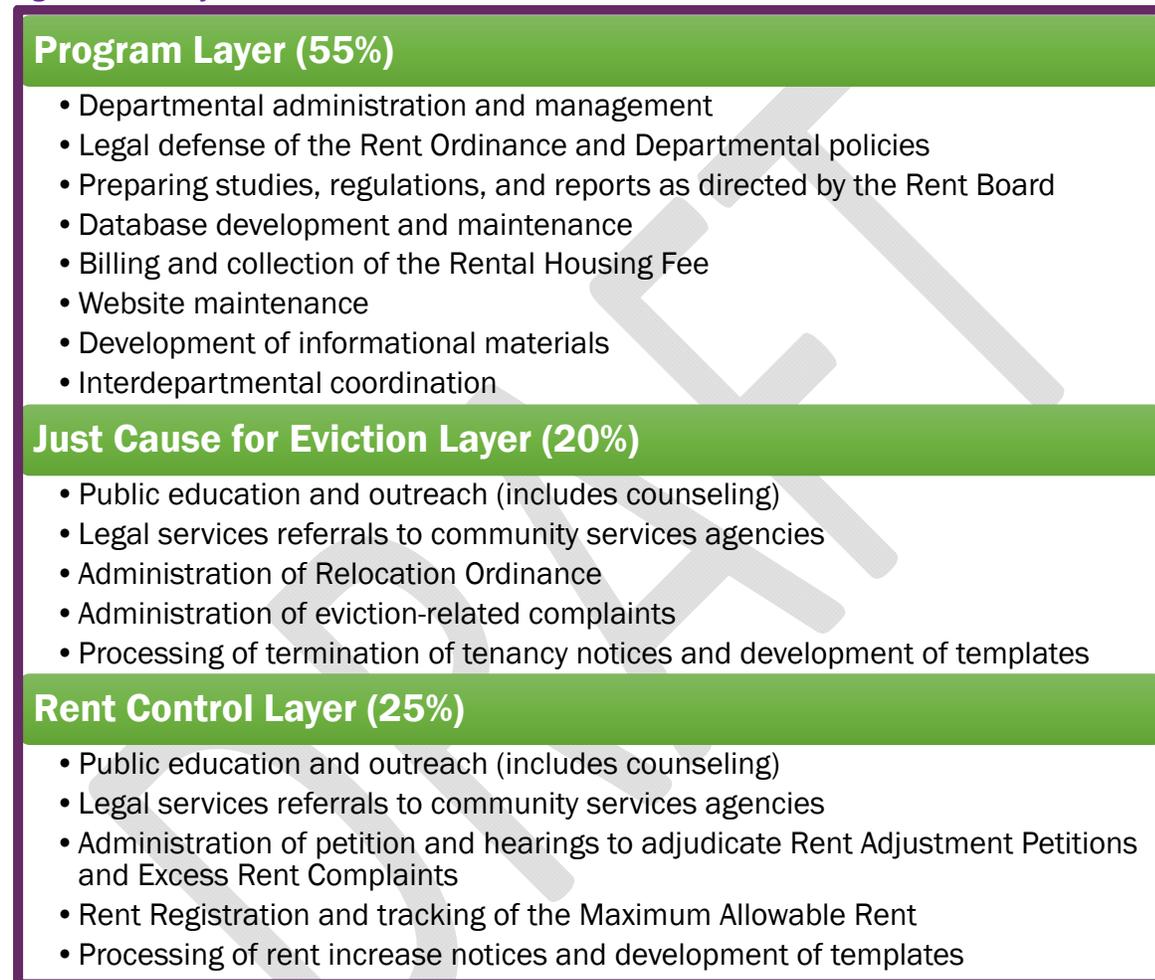
Consistent with direction from the Rent Board in 2017, its first year of existence, the FY 2016-17 and FY 2017-18 Rental Housing Fees were established as “flat fees,” applicable to all units regardless of partial or full applicability under the Rent Ordinance. This approach was utilized during the first 1.5 years of program startup since the tasks and associated benefits of Departmental startup were reasonably shared among rental units regardless of status.

For the 2018-19 Fiscal Year, the Rent Board adopted a tiered fee, much like that contemplated in the [2017 Fee Study](#) prepared by Management Partners. Under this approach, costs of program administration are allocated among three components or layers: a general “program” layer (calculated at 55% of costs), a “just cause” layer (20% of total

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costs), and a “rent control” layer (25% of costs).⁹ Such allocations correspond with the amount of resources spent administering each component of the program. Staff members recommend the Board continue to utilize a tiered-fee approach to the Fiscal Year 2019-20 Rental Housing Fee to ensure the requirements of Section 50076 of the California Government Code are met. The figure on the following page illustrates this concept and identifies key example tasks associated with each program component. This list is not exhaustive; the tasks below are identified for illustrative purposes only.

Figure 2. Fee Layers and Associated Tasks



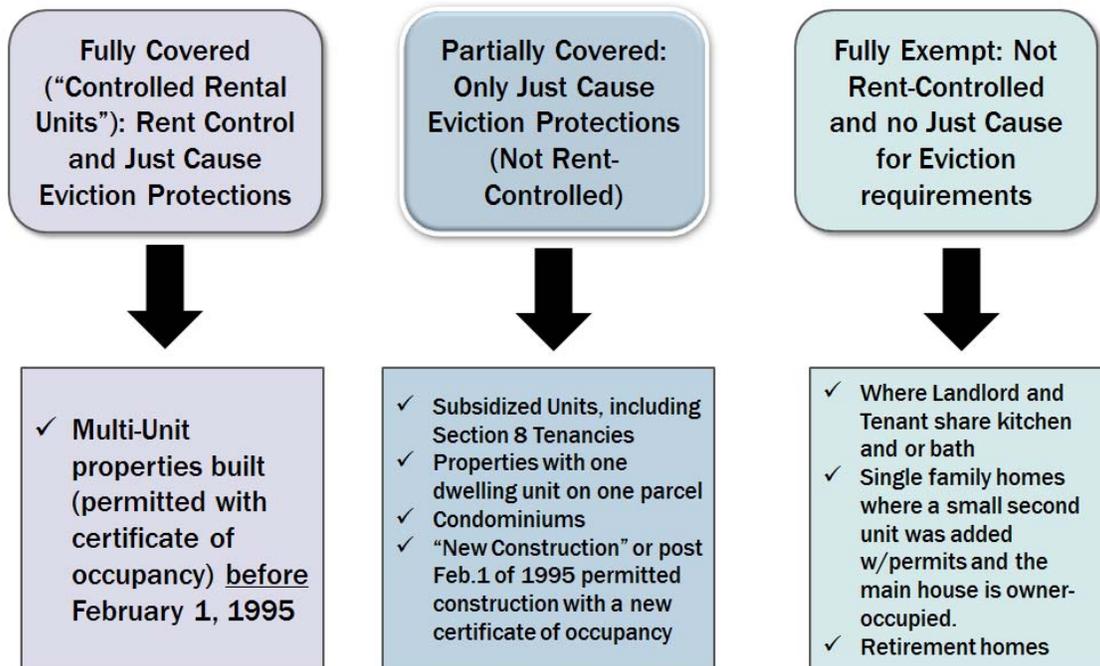
The amount of the Rental Housing Fee applicable to a particular Rental Unit depends on its status. Units applicable to the Just Cause for Eviction requirements, but exempt from the Rent Control provisions of the Ordinance (such as single family homes, governmentally-subsidized units, condominiums, and recently constructed units), are responsible for payment of Program and Just Cause for Eviction layers. Units subject to the Just Cause for Eviction and Rent Control provisions of the Rent Ordinance would be responsible for payment of all three layers. Units that are fully exempt from the Rent Ordinance are not

⁹ With the exception of legal services, which are allocated 9% to the Program Layer, 74% to the Just Cause for Eviction Layer, and 17% to the Rent Control Layer.

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responsible for payment of the Rental Housing Fee. Figure 3, below, identifies the types of units within each of these categories.

