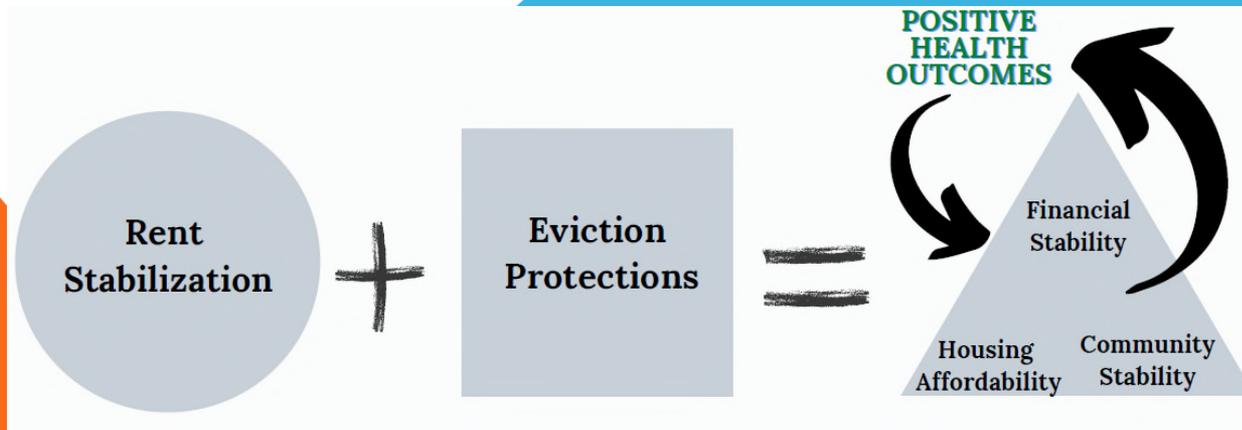


PROPOSED FISCAL YEAR 2022-23 BUDGET AND RENTAL HOUSING FEE STUDY

CITY OF RICHMOND RENT PROGRAM



ITEM F-1 | May 31, 2022, Special Rent Board Meeting
www.richmondrent.org

BACKGROUND

- ❖ The Board is required to hold a public hearing and adopt an annual budget for the upcoming fiscal year no later than July 1.
- ❖ The annual budget is funded by the Residential Rental Housing Fee, the amount of which is determined by the City Council following a recommendation from the Rent Board.
- ❖ Staff members have prepared a proposed Fiscal Year 2022-23 budget, fee study, and 10-year financial projection for the Board's consideration.
- ❖ The purpose of this item is to receive feedback from the Board on the proposed budget and discuss potential adoption by the July 1 deadline.

