

# Update on Current Financials and Budget Options

Nicolas Traylor, Executive Director  
May 7, 2024

Item F-1

CITY OF RICHMOND RENT PROGRAM

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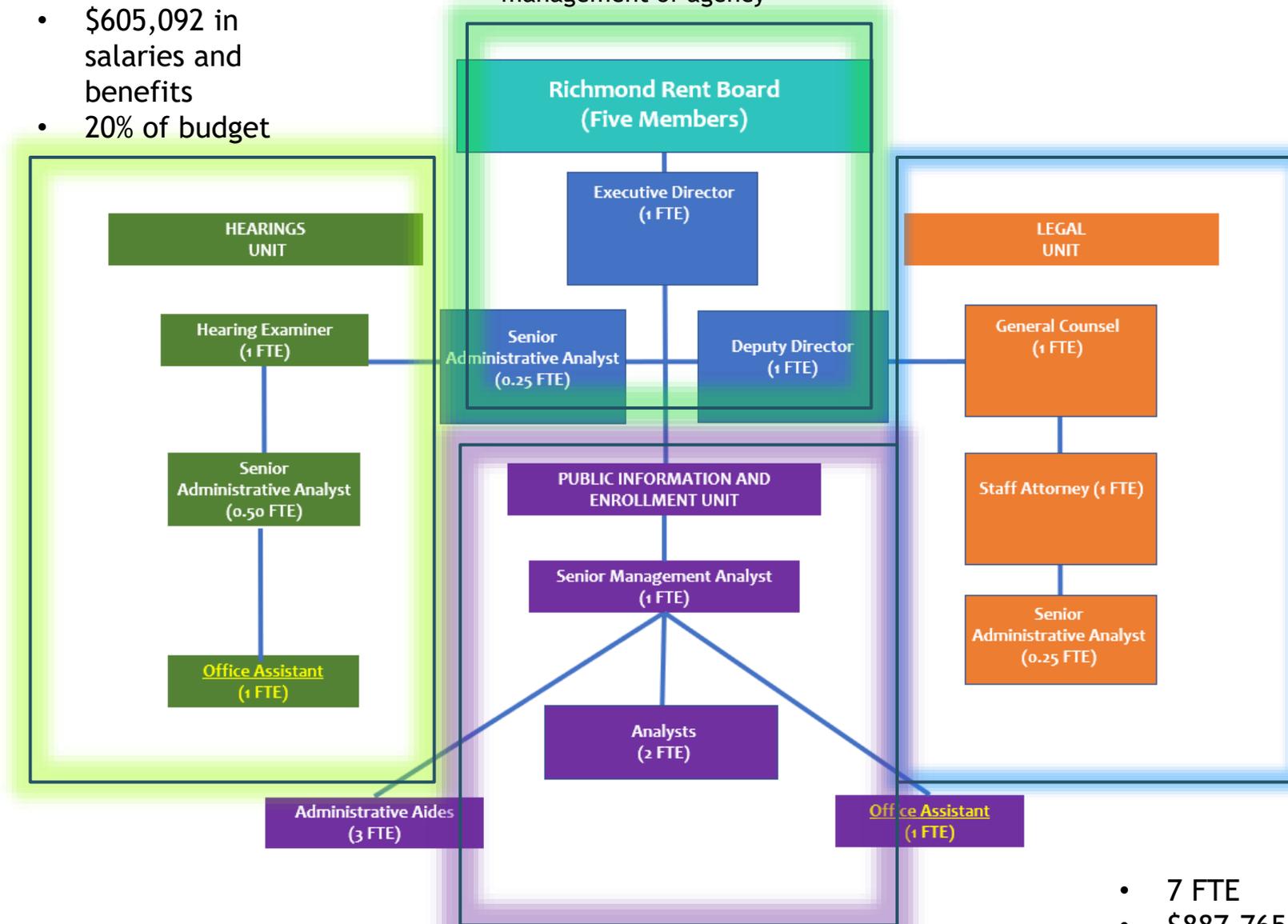
**Program Services:** Board Meetings, Executive management of agency

- 2.25 FTE
- \$605,092 in salaries and benefits
- 20% of budget

- 2.25 FTE
- \$556,424 in salaries and benefits
- 19% of budget

**Program Services:**  
Rent Adjustment  
Petition Process

- 2.5 FTE
- \$445,495 in salaries and benefits
- 15% of budget



**Program services:** Housing counseling, mediation, community education, outreach, billing, property enrollment, tenancy registration, collections

- 7 FTE
- \$887,765 in salaries and benefits
- 30% of budget

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the left and right sides of the frame, creating a modern, dynamic feel. The central area is a clean, white space where the text is placed.