Figure 3. Fully Covered, Partially Covered, and Fully Exempt Rental Units



Applicable Unit Counts and Database Development

The number of applicable Rental Units within each category is a critical input in the calculation of the Rental Housing Fees for partially and Fully Covered units. The Fiscal Year 2016-17 and Fiscal Year 2017-18 Fee Study utilized data provided by the Contra Costa County Assessor's Office to identify suspected Rental Units. While County Assessor data may be used to arrive at an estimated number of total rental units, it cannot produce an exact figure. Nevertheless, County Assessor data was the best and most readily available data at the time of the Fiscal Year 2016-17 and Fiscal Year 2017-18 Fee Study.

Since the first iteration of the Rental Housing Fee Study in Fiscal Year 2017-18, staff have continued to refine the database of Rental Units in the City of Richmond, most notably through the completion of an exemption verification project of single family homes in the City to accurately identify units that are truly rented. This project involved mailing an introductory letter and policy information to all single family homes and condominiums possessing one of the following characteristics in the County Assessor database:

- (1) No Homeowner's Tax Exemption was claimed
- (2) The site address of the property did not match the owner on record's mailing address

Approximately 15,500 properties met the above criteria. To confirm applicability to the Rent Ordinance, Rent Program staff members mailed information about the requirements of the Rent Ordinance to all owners of property that met the criteria above. Owners of properties in

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the City of Richmond that did not contains any Rental Units (for example, owners of condominiums that are owner-occupied) were required to complete and submit a Declaration of Owner Occupation and/or Exemption form and submit documentation to allow staff members to approve the exemption. Rent Program staff members received and processed approximately 1,700 Declaration of Owner Occupation and/or Exemption forms.

Additional sources of data, including the identification of rental units not identified in the previous fee study, include:

- Rental Units enrolled in the Rent Program online at www.richmondrent.org/enroll
- Rental Units identified by the Rental Inspection Program
- Rental Units participating in the Section 8 Housing Choice Voucher Program
- Rental Units with an active business license
- Rental Units in subsidized housing developments, such as those built with Low Income Housing Tax Credits (LIHTC), based on the [inventory of deed-restricted affordable housing](#) prepared by Rent Program staff members in 2017
- Unknown Rental Units identified through Tenant inquiries to the Rent Program Department

Since the adoption of last year's Rental Housing Fee, staff members have continued to refine the database of Rental Units through processing of Property Enrollment and Owner Declaration forms. These processes have unveiled a significant number of suspected rental units that are not truly rented, decreasing the total number of applicable rental units among which the Rent Program budget is divided to calculate the Rental Housing Fee. For example, the processing of Property Enrollment forms has unearthed many multifamily properties where an owner may occupy one unit. In such case, the status of a unit would be changed from "Compliant" or "Noncompliant" [Partially or Fully-Covered Rental Unit] to "Owner Occupied." The table on the following page summarizes these changes as of March 9, 2020.

**ITEM G-1
ATTACHMENT 1**

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Table 3. Unit Status Changes, 2018 - 2020

NOTE: These numbers are in the process of being verified and all figures are subject to change.

STATUS	CHANGE BETWEEN 2018 AND 2019 (POSITIVE NUMBER - UNITS ADDED; NEGATIVE NUMBER - UNITS LOST)	2019 TOTAL	CHANGE BETWEEN 2019 AND 2020 (POSITIVE NUMBER - UNITS ADDED; NEGATIVE NUMBER - UNITS LOST)	2020 TOTAL
SUSPECTED FULLY COVERED RENTAL UNITS	+175	175	-167	8
FULLY COVERED RENTAL UNITS	-1,946	7,627	-202	7,425
SUBTOTAL - FULLY COVERED UNITS	-1,771	7,802	-369	7,433
SUSPECTED PARTIALLY COVERED RENTAL UNITS	+53	54	+66	120
PARTIALLY COVERED RENTAL UNITS (EXCLUDING GOV SUBSIDIZED RENTAL UNITS)	-366	7,192	-1,624	5,568
SUBTOTAL - PARTIALLY COVERED UNITS	-313	7,246	-1,558	5,688
SUBTOTAL - GOVERNMENTALLY SUBSIDIZED RENTAL UNITS	0	4,211	+30	4,512¹⁰
TOTAL APPLICABLE UNITS	-2,084	19,259	-1,957	17,633
OWNER OCCUPIED/HOMEOWNER EXEMPT	+3,782	4,614	+849	5,463
RENT FREE	+75	159	+91	250
NOT AVAILABLE FOR RENT	+8	170	+147	317
NOT APPLICABLE ¹¹	+496	527	+155	682
TOTAL NON-APPLICABLE OR CONDITIONALLY EXEMPT UNITS	4,361	5,470	1,242	6,712

¹⁰ This figure includes 271 units at the Terraces, an affordable housing development anticipated to be available for rent in 2020.

¹¹ Includes Statuses "Exempt," "APN not on file," "Outside City Boundaries," "Ineligible," "Vacant Lot," and "Non-Applicable"

Rental Housing Fees Associated with Proposed FY 2020-21 Budget

Table 4, below, present the fees corresponding to the proposed Fiscal Year 2020-21 budget:

Table 4. Fiscal Year 2020-21 Proposed Budget and Rental Housing Fees

UNIT COUNTS		PROPOSED FY 2020-21	CHANGE FROM FY 2019-20
TOTAL EXPENDITURES: ¹²		\$2,896,242	-\$27,342 (-1%)
FULLY COVERED UNITS ¹³	7,433	\$219	\$7 (3.3%)
PARTIALLY COVERED UNITS (INCLUDING SUBSIDIZED UNITS) ¹⁴	10,251	\$124	\$12 (10.7%)
TOTAL REVENUE ¹⁵ :		\$2,898,951	-\$38,257 (-1%)

Comparison to Previously Adopted Rental Housing Fee and Peer Jurisdictions

On May 21, 2019, the Richmond City Council adopted [Resolution 40-19](#), approving the Fiscal Year 2019-20 Residential Rental Housing Fee in the City’s master fee schedule of \$212 per Controlled Rental Unit and \$112 per Partially Covered Rental Unit, including Governmentally Subsidized Rental Units. Table 5, below, contains a historical comparison of the Residential Rental Housing Fees charged in FY 2017-18, FY 2018-19, FY 2019-20, and the proposed fee for FY 2020-21.

Table 5. Comparison of Proposed FY 2020-21 Rental Housing Fee to Prior Year Fees

FISCAL YEAR	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS	GOVERNMENTALLY SUBSIDIZED RENTAL UNITS
2017-18	\$145	\$145	\$145
2018-19	\$207	\$100	\$50
2019-20	\$212	\$112	\$112
2020-21 (Proposed)	\$219	\$124	\$124

¹² Total expenditures include a 17% operating reserve (the minimum recommended by the GFOA)

¹³ Includes suspected Fully Covered rental units

¹⁴ Includes suspected Partially Covered rental units

¹⁵ Fees rounded to the nearest full dollar

ITEM G-1 ATTACHMENT 1

City of Richmond Rent Program
FY 2020-21 Budget and Rental Housing Fee Study

Table 6, below, compares the proposed Rental Housing Fee to fees in other jurisdictions with rent programs in the state of California. This table calculates a per unit cost of administration, revealing that of California's actively enforced programs, Richmond's per unit cost is the lowest. Yet while Richmond's proposed fees are lower than those charged in peer jurisdictions with actively enforced rent programs, it is important to consider that Richmond's median rental rates are also less than those in peer rent control jurisdictions.