CONTENTS OF THIS PRESENTATION

(1) Rent Program Organizational Chart



(2) Proposed Fiscal Year 2022-23 Budget



(3) Financial Status and 10-Year Projection



(4) Draft Fiscal Year 2022-23 Rental Housing Fee Study

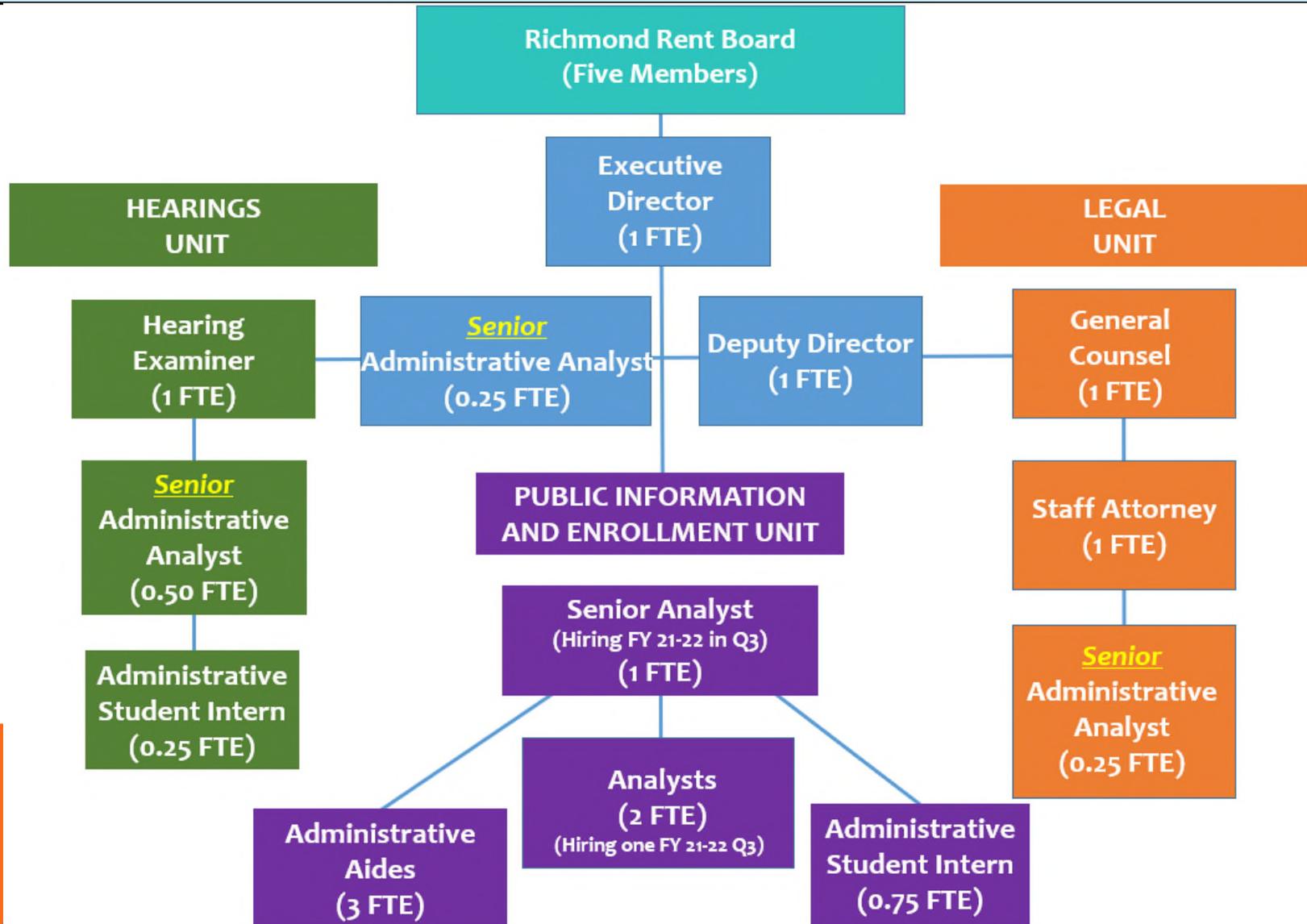




(1) PROPOSED ORGANIZATIONAL CHART

PROPOSED FY 2022-23 BUDGET

PROPOSED RENT PROGRAM ORGANIZATIONAL CHART

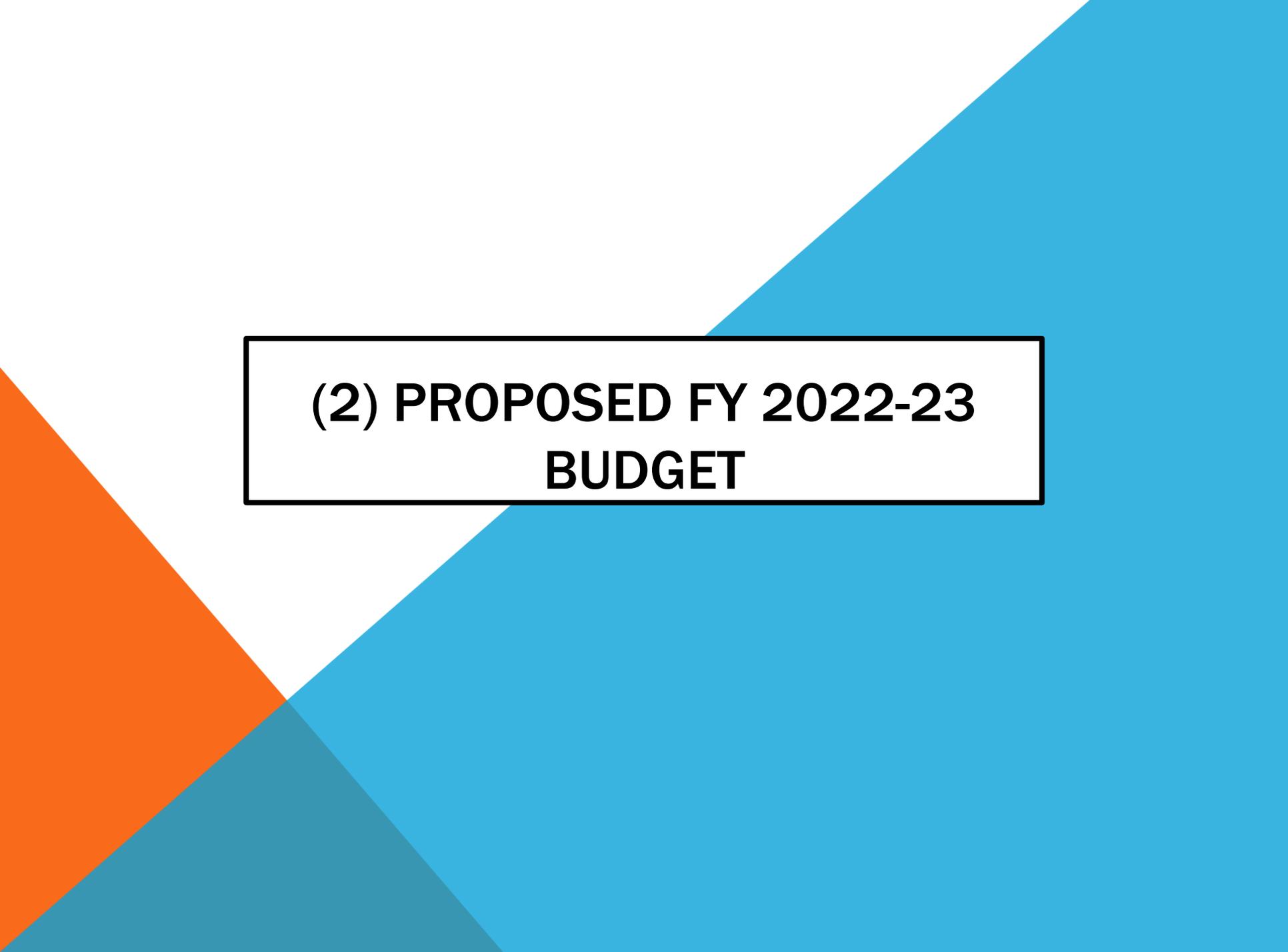


PROPOSED SENIOR ADMINISTRATIVE ANALYST RECLASSIFICATION

- ❖ Reclassify Assistant Administrative Analyst reclassification role to a Senior Administrative Analyst
- ❖ Will receive direction from the Executive Director
- ❖ Oversees the petition process for the Hearings Unit
- ❖ Take direction from the General Counsel, Hearing Examiner, and Staff Attorney in a supportive capacity
- ❖ Will manage and work closely with all phases of the Rent Board, including the coordination of meetings and communications with all Board Members and the public
- ❖ Would not increase the total number of FTEs employed by the agency

PROPOSED PUBLIC INFO & ENROLLMENT UNIT

- ❖ Replaces existing Public Information and Billing and Registration Units
- ❖ Is anticipated to be advantageous to the agency for the following reasons:
 - ❖ Improved compliance with enrollment, registration, and fee payment requirements
 - ❖ Greater efficiency in serving members of the public
 - ❖ Promotes collaboration on large outreach projects