# RECAP OF KEY PROGRAM ACTIVITY

## SUBSTANTIAL INCREASE IN OUTREACH/EDUCATION AND PETITION ACTIVITY

Key Program Activity	Status of Activity Compared to last Fiscal Year
Housing Counseling and Mediation and Legal Service Referrals	<ul style="list-style-type: none"> <li>• 11% increase in counseling sessions</li> <li>• 37% increase in Spanish counseling sessions</li> <li>• 39% decrease in mediations</li> <li>• 57% increase in Legal Service referrals</li> </ul>
Compliance Related Outreach	<ul style="list-style-type: none"> <li>• 3.5% increase in courtesy compliance letters</li> <li>• 57% increase in rent increase notices filed</li> <li>• 34.5% increase in termination of tenancy notices filed</li> </ul>
Interpretation and Translation Services	<ul style="list-style-type: none"> <li>• All Rent Board meetings are bilingual in FY 2023-24</li> <li>• Interpretation and Translation budget increased by 134% in 2023-24.</li> </ul>
Tenant rent reduction petitions	<ul style="list-style-type: none"> <li>• 388% increase</li> </ul>
Landlord rent increase petitions	<ul style="list-style-type: none"> <li>• 40% decrease</li> </ul>
Temporary and Permanent Relocation Petitions	<ul style="list-style-type: none"> <li>• 275% increase</li> </ul>
Appeals to the Board	<ul style="list-style-type: none"> <li>• 50% increase</li> </ul>

THERE IS A SIZABLE  
BACKLOG  
IN PROCESSING PROPERTY  
ENROLLMENT,  
LATE FEE WAIVERS, AND  
COLLECTION OF THE  
RENTAL HOUSING FEE FROM  
DELINQUENT ACCOUNTS

Key Program Activity	Status of Activity
Updating Property Enrollment/Tenancy Registration	While about 80% of properties have enrolled/registered, there is a significant backlog of property enrollment forms to process (approx. 900)
Billing and Collection Rental Housing Fee (includes Late Fee waivers requests)	<ul style="list-style-type: none"><li>• Backlog of 147 Late Fee Waivers</li><li>• Collection rate of Rental Housing Fee has decreased over the last two fiscal years</li><li>• 2,900 Rental Units that still owe FY 2023-24</li><li>• 5,520 delinquent accounts for all FYs</li></ul>
Determining the status of rental properties	Backlog of 172 Admin. Determinations (Exemption or inapplicability claims)

# REVIEW OF BOARD PRIORITIES

## EXPAND OUTREACH AND COMMUNITY EDUCATION

- ❑ INCREASE MASS MAILINGS TO ALL TENANTS AND LANDLORDS
- ❑ CONTINUE IMPLEMENT AND DEVELOP COMPREHENSIVE OUTREACH PLAN
- ❑ REINSTITUTE IN-PERSON BILINGUAL WORKSHOPS ON SATURDAYS AND INCREASE COMMUNITY ENGAGEMENT

# Comprehensive Outreach Plan

## Mass Mailing Projects:

Project	Audience	Estimated Date
"Know Your Rights" post-card	All landlords and tenants registered with the Richmond Rent Program.	May 2024-July 2024
Announcement of the 2024 Annual General Adjustment post-card	All landlords and tenants registered with the Richmond Rent Program.	July 2024-August 2024
Annual Fiscal Year Invoicing Project (includes informational materials)	Landlord-oriented	July 2024-September 2024
Just Cause for Eviction post-card	All landlords and tenants registered with the Richmond Rent Program	January 2025-March 2025
Courtesy Compliance Letters	Case-by-case basis; landlords and tenants	Ongoing
New Owner Outreach Project	Owner-oriented	Quarterly

# Comprehensive Outreach Plan

## Community Events:

Event	Date
East Bay Rental Housing Assoc. Presentation	Thursday, January 5, 2024
Sisters of Solidarity Event	Saturday, March 16, 2024
Park RX Day at Nicholl Park	Saturday, April 27, 2024
Cinco De May Event; 23rd Street, between Rheem Avenue and Clinton Avenue	Sunday, May 5, 2024
Farmer's Market on Fridays	1-2 times a month starting June 2024
3rd of July Fireworks Show at Marina Bay Park	Wednesday, July 3, 2024
Saturday Community	Starting September 2024

## Canvassing:

Location	Materials
Latina Center	Rent Program Flyers
Saint Cornelius Church	Rent Program Flyers
Richmond Public Library (all Richmond branches)	Rent Program Brochures and Flyers
Contra Costa County College (Student Services)	Rent Program Brochures and Flyers
Lifelong Medical Care	Rent Program Brochures and Flyers

# Comprehensive Outreach Plan

## Media:

Platform	Audience
Instagram	737 followers
Facebook	473 followers
PeachJar (not implemented)	Electronic announcements to all schools within Contra Costa County Unified School District
Listserv	Rent Program Email subscribers (approximately 1,551 subscribers)
City Manager's Weekly Report	City of Richmond Email subscribers

# 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. On April 17, 2024, the Rent Board received a presentation from staff outlining budget requirements, the budget and process/timeline and a discussion of budget requirements and initial recommendations within the context of Program activity. Within the context of Program activity, staff presented Program activity data that illustrated the need for additional resources. After the budget presentation, staff solicited Board members feedback, input and budget priorities. The Board concurred that expanding outreach and education was a top priority. After the April 17, 2024, Regular Meeting of the Rent Board, as is done monthly, staff reviewed the Budgeted versus Actual Revenue and Expenditure Report and projected, based on expense burn rate and revenue projected to be collected, a probable deficit by the end of the current fiscal year (June 30, 2024). Staff are ramping up collection efforts for the last two months of the fiscal year to avoid a possible deficit. It is, however, more likely than not, that the Rent Program will end the fiscal year with a \$277,698 deficit. Considering the Program's current financial situation, and the possibility that it may take some time to increase the Program's collection rate, adding new positions may lead to a mounting deficit. However, if the Board decides to add any new staff resources, those resources should focus on increasing the collection rate of the Rental Housing Fee and addressing the meteoric rise in Rent Adjustment Petitions filed.