Table 6: Comparison of Program Budgets, Unit Counts, Fees, and Median Rents in Case Study Cities

JURISDICTION	2019-20 PROGRAM BUDGET	APPLICABLE RENTAL UNITS ¹⁶	RENTAL HOUSING FEES (PER UNIT)	2019 MEDIAN GROSS RENT ¹⁷	PORTION OF FEE PASSED THROUGH TO TENANTS
ACTIVELY ENFORCED RENT PROGRAMS					
BERKELEY	\$5,377,500	19,093	\$250	\$3,114	50%; City may reimburse low-income tenants ¹⁸
EAST PALO ALTO	\$619,100	2,325	\$222	\$3,364	50%
OAKLAND	\$9,293,006	65,000	\$101	\$2,926	50%
RICHMOND	\$2,896,242 (proposed for FY 2020-21)	7,433 Fully Covered units; 10,251 Partially Covered units	\$219 per Fully Covered Unit; \$124 per Partially Covered Unit (proposed for FY 2020-21)	\$2,718	50% (proposed for FY 2020-21)
SANTA MONICA	\$5,269,647 ¹⁹	27,542	\$198	\$4,163	50%
COMPLAINT-DRIVEN RENT PROGRAMS					
LOS ANGELES	\$7,967,538	631,000	\$38.75	\$2,822	50%
WEST HOLLYWOOD	\$2,327,862	16,805	\$144 ²⁰	\$3,395	50% (excludes Section 8 tenants)
ALAMEDA	\$1,516,905	14,899	\$106	\$3,316	50% (applies to FY 2020-21 fee)
SAN FRANCISCO	\$9,144,677	173,000	\$50 per apartment unit; \$25 per residential hotel room	\$4,224	50%

Source: City of Richmond Rent Program, 2020

¹⁶ "Applicable rental units" refers to the number of units subject to the Rental Housing Fee in each case study jurisdiction.

¹⁷ Source: Zillow Rent Index (ZRI): A smoothed measure of the typical estimated market rent across a given region and housing type. ZRI, which is a dollar-denominated alternative to repeat-rent indices, is the mean of rent estimates that fall into the 40th to 60th percentile range for all homes and apartments in a given region, including those not currently listed for rent.

¹⁸ Pass-through only applies to tenancies that began prior to January 1, 1999.

¹⁹ Budget includes total operating expenses and does not include \$329,624 of "non-operating expenses," including a capital improvement project and annual PERS loan payment.

²⁰ West Hollywood's Rent Program receives support from the City's General Fund, and the \$144 fee allows the program to recover 65% of total costs. The program would need to collect \$221 per unit to achieve 100% cost recovery.

Consideration of a 50% Pass Through of the Rental Housing Fee

In conjunction with the adoption of the Fiscal Year 2020-21 budget and Rental Housing Fee study, staff members recommend that the Board revisit the policy consideration of allowing Landlords who pay the Rental Housing Fee on time to pass through fifty percent (50%) of the Rental Housing Fee to Tenants in monthly installments. As shown in Table 6, such policies are commonplace in peer rent control jurisdictions and provide an equitable means by which Tenants and Landlords can share the costs of a program that ultimately benefits the community at-large. If the Board determines that such a pass through policy is advisable, staff members recommend that the Board adopt a simple policy to minimize administrative complexities that could ultimately result in an increase in the Rental Housing Fee. Table 7 shows the financial implication of such a policy on Richmond Landlords and Tenants.

Table 7: Proposed 50% Pass Through Amount to Landlords and Tenants

	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS
Proposed FY 2020-21 Fee	\$219	\$124
Landlord Pays²¹	\$219	\$124
Possible Pass-Through Amount After Timely Payment (50%)	\$109.50	\$62
Monthly Cost to Tenant	\$9.13	\$5.20

²¹Note that these figures are meant to illustrate that Landlords who pay the Rental Housing Fee to the Rent Program on time and in full would be able to collect up to 50% of the Rental Housing Fee from the Tenant in monthly installments. The proposed policy would not relinquish Landlords of the obligation to pay the Rent Program the entire Rental Housing Fee by the due date.

Conclusion and Recommended Actions

The proposed 2020-21 budget reflects the short and long-term goals of the Rent Program; that is, to create an actively enforced program that effectively serves empowered and knowledgeable community members. The Fiscal Year 2020-21 Fee Study will allow the Rent Program to recover costs of all budgeted operations in a manner consistent with Section 50076 of the California Government Code with modest increases in the Rental Housing Fees for Landlords.

The recommendations put forth by staff for consideration by the Rent Board are as follows:

- Staff members recommend that the Board receive the projections and recommendations put forth by Kevin Harper CPA and Associates;
- Adopt the proposed Fiscal Year 2020-21 Budget to provide the support necessary for continued development of all Rent Program operations;
- Approve the Fiscal Year 2020-21 Rental Housing Fee Study;
- Direct staff to prepare a regulation that would allow Landlords who timely pay the Rental Housing Fee to pass through fifty percent (50%) of the Rental Housing Fee to Tenants in monthly installments; and
- Recommend to the City Council adoption of a two-tier fee structure of \$219 for Fully Covered Rental Units and \$124 for Partially Covered Rental Units, including Governmentally Subsidized Rental Units.

V. UNIT DESCRIPTIONS

Management Unit (2.25 FTE)

The Management Unit, comprised of the Executive Director, Deputy Director, and Assistant Administrative Analyst (0.25 FTE), is responsible for guiding the development of the Rent Program Department and managing day-to-day operations. The Management Unit also conducts policy research to support the Department and Rent Board, which includes conducting surveys and studies to help guide administrative improvements and the formation of sound public policy. The Management Unit oversees all personnel related issues (hiring, training, discipline in conformance with MOU's, etc.) Other duties include providing staff support to the Rent Board, including but not limited to the preparation of agendas, minutes and documents for all Rent Board meetings. Additionally, the Management Unit conducts payroll, purchasing, finance and accounting and administrative workflow processes. Central to the Management Unit's duties are preparation, monitoring and reporting of the annual Rent Program budget. The Management Unit also publishes the Rent Program Annual Report, required by the Rent Ordinance.

Legal Unit (1.75 FTE)

The Legal Unit includes 1.5 FTE of Staff Attorney positions and 0.25 FTE of an Assistant Administrative Analyst position. The duties of the Legal Unit include representing the Board in litigation, advising the Director and the Rent Board on legal matters (this may include the preparation of Confidential Legal Memoranda and ensuring compliance with Brown Act requirements, reviewing and opining on decisions on appeal, coordinating responses to public records act requests, training Rent Program Services Analysts, supervising investigations and lawsuits for non-compliance, reviewing contracts, and responding to legal challenges to the Ordinance and applicable regulations. Staff members in the Legal Unit are also responsible for drafting regulations for consideration by the Rent Board and establishing processes to monitor rent increase and termination notices in accordance with the requirements of the Rent Ordinance.

Public Information Unit (4.1 FTE)

The Public Information Unit, comprised of a Staff Attorney (0.5 FTE), Administrative Aide, and Rent Program Services Analysts (2.6 FTE), is responsible for educating community members about Landlord and Tenant rights and responsibilities under the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, as well as related State and Federal laws. The Staff Attorney is responsible for supervising and ensuring quality control of counseling sessions. Education is provided by Rent Program Services Analysts and Staff Attorney in the form of one-on-one counseling, facilitating mediation sessions, drafting print materials such as the Guide to Rent Control, and providing direct referrals to community legal services agencies. Rent Program Services Analysts also plan, prepare, and conduct monthly community educational workshops for Landlords and Tenants and assist Landlords and Tenants with the filing of Rent Adjustment Petitions. Administrative staff members in the Public Information and Compliance Unit also assist with purchasing and contract management.

Billing and Registration Unit (2.4 FTE)

The Billing and Registration Unit, comprised of two Administrative Aides (2 FTE) and 0.4 FTE of a Rent Program Services Analyst, is responsible for the creation and maintenance of the Department's property enrollment and tenancy registration database with assistance from IT Department staff, which supports all departmental functions. The enrollment and tenancy registration database is an essential tool used to generate accurate Rental Housing Fee invoices, track the Maximum Allowable Rent for Controlled Rental Units, and manage contract and case information for all Rental Units in the City of Richmond. Billing and Registration Unit staff members are responsible for planning and executing the annual billing cycle of the Rental Housing Fee and managing the collection of revenue, including late fees.