**(2) PROPOSED FY 2022-23
BUDGET**

PROPOSED FY 2022-23 BUDGET: SALARIES & WAGES

- ❖ Proposed \$1,305,674 for Salaries and Wages includes the following allocations:
 - ❖ Salaries for Permanent Staff: **\$1,287,802** (*\$109,874 increase than previous year due to step increases and cost of living adjustments*)
 - ❖ Overtime wages: \$2,500
 - ❖ Bilingual pay: \$11,172
 - ❖ Auto Allowance: \$4,200

PROPOSED FY 2022-23 BUDGET: FRINGE BENEFITS

❖ Proposed \$809,518 for Benefits includes the following allocations:

❖ Health Benefits:

- ❖ Health Insurance: \$232,291
- ❖ Dental Insurance: \$17,520
- ❖ Vision Insurance: \$2,052
- ❖ Employee Assistance Program: \$216

❖ Professional Development funds: \$6,750

❖ Medicare Taxes: \$18,207

❖ Life Insurance: \$4,139

❖ Long-Term Disability Insurance: \$12,342

❖ Unemployment Insurance: \$5,472

❖ Workers' Comp Insurance:

- ❖ Clerical staff: \$24,001
- ❖ Professional staff: \$0

❖ Other Post-Employment Benefits (OPEB): \$40,723

❖ Miscellaneous Benefits and (UAL): \$443,555

PROPOSED FY 2022-23 BUDGET: PROFESSIONAL AND ADMINISTRATIVE SERVICES

- ❖ Proposed \$353,455 includes the following allocations:
 - ❖ Professional Services Contracts:
 - ❖ Translation (written and verbal): \$11,350
 - ❖ Property Information (monthly subscription): \$4,000
 - ❖ Legal Information (monthly subscription): \$3,000
 - ❖ Community Services Agency Contracts:
 - ❖ Bay Area Legal Aid for weekly legal service clinics for Landlords and Tenants (Richmond residents): \$75,000
 - ❖ Eviction Defense Center (referrals to individuals who need assistance responding to Unlawful Detainer (eviction) lawsuits): \$125,000
 - ❖ Legal Filing Fees:
 - ❖ Anticipated legal filing fees in the event of litigation: \$10,000 (estimates approximately \$5,000 per writ)

PROPOSED FY 2022-23 BUDGET: TRAVEL AND TRAINING

- ❖ Proposed \$800 includes the following allocation:
- ❖ Tuition reimbursement, consistent with the City's personnel policies: \$800

PROPOSED FY 2022-23 BUDGET: DUES AND PUBLICATIONS

- ❖ Proposed \$1,650 includes the following allocation:
- ❖ California BAR Association dues for three attorneys (\$550 per attorney)



PROPOSED FY 2022-23 BUDGET: ADVERTISING AND PROMOTION

- ❖ Proposed \$800 includes the following allocations:
- ❖ Newspaper announcements as required as part of the budget adoption process: \$200
- ❖ Monthly promotion on social media accounts: \$600



Richmond Rent Program

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PROPOSED FY 2022-23 BUDGET: ADMINISTRATIVE EXPENSES

- ❖ Proposed \$5,380 includes the following allocations:
 - ❖ Emails for Rent Boardmembers: \$1,200
 - ❖ Business cards for staff members: \$600
 - ❖ Zoom Accounts: \$3,580

PROPOSED FY 2022-23 BUDGET: OFFICE EXPENSES – POSTAGE & MAILING

- ❖ Proposed \$17,300 includes the following allocations:
 - ❖ Rental Housing Fee invoices to Landlords: \$3,315
 - ❖ Late Rental Housing Fee invoices to Landlords: \$1,105
 - ❖ Sending the Notice of Apparent Lawful Rent Ceiling to Tenants and Landlords: \$580
 - ❖ Sending Rent Validation Reports to Tenants and Landlords: \$580
 - ❖ Mailing the Guide to Rent Control to Tenants and Landlords: \$11,720