# Fiscal Impact

- ▶ There is no fiscal impact related to this item.

# Discussion

## Deficit Factors: Collections and Cost Pool Charges

The current projected budget deficit should inform the Board and assist with budget decisions. At present, the budget deficit, while projected, may not transpire, if two events occur:

- 1) If the staff's current efforts to increase collections for the last two months of the fiscal year are successful.
- 2) The other factor contributing to the projected deficit is the fact that the City of Richmond charged the Rent Program for cost pool charges that were challenged and not budgeted. A full cost allocation study was necessary before cost pool charges were to be established between the City and Rent Program. At present, the Executive Director and the City Manager are in negotiations regarding a waiver of cost pool charges for FY 2024-25 to incentivize collaboration between the City and the Rent Program.

# Discussion

- ▶ Rent Program activity has increased significantly in the Hearings Unit, with petitions increasing by 388% compared to the previous fiscal year.
- ▶ Substantial backlog of work on late fee waivers, administrative determinations, property enrollment, and collections on delinquent accounts.
- ▶ A notable increase in counseling, compliance outreach, legal service referrals, and the need for more reliable interpretation services.
- ▶ Fiscal year 2023-24 Program activity data revealed a need for additional resources to focus on increasing the collection rate, outreach, and education, and handling the rise in petitions filed.

# Discussion

- ▶ After the presentation, the Board directed staff to come back with a budget that focused on enhancing outreach, community engagement, and education. Staff were prepared to present budget options that included more resources for hearings/petitions, Rental Housing Fee compliance, collection, and enhanced outreach and education.
- ▶ After the April 17th Rent Board meeting, staff reviewed collection amounts at the end of the 3rd quarter and projected a deficit was probable by the end of the fiscal year (June 30, 2024).
- ▶ Based on a probable budget deficit of around \$277,000, adding staff resources may lead to mounting deficits if collection rates do not increase. Deficit spending is generally not recommended for other reasons as well. Those reasons include loss of Board autonomy from the City of Richmond and possible future cuts to Program activities and services to offset a growing debt. However, deficit spending for the purpose of increasing the collection rate would help mitigate the chances future deficits and the increased revenue should offset part or all of the costs of adding a Compliance Specialist.

# BUDGET OPTIONS

# OPTION 1: A Status Quo Budget with Increased Investment in Outreach and Community Education, Interpretation and Hearings

- ▶ Based budget, with MOU authorized salary increases
- ▶ Doubles mass mailing budget
- ▶ Investing in a new in-person interpretation service
- ▶ Reclassifying vacant Office Assistant position to Administrative Trainee or equivalent position.

# OPTION 2: A Strategic Investment in Increasing the Collection Rate

- ▶ Add a Compliance Specialist hired in Q2 (adds approximately \$88,000 to the budget)
- ▶ Reclassifying the vacant Office Assistant role would decrease the budget by \$4,000.
- ▶ To reduce the impact on the FY 2024-25 budget, a Compliance Specialist and Administrative Trainee could be budgeted to be hired during the 2<sup>nd</sup> Quarter.

# BUDGET OPTIONS AND FINANCIAL IMPACT

OPTION 1 ENHANCED STATUS QUO BUDGET	BUDGET IMPACT
Increase Funds for Interpretation and Translation	Approx. \$27,300
Double Funds for Mass Mailings	Approx. \$30,000
MOU required salary increases	Approx. \$218,000
Reclassify vacant Office Assistant position to Admin. Trainee to address petition increase, assist with interpretation, and translations. Hiring will be deferred to second quarter of fiscal year 2024-25.	Reduced by approx. \$4,000
	Total: Approx. \$271,300

OPTION 2 OPTION 1 PLUS ADD 1 POSITION & RECLASSIFY 1 POSITION	BUDGET IMPACT
Includes everything in Option 1	Approx. \$271,300
Add Compliance Specialist to be hired in 2 <sup>nd</sup> quarter to focus on increasing collection	\$88,000
	Total: Approx. \$359,000

# Recommended Action

RECEIVE a presentation regarding the Rent Program's current financial situation and budget options. DIRECT staff to prepare a draft budget for fiscal year 2024-25, reflecting Budget Option 1 and Budget Option 2 with the Board's budget priorities incorporated in both options. (Nicolas Traylor/Fred Tran – 620-6564).