Hearings Unit (1.5 FTE)

The Hearings Unit consists of the Department's Hearing Examiner, who is supported by an Assistant Administrative Analyst (0.5 FTE). The main functions of the Hearings Unit include conducting hearings and issuing decisions, conducting settlement conferences, acting as a back-up resource on interpretation of the Rent Ordinance and Regulations, assisting with drafting public information documents such as the Guide to Rent Control and numerous Frequently Asked Questions, maintaining all forms required for administration of the Rent Adjustment Petition process and conducting mediations. Staff members in the Hearings Unit also assist with special projects, such as working with City staff to develop rent registration/tracking software to adjust rents in the Maximum Allowable Rent Tracking database.

VI. APPENDICES

Appendix A: Proposed FY 2020-21 Budget and Fee Study Calculations

Appendix B: Ten-year Financial Projections prepared by Kevin Harper CPA and Associates

Appendix C: Financial Recommendations prepared by Kevin Harper CPA and Associates

DRAFT

FY 2020-2021 DRAFT RENT PROGRAM BUDGET AND RENTAL HOUSING FEE STUDY

FEE STUDY													
	UNIT TYPE	# UNITS	Proposed Fee	Revenue		Collection Rate				Program Fee		Just Cause Fee	Rent Control Fee
	Fully Covered Units	7,433	\$ 219	\$ 1,627,827		90%				\$ 84.62		\$ 39.17	\$ 95.15
	Partially Covered Units	10,251	\$ 124	\$ 1,271,124									
				\$ 2,898,951									

BUDGET														
Object #	City Account Description	FY 17-18 ACTUALS	FY 18-19 ACTUALS	FY 19-20 ACTUALS THROUGH PERIOD 6	Projected to 6/30/20	FY 19-20 PROJECTED	FY 20-21 PROPOSED	Variance Notes (a)	Program Allocation (%)	Program Allocation (\$)	Just Cause Allocation (%)	Just Cause Allocation (\$)	Rent Control Allocation (%)	Rent Control Allocation (\$)
	REVENUES													
340445	Fees/Admin Fees	1,878,958	2,189,703	2,264,071	349,999	2,614,070	2,609,056	(1)						
361701	Int & Invest/Pooled-All Other	1,175	367	405	300	705	719							
	TOTAL REVENUES	1,880,133	2,190,070	2,264,476	350,299	2,614,775	2,609,775							
	EXPENSES													
400001	Salaries & Wages/Executive	252,053	530,092	306,070	333,524	639,594	672,384	(2)	55%	369,811	20%	134,477	25%	168,096
400002	Salaries & Wages/Mgmt-Local 21	153,348	294,152	143,741	124,091	267,832	303,872	(2)	55%	167,130	20%	60,774	25%	75,968
400003	Salaries & Wages/Local 1021	40,563	128,866	51,613	88,522	140,135	199,116	(2)	55%	109,514	20%	39,823	25%	49,779
400006	Salaries & Wages/PT-Temp	52,250	49,557	28,187	28,285	56,472	43,036	(2)	55%	23,670	20%	8,607	25%	10,759
400031	Overtime/General	4,013	4,778	2,094	2,942	5,036	6,000	(2)	55%	3,300	20%	1,200	25%	1,500
400048	Other Pay/Bilingual Pay	892	6,993	3,956	3,956	7,912	12,239	(2)	55%	6,731	20%	2,448	25%	3,060
400049	Other Pay/Auto Allowance	4,200	4,200	2,100	2,100	4,200	4,200	(2)	55%	2,310	20%	840	25%	1,050
400050	Other Pay/Medical-In Lieu of	2,900	2,700	1,200	1,200	2,400	2,448		55%	1,346	20%	490	25%	612
400079	Comp Absences/WC-Prof-Mgt-Tec	-	1,486	4,187	-	4,187	4,187							
	Subtotal - Salaries & Wages	510,218	1,022,823	543,148	584,621	1,127,769	1,243,295			683,812		248,659		310,824
400103	P-Roll Ben/Medicare Tax-ER Shr	7,457	14,937	7,927	7,927	15,854	16,622	(3)	55%	9,142	20%	3,324	25%	4,155
400104	P-Roll Ben/PERS Benefits	117,805	-	-	-	-	-		55%	-	20%	-	25%	-
400105	P-Roll Ben/Health Insurance Be	65,719	146,557	72,230	72,230	144,460	151,455	(3)	55%	83,300	20%	30,291	25%	37,864
400106	P-Roll Ben/Dental Insurance	8,403	16,652	8,005	8,005	16,010	16,785	(3)	55%	9,232	20%	3,357	25%	4,196
400109	P-Roll Ben/Employee Assistance	236	430	237	237	474	497	(3)	55%	273	20%	99	25%	124
400110	P-Roll Ben/Professional Dev-Mg	2,252	3,728	1,985	1,985	3,970	4,162	(3)	55%	2,289	20%	832	25%	1,041
400111	P-Roll Ben/Vision	1,148	2,106	1,046	1,046	2,092	2,193	(3)	55%	1,206	20%	439	25%	548
400112	P-Roll Ben/Life Insurance	2,746	5,557	2,124	2,124	4,248	4,454	(3)	55%	2,450	20%	891	25%	1,113
400114	P-Roll Ben/Long Term Disabilit	4,778	9,408	4,943	4,943	9,886	10,365	(3)	55%	5,701	20%	2,073	25%	2,591
400116	P-Roll Ben/Unemployment Ins	1,368	1,860	3,116	3,116	6,232	6,534	(3)	55%	3,594	20%	1,307	25%	1,633
400117	P-Roll Ben/Personal/Prof Dev	700	750	-	750	750	786	(3)	55%	432	20%	157	25%	197
400121	P-Roll Ben/Worker Comp-Clerica	6,984	13,806	4,900	4,900	9,800	10,275	(3)	55%	5,651	20%	2,055	25%	2,569
400122	P-Roll Ben/Worker Comp-Prof	28,774	69,352	30,402	30,402	60,804	63,748	(3)	55%	35,062	20%	12,750	25%	15,937
400127	P-Roll Ben/OPEB	19,169	39,338	21,052	21,052	42,104	44,143	(3)	55%	24,279	20%	8,829	25%	11,036
400130	P-Roll Ben/PARS Benefits	706	642	256	256	512	537	(3)	55%	295	20%	107	25%	134
400149	P-Roll Ben/Misc	-	123,021	67,696	67,696	135,392	141,948	(3)	55%	78,071	20%	28,390	25%	35,487
400151	P-Roll Ben/Misc (UAL)	-	162,985	114,644	114,644	229,288	240,391	(3)	55%	132,215	20%	48,078	25%	60,098
	Subtotal Fringe Benefits	268,246	611,127	340,563	341,313	681,876	714,894			393,192	3	142,979	4	178,724
400201	Prof Svcs/Professional Svcs	31,757	32,112	9,434	29,434	38,867	17,500	(4)	55%	9,625	20%	3,500	25%	4,375
400206	Prof Svcs/Legal Serv Cost	168,375	137,614	77,080	122,920	200,000	210,000	(5)	9%	18,900	74%	155,400	17%	35,700
400220	Prof Svcs/Info Tech Services	14,376	2,375	-	-	-	-		55%	-	20%	-	25%	-
400241	Travel & Trng/Meal Allowance	-	359	-	200	200	204		55%	112	20%	41	25%	51
400242	Travel & Trng/Mileage	38	1,284	-	1,200	1,200	1,224		55%	673	20%	245	25%	306
400243	Travel & Trng/Conf, Mtng Trng	-	280	-	300	300	1,500	(6)	55%	825	20%	300	25%	375
400245	Travel & Trng/Tuition Rmb/Cert	800	800	-	800	800	800	(7)	55%	440	20%	160	25%	200