PROPOSED FY 2022-23 BUDGET: OFFICE EXPENSES – PRINTING & BINDING

- ❖ Proposed \$24,404 includes the following allocations:
- ❖ Rental Housing Fee invoices to Landlords: \$286
- ❖ Late Rental Housing Fee invoices to Landlords: \$95
- ❖ Printing the Notice of Apparent Lawful Rent Ceiling for Tenants and Landlords: \$50
- ❖ Printing Rent Validation Reports for Tenants and Landlords: \$50
- ❖ Printing the Guide to Rent Control for Tenants and Landlords: \$19,923
- ❖ General print materials: \$4,000

PROPOSED FY 2022-23 BUDGET: OFFICE EXPENSES – EQUIPMENT RENTAL

- ❖ Proposed \$9,000 provides for the lease of combination printers, scanners, copiers and fax machines at the Rent Program office.

PROPOSED FY 2022-23 BUDGET: MISCELLANEOUS CONTRIBUTIONS AND EXPENSES

- ❖ Proposed \$4,000 includes the following allocations:
 - ❖ UC Berkeley Public Service Center intern(s) for the: \$2,000
 - ❖ Miscellaneous expenses based on minor unforeseen program needs throughout the year: \$2,000



PROPOSED FY 2022-23 BUDGET: OFFICE SUPPLIES, UTILITIES, AND SUPPLEMENTAL INSURANCE

- ❖ Proposed \$5,000 provides for office supplies purchased through the City's contracts with office supply vendors.
- ❖ Proposed \$500 for utilities provides for the cost of the Executive Director's work cell phone service (*During the Covid-19 pandemic, the Executive Director's cell phone has been utilized by program staff to handle incoming calls to the main Rent Program phone line.*)
- ❖ Proposed \$9,300 for the cost of a supplemental liability insurance policy (SLIP) for the Rent Program accounts for Errors and Omissions and General Liability coverage.

PROPOSED FY 2022-23 BUDGET: COST POOL AND NONCAPITAL ASSETS

- ❖ Proposed \$48,217 covers General Liability, Administrative Charges, and space at City Hall for the Rent Program, and includes:
 - ❖ General Liability: \$0
 - ❖ Administrative Charges (previously referred to as “Indirect Costs”): \$0
 - ❖ Civic Center Allocation: \$48,217



(3) FINANCIAL STATUS AND 10- YEAR PROJECTION

PROPOSED FY 2022-23 BUDGET

EXPENSE AND REVENUE SUMMARY

FISCAL YEAR	BUDGETED AMOUNT	FUNDS EXPENDED	FEE REVENUE COLLECTED	COLLECTION RATE
2017-18	FY 16-17 (partial): \$1,150,433	\$1,967,834	\$2,753,351	77%
	FY 17-18: \$2,425,338			
2018-19	\$2,804,925	\$2,047,186	\$2,192,672	78%
2019-20	\$2,923,584	\$2,264,738	\$2,684,140	92%
2020-21	\$2,896,242	\$2,137,638	\$2,778,234	96%
2021-22	\$2,893,854	\$2,178,419	\$2,362,626	80% + PROJECTED

¹ Includes revenue collected by the collection agency.

² Includes the FY 2016-17 Rental Housing Fee (December 2016 – June 2017)

³ Includes revenue collected in FY 2017-18 for both the FY 2016-17 and FY 2017-18 fees.

⁴ Represents projected total expenses through the end of FY 2021-22.

⁵ Represents projected total revenues through the end of FY 2021-22, excluding interest.

⁶ Represents a collection rate based on projected expenses and revenues through the end of FY 2021-22. WWW.RICHMONDRENT.ORG

10-YEAR FINANCIAL PROJECTION: BACKGROUND

- ❖ 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.
- ❖ Financial projections are living documents.
- ❖ As recommended by Kevin Harper, the financial projections will be updated continuously based on actual and projected expenses.
- ❖ An updated 10-year financial projection based on the proposed FY 2022-23 budget was provided as an attachment to the proposed budget and fee study document.
- ❖ The financial projections allow for more informed decision making.