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499246	Travel & Trng/Registration Fee	60	-	-	-	-	-	55%	-	20%	-	25%	-	
400261	Dues & Pub/Memberships & Dues	-	824	1,650	1,650	1,650	(8)	55%	908	20%	330	25%	413	
400263	Dues & Pub/Subscription	-	1,500	-	-	-	-	55%	-	20%	-	25%	-	
400271	Ad & Promo/Advertising & Promotional Materials	1,797	1,559	705	705	1,410	200	(9)	55%	110	20%	40	25%	50
400272	Ad & Promo/Community Events	3,762	1,563	1,722	1,722	3,444	3,513	-	55%	1,932	20%	703	25%	878
400280	Adm Exp/Program Supplies	-	5,292	634	634	1,268	3,525	(10)	55%	1,939	20%	705	25%	881
	Subtotal Prof & Admin Services	220,964	185,563	89,575	159,565	249,139	240,116			35,464	3	161,423	3	43,229
400231	Off Exp/Postage & Mailing	25,175	10,849	3,573	3,573	7,146	25,432	(11)	55%	13,988	20%	5,086	25%	6,358
400232	Off Exp/Printing & Binding	2,938	12,071	2,062	2,062	4,124	27,181	(12)	55%	14,950	20%	5,436	25%	6,795
400233	Off Exp/Copying & Duplicating	1,325	46	-	-	-	-	-	55%	-	20%	-	25%	-
400304	Rental Exp/Equipment Rental	2,928	8,721	4,000	4,000	8,000	8,000	(13)	55%	4,400	20%	1,600	25%	2,000
400321	Misc Exp/Misc Contrib	-	3,000	-	-	2,000	3,000	(14)	55%	1,650	20%	600	25%	750
400322	Misc Exp/Misc Exp	4,410	3,061	1,434	1,434	2,868	2,925	-	55%	1,609	20%	585	25%	731
400341	Off Supp/Office Supplies	9,084	8,721	3,331	3,331	6,662	6,795	-	55%	3,737	20%	1,359	25%	1,699
400344	Off Supp/Computer Supplies	2,561	18	783	783	1,566	-	-	55%	-	20%	-	25%	-
	Subtotal Other Operating	48,421	46,486	15,183	15,183	32,366	73,334			40,334	2	14,667	2	18,333
400401	Utilities/Tel & Telegraph	-	254	139	139	278	284	-	55%	156	20%	57	25%	71
400552	Prov Fr Ins Loss/Ins Gen Liab	-	8,029	7,491	1,200	8,691	8,865	-	55%	4,876	20%	1,773	25%	2,216
400574	Cost Pool/(ISF)-Gen Liab	26,138	55,701	45,631	45,631	91,262	93,087	-	55%	51,198	20%	18,617	25%	23,272
400586	Cost Pool/(CAP)-Admin Charges	51,454	51,454	25,726	25,726	51,452	52,481	-	55%	28,865	20%	10,496	25%	13,120
400591	Cost Pool/(IND)Civic Ctr Alloc	52,275	52,420	23,512	23,512	47,024	47,964	-	55%	26,380	20%	9,593	25%	11,991
400601	Noncap Asst/Comp Hrdware<5K	-	-	5,259	-	5,259	1,100	(15)	55%	605	20%	220	25%	275
400604	Noncap Asst/Furniture <5K	528	13,328	-	-	-	-	-	55%	-	20%	-	25%	-
	TOTAL EXPENSES	1,178,245	2,047,186	1,096,227	1,196,889	2,295,116	2,475,420			1,264,881	10	608,484	11	602,055
	TOTAL BUDGET (b)	2,425,338	2,804,925	1,396,405	624,171	2,923,584	2,896,242			1,496,333		692,648		707,260
	NET OPERATING SURPLUS (DEFICIT)	701,888	142,884	1,168,249	(846,590)	319,659	134,355							

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City of Richmond Rent Program
10-Year Financial Projections
As of March 2020

Object #	City Account Description	Historical Actuals		Current Year 2019-20			Projections										
		2017-18	2018-19	Actuals to	Projected to	Total	2020-21	Variance	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
REVENUES																	
340445	Fees/Admin Fees	1,878,958	2,189,703	2,264,071	349,999	2,614,070	2,609,056	(1)	2,661,237	2,714,462	2,768,751	2,824,126	2,880,609	2,938,221	2,996,985	3,056,925	3,118,063
361701	Int & Invest/Pooled-All Other	1,175	367	405	300	705	719	%	733	748	763	778	794	810	826	843	859
TOTAL REVENUES		1,880,133	2,190,070	2,264,476	350,299	2,614,775	2,609,775		2,661,971	2,715,210	2,769,514	2,824,904	2,881,403	2,939,031	2,997,811	3,057,767	3,118,923
EXPENSES																	
Salaries & Wages																	
400001	Salaries & Wages/Executive	252,053	530,092	306,070	333,524	639,594	672,384	(2)	685,832	699,548	713,539	727,810	742,366	757,214	772,358	787,805	803,561
400002	Salaries & Wages/Mgmt-Local 21	153,348	294,152	143,741	124,091	267,832	303,872	(2)	309,949	316,148	322,471	328,921	335,499	342,209	349,053	356,034	363,155
400003	Salaries & Wages/Local 1021	40,563	128,866	51,613	88,522	140,135	199,116	(2)	203,098	207,160	211,303	215,530	219,840	224,237	228,722	233,296	237,962
400006	Salaries & Wages/PT-Temp	52,250	49,557	28,187	28,285	56,472	43,036	(2)	43,897	44,775	45,670	46,584	47,515	48,466	49,435	50,424	51,432
400031	Overtime/General	4,013	4,778	2,094	2,942	5,036	6,000	(2)	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171
400048	Other Pay/Bilingual Pay	892	6,993	3,956	3,956	7,912	12,239	(2)	12,484	12,733	12,988	13,248	13,513	13,783	14,059	14,340	14,627
400049	Other Pay/Auto Allowance	4,200	4,200	2,100	2,100	4,200	4,200	#	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
400050	Other Pay/Medical-In Lieu of	2,900	2,700	1,200	1,200	2,400	2,448	%	2,497	2,547	2,598	2,650	2,703	2,757	2,812	2,868	2,926
400079	Comp Absences/WC-Prof-Mgt-Tec	-	1,486	4,187		4,187			-	-	-	-	-	-	-	-	-
Subtotal - Salaries & Wages		510,218	1,022,823	543,148	584,621	1,127,769	1,243,295		1,268,077	1,293,354	1,319,138	1,345,436	1,372,261	1,399,622	1,427,531	1,455,997	1,485,033
Fringe Benefits																	
400103	P-Roll Ben/Medicare Tax-ER Shr	7,457	14,937	7,927	7,927	15,854	16,622	(3)	16,953	17,291	17,636	17,987	18,346	18,712	19,085	19,465	19,854
400104	P-Roll Ben/PERS Benefits	117,805	-	-	-	-	-		-	-	-	-	-	-	-	-	-
400105	P-Roll Ben/Health Insurance Be	65,719	146,557	72,230	72,230	144,460	151,455	(3)	154,474	157,553	160,694	163,898	167,166	170,499	173,898	177,366	180,903
400106	P-Roll Ben/Dental Insurance	8,403	16,652	8,005	8,005	16,010	16,785	(3)	17,120	17,461	17,809	18,164	18,526	18,896	19,273	19,657	20,049
400109	P-Roll Ben/Employee Assistance	236	430	237	237	474	497	(3)	507	517	527	538	549	559	571	582	594
400110	P-Roll Ben/Professional Dev-Mg	2,252	3,728	1,985	1,985	3,970	4,162	(3)	4,245	4,330	4,416	4,504	4,594	4,686	4,779	4,874	4,972
400111	P-Roll Ben/Vision	1,148	2,106	1,046	1,046	2,092	2,193	(3)	2,237	2,282	2,327	2,373	2,421	2,469	2,518	2,569	2,620
400112	P-Roll Ben/Life Insurance	2,746	5,557	2,124	2,124	4,248	4,454	(3)	4,542	4,633	4,725	4,820	4,916	5,014	5,114	5,216	5,320
400114	P-Roll Ben/Long Term Disabilit	4,778	9,408	4,943	4,943	9,886	10,365	(3)	10,571	10,782	10,997	11,216	11,440	11,668	11,901	12,138	12,380
400116	P-Roll Ben/Unemployment Ins	1,368	1,860	3,116	3,116	6,232	6,534	(3)	6,664	6,797	6,932	7,071	7,212	7,355	7,502	7,652	7,804
400117	P-Roll Ben/Personal/Prof Dev	700	750		750	750	786	(3)	802	818	834	851	868	885	903	921	939
400121	P-Roll Ben/Worker Comp-Clerica	6,984	13,806	4,900	4,900	9,800	10,275	(3)	10,479	10,688	10,901	11,119	11,340	11,566	11,797	12,032	12,272
400122	P-Roll Ben/Worker Comp-Prof	28,774	69,352	30,402	30,402	60,804	63,748	(3)	65,019	66,315	67,637	68,985	70,361	71,764	73,195	74,654	76,143
400127	P-Roll Ben/OPEB	19,169	39,338	21,052	21,052	42,104	44,143	(3)	45,023	45,920	46,836	47,769	48,722	49,693	50,684	51,695	52,726
400130	P-Roll Ben/PARS Benefits	706	642	256	256	512	537	(3)	547	558	570	581	592	604	616	629	641
400149	P-Roll Ben/Misc	-	123,021	67,696	67,696	135,392	141,948	(3)	144,777	147,663	150,607	153,610	156,672	159,796	162,982	166,233	169,548
400151	P-Roll Ben/Misc (UAL)	-	162,985	114,644	114,644	229,288	240,391	(3)	245,182	250,070	255,055	260,140	265,326	270,617	276,013	281,517	287,131
Subtotal Fringe Benefits		268,246	611,127	340,563	341,313	681,876	714,895		729,144	743,679	758,504	773,626	789,050	804,783	820,830	837,198	853,894
Prof & Admin Services																	
400201	Prof Svcs/Professional Svcs	31,757	32,112	9,434	29,434	38,867	17,500	(4)	42,850	43,707	44,581	45,473	46,382	47,310	48,256	49,221	50,206
400206	Prof Svcs/Legal Serv Cost	168,375	137,614	77,080	122,920	200,000	210,000	(5)	214,200	218,484	222,854	227,311	231,857	236,494	241,224	246,048	250,969
400220	Prof Svcs/Info Tech Services	14,376	2,375	-	-	-		(15)	25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291
400241	Travel & Trng/Meal Allowance	-	359	-	200	200	204	%	208	212	216	221	225	230	234	239	244
400242	Travel & Trng/Mileage	38	1,284		1,200	1,200	1,224	%	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463
400243	Travel & Trng/Conf, Mtng Trng	-	280		300	300	1,500	(6)	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793
400245	Travel & Trng/Tuition Rmb/Cert	800	800		800	800	800	#	800	800	800	800	800	800	800	800	800
499246	Travel & Trng/Registration Fee	60	-	-	-	-	-		-	-	-	-	-	-	-	-	-
400261	Dues & Pub/Memberships & Dues	-	824		1,650	1,650	1,650	(7)	2,100	2,400	2,448	2,497	2,547	2,598	2,650	2,703	2,757
400263	Dues & Pub/Subscription	-	1,500		-	-	-		-	-	-	-	-	-	-	-	-
400271	Ad & Promo/Advertising & Promo	1,796.77	1,559	705	705	1,410	200	(8)	204	208	212	216	221	225	230	234	239
400272	Ad & Promo/Advertising & Promo	3,762	1,563	1,722	1,722	3,444	3,513	%	3,583	3,655	3,728	3,802	3,879	3,956	4,035	4,116	4,198
400280	Adm Exp/Program Supplies	-	5,292	634	634	1,268	3,525	(9)	3,596	3,667	3,741	3,816	3,892	3,970	4,049	4,130	4,213
Subtotal Prof & Admin Services		220,964	185,563	89,575	159,565	249,139	240,116		295,319	301,468	307,481	313,615	319,871	326,252	332,761	339,401	346,173
Other Operating																	
400231	Off Exp/Postage & Mailing	25,175	10,849	3,573	3,573	7,146	25,432	(10)	15,262	15,567	15,879	16,196	16,520	16,850	17,187	17,531	17,882
400232	Off Exp/Printing & Binding	2,938	12,071	2,062	2,062	4,124	27,181	(11)	12,493	12,743	12,998	13,258	13,523	13,794	14,070	14,351	14,638
400233	Off Exp/Copying & Duplicating	1,325	46		-	-	-		-	-	-	-	-	-	-	-	-
400304	Rental Exp/Equipment Rental	2,928	8,721	4,000	4,000	8,000	8,000	(12)	8,160	8,323	8,490	8,659	8,833	9,009	9,189	9,373	9,561
400321	Misc Exp/Misc Contrib	-	3,000		-	2,000	3,000	(13)	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
400322	Misc Exp/Misc Exp	4,410	3,061	1,434	1,434	2,868	2,925	%	2,984	3,044	3,104	3,167	3,230	3,294	3,360	3,428	3,496
400341	Off Supp/Office Supplies	9,084	8,721	3,331	3,331	6,662	6,795	%	6,931	7,070	7,211	7,355	7,502	7,653	7,806	7,962	8,121
400344	Off Supp/Computer Supplies	2,561	18	783	783	1,566	1		-	-	-	-	-	-	-	-	-
Subtotal Other Operating		48,421	46,486	15,183	15,183	32,366	73,334		48,890	49,868	50,866	51,883	52,921	53,979	55,059	56,160	57,283

**ITEM G-1
ATTACHMENT 1**

City of Richmond Rent Program
10-Year Financial Projections

As of March 2020

400401	Utilities/Tel & Telegraph	-	254	139	139	278	284	%	289	295	301	307	313	319	326	332	339
400552	Prov Fr Ins Loss/Ins Gen Liab	-	8,029	7,491	1,200	8,691	8,865	%	9,042	9,223	9,407	9,596	9,787	9,983	10,183	10,387	10,594
400574	Cost Pool/(ISF)-Gen Liab	26,138	55,701	45,631	45,631	91,262	93,087	%	94,949	96,848	98,785	100,761	102,776	104,831	106,928	109,067	111,248
400586	Cost Pool/(CAP)-Admin Charges	51,454	51,454	25,726	25,726	51,452	52,481	%	53,531	54,601	55,693	56,807	57,943	59,102	60,284	61,490	62,720
400591	Cost Pool/(IND)Civic Ctr Alloc	52,275	52,420	23,512	23,512	47,024	47,964	%	48,924	49,902	50,900	51,918	52,957	54,016	55,096	56,198	57,322
400601	Noncap Asst/Comp Hrdware<5K	-	-	5,259	-	5,259	1,100	(14)	1,122	1,144	1,167	1,191	1,214	1,239	1,264	1,289	1,315
400604	Noncap Asst/Furniture <5K	528	13,328	-	-	-	-		-	-	-	-	-	-	-	-	-
	TOTAL EXPENSES	1,178,245	2,047,186	1,096,227	1,196,889	2,295,116	2,475,420		2,549,288	2,600,383	2,652,242	2,705,139	2,759,093	2,814,127	2,870,261	2,927,518	2,985,920
	NET OPERATING SURPLUS (DEFICIT)	701,888	142,884	1,168,249	(846,590)	319,659	134,355		112,683	114,827	117,272	119,766	122,309	124,904	127,550	130,249	133,003
	RESERVES - \$	-	55,339	-	-	374,998	509,353		622,036	736,863	854,135	973,901	1,096,210	1,221,114	1,348,664	1,478,913	1,611,916
	RESERVES - %	0.0%	2.7%			16.3%	20.6%		24.4%	28.3%	32.2%	36.0%	39.7%	43.4%	47.0%	50.5%	54.0%

Assumptions:

1 Fees/Admin Fees:

		<i>Estimated Revenue</i>
Partially Covered Units:	# units	10,251
	Fee	\$ 124
		<u>\$ 1,271,124</u>
Fully Covered Units:	# units	7,433
	Fee	\$ 219
		<u>\$ 1,627,827</u>
Total fees		<u>\$ 2,898,951</u>
Portion expected to be collected		0.90
Total		<u><u>\$ 2,609,056</u></u>

2 Salaries and wages - see separate tab

3 Fringe benefits are projected at 57.5% of salaries and wages.

The total fringe calculated in this manner is spread proportionately to each type of fringe benefit based on historical proportions.