10-YEAR FINANCIAL PROJECTION: HIGH-LEVEL SUMMARY

- ❖ Financial projection forecasts revenue and expenses through Fiscal Year 2030-31
- ❖ Assumes that costs will increase 2 percent per year, unless otherwise specified, and the fee will increase by 1 percent per year beginning in FY 2023-24
- ❖ Allows the Rent Program to maintain reserves in the range recommended by the Board (18-25%)
- ❖ As compliance with Property Enrollment and fee payment increases, reserves may accrue faster than the projection indicates – as such, fees may not necessarily need to increase each year
- ❖ Displays the target ending fund balance amount that will ensure the agency has funds available to cover expenses in the first two months of the fiscal year in the event revenue collection is delayed

(4) PROPOSED RENTAL HOUSING FEE STUDY

PROPOSED FY 2022-23 BUDGET

INTRODUCTION AND BACKGROUND

- ❖ Section 11.100.060(I)(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 operating budget.
- ❖ The amount of the Rental Housing Fee is determined annually by the 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.
- ❖ 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.

PROPOSED FEE STRUCTURE AND EXAMPLE SERVICES

Program Layer (55%)

- Departmental administration and management
- Legal defense of the Rent Ordinance and Departmental policies
- Preparing studies, regulations, and reports as directed by the Rent Board
- Database development and maintenance
- Billing and collection of the Rental Housing Fee
- Website maintenance
- Interdepartmental coordination

Just Cause for Eviction Layer (20%)

- Public education and outreach (includes counseling)
- Legal services referrals to community services agencies
- Administration of Relocation Ordinance
- Mediation of eviction-related complaints
- Processing of termination of tenancy notices and development of templates

Rent Control Layer (25%)

- Public education and outreach (includes counseling)
- Legal services referrals to community services agencies
- Administration of petition and hearings to adjudicate Rent Adjustment Petitions and Excess Rent Complaints
- Rent Registration and tracking of the Maximum Allowable Rent
- Processing of rent increase notices and development of templates

APPLICABLE UNIT COUNTS

STATUS	2021 TOTAL	CHANGE BETWEEN 2021 AND 2022 (Positive Number – Units Added; Negative Number –Units Lost)	2022 TOTAL
Fully Covered Units	7,515	+150	7,665
Partially Covered Units (EXCLUDING GOV SUBSIDIZED RENTAL UNITS)	5,700	+287	5,987
Governmentally Subsidized Units	4,508	-10	4,498
Total Applicable Units	17,723	+427	18,150

PROPOSED BUDGET AND RENTAL HOUSING FEES

UNIT COUNTS		PROPOSED FY 2022-23	CHANGE FROM FY 2021-22
TOTAL EXPENDITURES:		\$3,062,686⁽¹⁾	\$175,923 (+6.1%)
FULLY COVERED UNITS⁽²⁾	7,665	\$226	\$8 (+3.5%)
PARTIALLY COVERED UNITS (INCLUDING SUBSIDIZED UNITS)⁽³⁾	10,485	\$127	\$4(+3.4%)
TOTAL REVENUE:		\$3,106,686⁽⁴⁾	+168,372 (+5.7%)

^[1] Total expenditures include an 18% operating reserve as directed by the Rent Board

^[2] Includes suspected Fully Covered rental units

^[3] Includes suspected Partially Covered rental units

^[4] Fees rounded to the nearest full dollar; includes revenue from collections agency and interest

COMPARISON OF PROPOSED FY 2022-23 RENTAL HOUSING FEE TO PRIOR YEARS

FISCAL YEAR	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS
2017-18	\$145	\$145
2018-19	\$207	\$100 / \$50 *
2019-20	\$212	\$112
2020-21	\$219	\$124
2021-22	\$218	\$123
2022-23 (Proposed)	\$226	\$127

* Includes Governmentally Subsidized Rental Units for 2018-2019

RECOMMENDED ACTION

(1) ADOPT Proposed Fiscal Year 2022-23 Rent Program budget and corresponding ten year financial projection; (2) RECEIVE and APPROVE Proposed Fiscal Year 2022-23 Rental Housing Fee Study; and (3) DIRECT staff to prepare a resolution, consistent with the Rent Board's approved Rental Housing Fee Study and budget, recommending to the City Council adoption of a two-tier fee structure for Fiscal Year 2022-23 of \$226 for Fully Covered Rental Units and \$127 for Partially Covered Rental Units – Nicolas Traylor / Fred Tran