4 Prof Svcs/Professional Svcs:

	<i>Estimated Expense</i>
Financial Consulting	\$ -
DataTree	3,500
WestLaw	4,000
Translation Services	10,000
Total	<u>\$ 17,500</u>

In subsequent years, \$25,000 for financial consulting is projected.

5 Prof Svcs/Legal Serv Cost:

	<i>Estimated Expense</i>
Community Services Contracts	\$ 200,000
Outside Legal Counsel	10,000
Total	<u>\$ 210,000</u>

6 Travel & Trng/Conf, Mtng Trng - cost of sending one staff attorney to mediation training

7 Dues & Pub/Memberships & Dues - Bar Association dues for 3 attorneys. Dues expected to be \$550 per attorney in FY2020-21, increasing to \$800 per attorney in the next 2 years.

8 Ad & Promo/Advertising & Promo - 2 newspaper adds @\$100.

9 Adm Exp/Program Supplies:

Item	Cost per Item	Quantity	Estimated Expense
Emails for Rent Boardmembers	\$ 100	12	\$ 1,200
Food for Rent Board Meetings	75	15	1,125
Business Cards	50	12	600

City of Richmond Rent Program

10-Year Financial Projections

As of March 2020

Labor for Mural Touch Up	40	15	600
Total			\$ 3,525

10 Postage & Mailing:

	<i>Postage Rate</i>	<i>Quantity</i>	<i>Estimated Expense</i>
Letter Project	0.29	5,000	1,450
Postcard Project	0.29	5,000	1,450
Original Invoicing	0.29	5,716	1,658
Late Fee Invoice	0.29	1,905	553
Notice of Apparent Lawful Rent Ceiling	0.29	14,866	4,311
Rent Validation Report	0.29	14,866	4,311
Guide to Rent Control	0.50	23,400	11,700
Total			\$ 25,432

In subsequent years, 3,000 copies of the Guide to Rent Control are expected to be mailed

11 Printing & Binding:

	<i>Printing Rate</i>	<i>Quantity</i>	<i>Estimated Expense</i>
Letter Project	0.05	5,000	250
Postcard Project	0.22	5,000	1,100
Original Invoicing	0.05	5,716	286
Late Fee Invoice	0.05	1,905	95
Notice of Apparent Lawful Rent Ceiling	0.05	15,604	780
Rent Validation Report	0.05	15,604	780
Guide to Rent Control	0.85	23,400	19,890
General Print Materials			4,000
Total			\$ 27,181

In subsequent years, 3,000 copies of the Guide to Rent Control are expected to be mailed and 3,000 for general use.

12 Rental Exp/Equipment Rental - Lease of Ricoh copiers including cost per copy. 36 month lease ending in 2022. We expect to renew the lease.

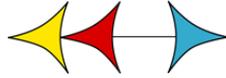
13 Misc Exp/Misc Exp - Stipends for 2 UC Berkeley Public Service Center interns, ranging from \$1000-\$1500 per student

14 Noncap Asst/Comp Hrdware<5K - One computer purchase per year @1100

15 Prof Svcs/Info Tech Services - IT services needed to implement critical database improvements. Given the fragility of the City's database, such funds are expected to continue each year

Expense is capped at same amount as previous year

% All other revenues and expenses escalated by 2% per year based on projected ending 2019-20 balances



Kevin W. Harper CPA & Associates

March 12, 2020

Ms. Paige Roosa
Deputy Director
City of Richmond Rent Program
440 Civic Center Plaza, Suite 200
Richmond, CA 94804

Dear Ms. Roosa:

The Rent Program engaged me to:

1. Develop and present a ten-year financial projection of revenues, expenditures and reserves for the Rent Program, including consideration of the historical rate of collection of the Rental Housing Fee and assumptions for future collection rates.
2. Provide recommendations on how to meet the Rental Program's goal of building 17% operating reserves by the close of the 2020-21 fiscal year, and how best to achieve long-term financial stability in a manner that is consistent with all applicable laws and regulations including but not limited to Section 50076 of the California Government Code.
3. Provide recommendations regarding financial and budgetary "best practices" to be utilized by the Rent Board and Rent Program staff members, specifically as it relates to the preparation of an annual budget and fee study for approval by the Rent Board.

During the project, I reviewed relevant Rent Board and City of Richmond documents, gained an understanding management's goals and concerns, researched relevant best practices, and participated in working meetings to develop projection assumptions.

The ten-year financial projection is include as Attachment I. Following are my observations and recommendations:

FINANCIAL STABILITY RECOMMENDATIONS

1. Maximizing revenue

A significant challenge for the Rent Program is identifying all units that are subject to the Rental Housing Fee. To date, units have been identified by sending postcards to occupants of units, crosschecking list of units with other City programs, and obtaining information from the City Planning Division. Although not

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definitively known at this time, Rent Program staff believe as much as 25% of partially covered units may not yet be identified and billed. If partially covered units increased by 25% (~2500 units), revenue would increase by approximately \$1 million per year. The Rent Program should expand efforts to identify additional units by performing regular review of Zillow and other online rental platforms. Additionally, tenants, landlords and other stakeholders should be regularly encouraged to help identify units that should be in the program.

2. Inflationary increase for Rental Housing Fee

The City includes an inflationary increase in most of its fees when it adopts its Master Fee Schedule each year. It determines the percentage increase based on the Employment Cost Index from the US Bureau of Labor Statistics. The Rent Board does not include inflationary increases for its fees. Large increases every few years are harder than smaller increases every year for both the Rent Board and the landlords. A steady planned increase in the fee allows planning by both parties, is consistent with the Rent Board's need to match revenues and expenditures, and is logical to landlords. In years when an inflationary increase is not adequate to meet the Rent Board's needs, then it will be easy to identify to stakeholders what the additional costs are for.

The Rent Board should consider increasing fees each year based on an inflationary estimate. Staff should investigate the legal and political issues before adopting.

3. Reserve policy

The Government Finance Officers Association (GFOA) recommends that governments should maintain a prudent level of financial reserves to protect against reducing service levels or raising fees because of temporary revenue shortfalls or unpredicted one-time expenditures. Reserve funds may be used at the Rent Board's discretion to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities.

The Rent Board should adopt a Reserve Policy that addresses the following:

- The purpose for the reserve funds
- Under what circumstances the reserve funds may be used
- The amount of the reserve funds, including how the amount was determined and the minimum and maximum reserve levels
- How and when reserve funds are initially built
- How and when the reserves will be replenished after they are fully or partially used

Regarding the appropriate amount of reserves, GFOA recommends:

The adequacy of [reserves] should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments,

regardless of size, maintain unrestricted budgetary fund balance...of no less than two months of regular ... operating revenues or ... operating expenditures.

Via discussions with Rent Program management, it has been determined that 17% minimum reserve is an acceptable target. We discussed worst case scenario estimates of revenue losses during an economic downturn and determined that such level of reserves would allow time for the Rent Program to identify the downturn and the Rent Board time to make decisions to cut expenses to match the new level of revenue. 17% of annual expenditures equates to approximately \$470,000.

The reserve level is \$55,339 at June 30, 2019. As shown in the ten-year projection at Attachment I, fiscal year 2019-20 is expected to end with a \$319 thousand surplus and fiscal year 2020-21 with a \$134 thousand surplus. Accordingly, it appears that the Rent Program can fund its reserves by June 30, 2021.

The Reserve Policy should clarify what action the Board and senior management will take when revenues decline due to recession or conversion/reduction in the number of applicable units. Without such plan, it may take too long to adjust service offerings and expenses to match the decline in revenues, thereby causing unneeded financial stress.

The City's financial system has the capability to set up a separate account within the fund balance group of accounts for reserves. The Rent Program should work with Accounting to set this up. This will allow the Rent Program to track the amount of reserves at any moment, to assure that the City agrees with the amount of reserves available, and allows easy proof of compliance with the new reserve policy.

4. Fee policy

The Rent Board should adopt a policy that identifies the manner in which fees are established, billed and collected. Stakeholders should be given an opportunity to provide input into formulation of this policy via one or more community budget workshops. This will increase community understanding and support for the program, and allow management to better understand the needs and concerns of its stakeholders. Costs of service include direct and indirect costs such as operating and maintenance costs, City overhead allocations, and charges for use of capital (depreciation and debt service). State and local laws governing the establishment of fees should be identified in the policy.

The Fee Policy should also address:

- How penalties and interest are determined and billed
- The process for increasing (or decreasing) fees
- Require fee study to demonstrate the need for the amount of fees collected. See recommendation #11 below.
- Identify the process for determining that a unit is eligible for exemption, including required documentation

The Fee Policy should be supplemented with related written procedures. GFOA recommends every government document its accounting procedures "...as an essential component of a comprehensive framework of internal controls." Documentation of comprehensive accounting procedures will allow:

- Management to understand and evaluate whether procedures provide adequate internal controls and mitigation of risks
- Employees to review and revise procedures as circumstances, laws, technology and accounting standards change
- Internal and external auditors to assess the adequacy of the Rent Program’s internal controls
- New employees to be trained to provide consistent service and quality upon staff turnover

5. City allocations

The City allocates the cost of providing shared services (e.g., accounting, human resources, information technology, legal, insurance, facilities, management) to all City departments. For fiscal year 2018-19, the amounts charged to the Rent Program were:

City Pool/(ISF)-Gen Liab	\$91,262
City Pool/(CAP)-Admin Charges	51,452
City Pool/(IND)-Civic Ctr Alloc	<u>47,024</u>
	<u>\$189,738</u>

Since the Rent Program is essentially an independent agency rather than a City departments, it is possible that it is being charged for City services that are not utilized. For example, if the City allocations include legal costs, the fact that the Rent Program hires its own attorneys may not have been adequately contemplated in the allocations.

Rent Program staff should work with Accounting to understand how the indirect costs are calculated and allocated, and then should determine whether the amounts being charged to the Rent Program are reasonable. If not, begin negotiations with the City for relief from the allocations.

6. Comparisons to peers

There are rent programs in other communities that face similar challenges and opportunities as the Richmond Rent Program. There are many benefits of sharing learnings and non-confidential information with these other programs. Examples of topics that the Rent Program might benefit from shared knowledge includes (a) expected impact on revenue when an economic downturn is predicted, (b) how to identify units subject to the housing fee, (c) staff composition and compensation, (d) cost of operations, (e) stakeholder communications. The Rent Program should identify a few similar rent programs and build a community to share learnings.

BUDGET RECOMMENDATIONS

7. Budget policy

The Rent Program does not have its own budget policy. Although the City has a budget policy, it is not applicable to the Rent Board’s budget adoption process because the Rent Ordinance gives authority to the Rent Board to adopt the Rent Program’s budgets. The GFOA recommends that governments follow the National Advisory Council on State and Local Budgeting (NACSLB) framework. This framework states that “the mission of the budget process is to help decision makers make informed choices about the

provision of services and capital assets and to promote stakeholder participation in the process.” The framework can be found at https://www.gfoa.org/sites/default/files/NACSLB_RecommendedBudgetPractices.pdf.

According to NACSLB, the budget process should accomplish the following:

- Involve stakeholders
- Identify stakeholder issues and concerns
- Obtain stakeholder support for the overall budgeting process
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholders’ view of government

The Rent Board should adopt a budget policy. This policy should cover at a minimum:

- Overview of budget process and purpose
- How stakeholder input is obtained
- The definition of a balanced budget
- Roles and responsibilities related to preparation, approval and managing the budget
- Quarterly financial reports showing budget vs. actual revenues and expenditures reviewed by senior management and the Rent Board
- Authorization needed to revise the budget (e.g., when can savings in one line item be used for another?)
- Legal level of budgetary control
- Key dates
- Whether unused appropriations lapse at year end or are automatically reappropriated
- Limit the use of one-time revenues for ongoing expenditures

The Budget Policy should be supplemented with related written procedures that describe what tasks individual employees perform to accomplish the Board’s policy, who is responsible for each task, what internal controls are to be followed and what forms will be used to document approvals and audit trails.

8. Budget format

The annual budget should be prepared following account titles and account numbers in the City’s chart of accounts in order to facilitate recording the budget in the financial system. The budget should be broken down by quarters in order to facilitate preparation of quarterly financial reports that show budget vs actual revenues and expenditures.

Assumptions related to each budget line item should be documented during the budget preparation process. These assumptions should include:

- The rate of inflation assumed, how it was estimated, and what line items it was applied to
- The number of rental units anticipated and how estimated
- The percentage of fees expected to be collected and how estimated
- A list of all authorized staff positions and the expected salaries and benefits related to each
- Allocations of indirect costs from the City
- Expenses related to capital projects or new capital assets

- New contracts expected to be entered into
- Additions to reserves

Attachment II is a recommended sample budget format.

9. Ten-year projection

Long-term financial planning stimulates discussion about the financial impact of an organization's plans and objectives, and engenders a long-range perspective for decision makers. A multi-year financial projection is a tool to minimize financial challenges, stimulate long-term and strategic thinking, gain consensus on long-term financial direction, and communicate plans with internal and external stakeholders.

As part of this project, we assisted the Rent Program to develop the format and process for preparing a ten-year financial projection. See Attachment I for the ten-year financial projection document.

A key element of the projection document is that it is prepared the same way, and in the same level of detail as the annual budget. Projection assumptions are documented in the same way as are assumptions for the budget. The first year of the ten-year projection should become the first draft of the Rent Program's annual budget. The ten-year projection should be updated each year by adding an additional year of projection, reviewing and updating previous assumptions used, and considering new information or management plans.

10. Budget vs. actual quarterly report

A key element of an effective budget process is monitoring actual results against the budget throughout the year. This is done to allow management time to make adjustments if necessary to expenditures, policies or operations. The best way to monitor budget vs. actual results is to prepare a quarterly financial report that is reviewed by management and the Board. Although this budget vs. actual report is an internal management document, it should be reviewed by the Rent Board at a public meeting. Attachment III is a proposed format for the quarterly budget vs. actual financial report.

Key elements of this budget vs. actual report are:

- It is initially prepared at the same level of detail as the budget.
- Significant variances between budgeted and actual amounts are identified, explained and documented. Operating managers will frequently need to be consulted to understand the reasons for variances. It is important to quantify variances that are explained. It is better to thoroughly research and explain very large variances than to do a more cursory explanation of many variances. The variances should be documented on the budget vs. actual financial report.
- The line items of the budget vs. actual report can be rolled up to present less detail depending on the needs of each user. For example, you may want a one-page easy-to-read version for the Board, and may want all detail for a department manager. Whenever there is a rollup, it is important to keep a clear record of which account numbers roll up to which new categories to facilitate explanations and comparisons.

11. Fee study

California Government Code Section 50076 requires that governments charge fees in amounts commensurate with the costs necessary to provide the related services to the fee payers. The Rent Program demonstrates the reasonableness of its fees via calculations performed in a Fee Study. I reviewed the Rent Program's Fee Study, including the methodology used. The methodology and documentation appear reasonable. I have the following observations:

- The Rent Program's expenditures are allocated among three components or layers as follows: Program Layer 55%, Just Cause for Eviction Layer 20%, and Rent Control Layer 25%. Fully covered units pay the fee related to all three layers and partially covered units pay the fee related to the Program and Just Cause for Eviction layers only. The percentage of costs that are allocated to these layers is based on management estimate of the amount of time staff spend performing such tasks. The Rent Program should conduct a time study to determine and document that these percentages are accurate.
- A Fee Study is necessary to ensure that the fees charges to landlords are commensurate with the level of services provided. Such Fee Study is not required to be conducted every year. If there are no significant changes in the costs and fees from one year to the next (e.g., only inflationary increases), a Fee Study is not necessary. Most organizations update fee studies when fee increases are sought and otherwise every 3 to 5 years.

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I would be pleased to discuss these recommendations in more detail or to assist with their implementation.

Sincerely,

Kevin W. Harper, CPA
Kevin W. Harper