CITY OF

Richmond CALIFORNIA

FISCAL YEAR 2022-23 RESOLUTION FOR THE BUDGET AND FEES

City of Richmond Rent Program

May 31, 2022, Special Rent Board Meeting

Item G-1

www.richmondrent.org

Budget and Fees - 2022-23 Summary

2

- On February 16, 2022, the Rent Program presented two options for a proposed budget, Option A and Option B. Both budget options included using Cost Pool amounts with an escalation factor charged by the City of Richmond for Cost Pool allocations in the previous fiscal years.
- The Board directed staff to develop a budget for Option B, which included funding a new Rent Program database and modest staff salary adjustments.
- The proposed Rental Housing Fees under Option B were: \$228 for Fully Covered Rental Units and \$129 for Partially Covered Rental Units.

Budget and Fees Summary (continued)

3

- From February through May 2022, Rent Program staff has been engaged in discussions with the City Manager's Office, the City Attorney, Finance, and Human Resources Department to address concerns related to the new methodology not aligning with Government Code 50076 for Fringe Benefits and Cost Pool charges.
- The City of Richmond and the Rent Program agreed that any methodology for Fringe Benefits and Cost Pool allocations used for the Rent Program must align with Government Code 50076. During a meeting on April 6, 2022, the City and Rent Program tentatively reached an understanding to use a placeholder for Cost Pool for General Liability charged until further research is completed.

Fringe Benefits Update

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- The Fringe Benefits budgeted amounts were inputted into the system by the Finance Department during the first week of April totaling \$1,004,332 (78% of total salaries and wages) from prior year's amount of \$747,618 (34.3% increase). There has been a change in methodology from prior year.
- The Fringe Benefits budgeted amounts were revised by the Finance Department during the first week of May. The prior total of \$1,004,332 received in April at 78% of total salaries and wages decreased to \$954,273 which represents 73% of total salaries and wages. In the prior fiscal year.
- The new methodology for the Worker's Compensation cost allocation produced by Risk Management and actuary requires further researched and validated.

Fringe Benefits and Cost Pool Allocations

5

- The Rent Program was informed by Finance that Cost Pool for Admin. Charges and General Liability Insurance will now increase by 5% from prior year.
- The Rent Program has not received any further clarification or validation on the methodologies for Fringe Benefits (Worker's Compensation) and Cost Pool charges.
- The Cost Pool methodologies used by the City must align with Government Code 50076.

Development of Resolution Proposal

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- During a recent May meeting with the City Manager and Councilmembers, it was determined that the Rent Program would require the following to stabilize the longevity and viability of the services provided by the Rent Program for the current year budget:
 1. Cap Fringe Benefits allocation to 62% of Total Salaries (the difference would be subsidized by the City General Fund). Worker's Compensation allocation methodology must be further analyzed by a hired consultant for accuracy and assure alignment with Government Code 50076. Program Staff has developed the budget with the 62% methodology consistent to the prior year budget.
 2. Cost Pool for Admin. Charges and General Liability requires the City and Rent Program to jointly hire a consultant for a recommended methodology that aligns with Government Code 50076. The consultant would also study current costs and anticipated allocation for establishing next year's cost pool amounts. Program Staff has developed the budget without Admin. Charges and General Liability.

Recommended Action

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- DIRECT Rent Program staff to work with City Council Member Jimenez to propose a policy to the City of Richmond City Council that would cap all charges assessed by the City, to special revenue funded departments/agencies, at 30% of current fiscal year budgeted expenditures.

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FINANCIAL RESERVE POLICY

MAY 31, 2022, SPECIAL MEETING OF THE RICHMOND RENT BOARD | ITEM G-2



RESERVE POLICY BACKGROUND

- The Rent Ordinance ensures the integrity and autonomy of the Rent Board
 - *The Rent Board [shall] “be an integral part of the government of the City [of Richmond],” and “shall exercise its powers and duties under [Chapter 11.100] independent from the City Council, City Manager, and City Attorney, except by request of the [Rent] Board.” – Section 11.100.060(m)*
- The Rent Ordinance requires that the Rent Board adopt its own budget, independent of the City Council, City Manager, and City Attorney – currently the budget is funded solely by the Rental Housing Fee.
- In April 2020, in consideration of the recommendations and best practices presented by Kevin W. Harper CPA & Associates, the Rent Board directed staff to develop a financial reserve policy.
- On January 20, 2021, staff presented a proposed policy to the Board that would require that the Board maintain a minimum reserve balance equal to 30% of current year expenditures, not to exceed 50%.
- The Board directed staff to revise the proposed policy to reflect a minimum/maximum range of 18-25% on February 17, 2021.

OBJECTIVES OF RESERVE POLICY

- The revised reserve policy accomplishes following objectives:
 1. Establishes three categories of Reserves and creates a procedure whereby those amounts within the reserves may be accessed;
 2. Requires that any amount of the reserves that are appropriated for spending be replenished;
 3. Sets a maximum cap on the total amount of Reserves that can be held at one time and require that any amount in excess of the Reserve maximum cap be used to reduce future Rental Housing Fees.

RESERVE LEVELS

Name	Purpose	Target Level	Target Level (\$) (based on FY 21/22 budget)
Operating and Stability Reserve	Provide fiscal stability and mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period.	18% of current year budgeted expenses	\$470,930
Catastrophic Legal Event Reserve	Offset unforeseen legal costs that exceed currently allocated legal fees.	50% of any remaining reserve balances after the Operating and Stability Reserve is sufficiently funded at 18% of current year budgeted expenses	Min: \$0 Max:\$91,570
Catastrophic Reserve	Mitigate costs associated with unforeseen emergencies, such as a disaster or catastrophic event.	50% of any remaining reserve balances after the Operating and Stability Reserve is sufficiently funded at 18% of current year budgeted	Min: \$0 Max:\$91,570

STATUS OF EXISTING FUND BALANCES

CATEGORY	AMOUNT
Starting Fund Balance (Beginning FY 2021-22)	\$425,157
Current Revenues (FY 2021-22 Actual as of end of Q3)	\$2,246,447
Current Expenditures (FY 2021-22 Actual as end of Q3)	\$1,614,594
Projected Revenues (FY 2021-22 Projected through Q4)	\$2,362,626
Projected Expenditures (FY 2021-22 Projected through Q4)	\$2,178,419
Projected Surplus (Ending FY 2021-22)	\$184,207
Proposed FY 21-22 Contribution to Reserves	\$25,354
<i>Proposed Contribution to Operating and Stability Reserve</i>	\$25,354
<i>Proposed Contribution to Catastrophic & Legal Reserves</i>	\$0
Starting Fund Balance (Beginning FY 2022-23)	\$584,010

PROPOSED NEXT STEPS

- In accordance with Regulation 323, Resolution 21-01, which contains the Special Revenue Fund Operating Reserve Policy became effective March 19, 2021.
- Staff members coordinated with the Finance Department staff to create accounts within the Rent Program's Special Revenue Fund where reserve funds were deposited.
- If Replenishing Reserve Funds approved, reserve balance after funding:

<i>Operating and Stability Reserve balance after proposed funding:</i>	<i>\$470,930</i>
<i>Catastrophic Legal Event Reserve balance after proposed funding:</i>	<i>\$27,212</i>
<i>Catastrophic Reserve balance after proposed funding:</i>	<i>\$27,212</i>
<i>Total Reserve Balance</i>	<i>\$525,354</i>

RECOMMENDED ACTION

Recommend replenishing the reserves to a minimum of eighteen percent (18%) of current year budgeted expenditures as described in the Reserve Policy.

(\$25,354 to the Operating and Stability Reserve)

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