



Draft Proposed Fiscal Year 2024-25 Budget and Fees

Nicolas Traylor-Executive Director

Fred Tran- Deputy Director

May 31, 2024

Item F-1

Statement of the Issue

Section 11.100.060(n) of the Rent Ordinance requires that the Board 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. In consideration of this requirement, staff members have prepared a revised Fiscal Year 2024-25 Budget proposal with corresponding fees for its consideration and comment. The purpose of this item is to receive feedback from the Board on the revised budget proposal and fees for potential adoption by the July 1 deadline.

Fiscal Impact

The revised proposed budget and Rental Housing Fee for fiscal year 2024-25 would authorize \$3,299,011 in expenses and \$3,399,011 in revenue. The Rental Housing Fee for the 2024-25 fiscal year is proposed: \$239 for Fully Covered Rental Units and \$136 for Partially Covered Rental Units.

Discussion

At the May 7, 2024, Special Rent Board Meeting, staff were directed to draft a Proposed Budget for Fiscal Year 2024-25; per Option 2 in accordance with the Item F-1 (Update on Current Financials and Budget Options).

The Option 2 Budget proposal assumptions are:

- Implement updated Salary schedule, Step increases, and additional terms per each Memorandum of Understanding and Side Letter for SEIU Local 1021, IFPTE Local 21 Mid-Management, and IFPTE Local 21 Executive Management.
- Approximately double the mass mailing budget to conduct four campaigns for the fiscal year.
- Increase and invest in a new in-person interpretation service. A Request for Proposal for additional vendors will commence upon the adoption of the Fiscal Year 2024-25 Rent Program Budget.

Discussion (continued)

Also included in the Option 2 Budget proposal assumptions are:

- Reclassifying vacant Office Assistant role in the Hearings Unit to an Administrative Trainee or equivalent; delay the hire to the Second Quarter of the fiscal year.
- Adding a Compliance Specialist in the 2nd quarter to focus on focus on delinquent accounts and new rental property discovery, among other related duties. **Note: Staff recommend not hiring the Compliance Specialist in Fiscal Year 2024-25 as will be explained in the “Further discussion and justification in the “Revisions to the Proposed Fiscal Year 2024-25 Budget” section of this presentation.**

Discussion (continued)

During the May 15, 2024, Regular Rent Board Meeting, staff were directed by the Board to prepare a revised Budget Proposal for Fiscal Year 2024-25 for review with the inclusion of the below items:

- Budget for a 360-degree Performance Evaluation of the Executive Director.
- Update the Cost Pool amounts based on the proposed information provided by the City at the May 15, 2024, Regular Rent Board Meeting.
- Update the Revenue projection based on the assumptions of the new staff person (Compliance Specialist) and what that staff will be able to produce.

Revisions to the Proposed Fiscal Year 2024-25 Budget

The proposed Fiscal Year 2024-25 expenditures that were impacted by the direction of the Rent Board at the May 15, 2024, Regular Meeting are presented in the following revised categories and Line-Item Object #s (Attachment 1 of Agenda Report):

360-degree Performance Evaluation:

The 360-degree Performance Evaluation of the Executive Director; estimated budget amount provided by the Human Resources Department of \$10,000. Staff met with the Human Resources Department on May 22, 2024, to discuss the requirements and procedures to assure the evaluation is conducted in accordance with the Memorandum of Understanding for IFPTE Local 21 Executive Management. Line-item Object #400201 has been increased by \$10,000.

Updated Cost Pool amounts:

Per Andrea Miller, CPFO, Director of Finance, the Cost Pool charges will be offset with a Subsidy for the current year FY2023-24 and for the next year FY2024-25. The Rent Program will not be expending any funds to cover the Cost Pool charges, 100% of the transfer will be City funded. She stressed that it will be pending City Council approval. The Subsidy will not be required to be paid back as a loan with any interest bearing, it will be considered a transfer from the City to the Rent Program to offset those Cost Pool charges.

Revisions to the Proposed Fiscal Year 2024-25 Budget (continued)

- Below is a table that displays all Cost Pool line-item Object # that have been impacted by the transfer:

Cost Pool Charges - Provided by City		
<i>Object #</i>	<i>City Account Description</i>	FY 24-25 PROPOSED
400122	P-Roll Ben/Worker Comp-Prof	81,614
400574	Cost Pool/(ISF)-Gen Liab	99,980
400586	Cost Pool/(CAP)-Admin Charges	52,481
400591	Cost Pool/(IND)Civic Ctr Alloc	56,315
391994	Oper Xfers In	(290,391)
NET COST POOL - BUDGET BALANCE		\$0

Revisions to the Proposed Fiscal Year 2024-25 Budget (continued)

- Staff revised the Cost Pool charges provided above for line-item Object #391994 to (\$290,391) which equals all the Cost Pool line-items charges at fiscal year-end to reflect the total transfer provided by the City.
- The Cost Pool revision adjustment combined with the collection efforts of the Billing and Registration Unit will produce a net operating surplus in the amount of approximately \$170,000 for fiscal year end June 30, 2024.
- After additional meetings and discussions between Rent Program leadership and the Billing and Registration Unit Staff, it was determined that not hiring a Compliance Specialist in the upcoming fiscal year is a feasible option. The development of additional tools including modifications to processes and priorities may be sufficient to maintain or improve collections rate.
- Staff recommend not hiring a Compliance Specialist to maintain lower Residential Rental Housing Fees for Fiscal Year 2024-25. Line-item Object #400003 was reduced by \$82,853 resulting in a net amount of \$360,875.
- The most updated Fringe Benefits report provided by Finance had increased line-item Object #400151 to \$274,260 from \$258,828 (originally reported at the May 15, 2024, Meeting).

Proposed Fiscal Year 2024-25 Rental Housing Fee

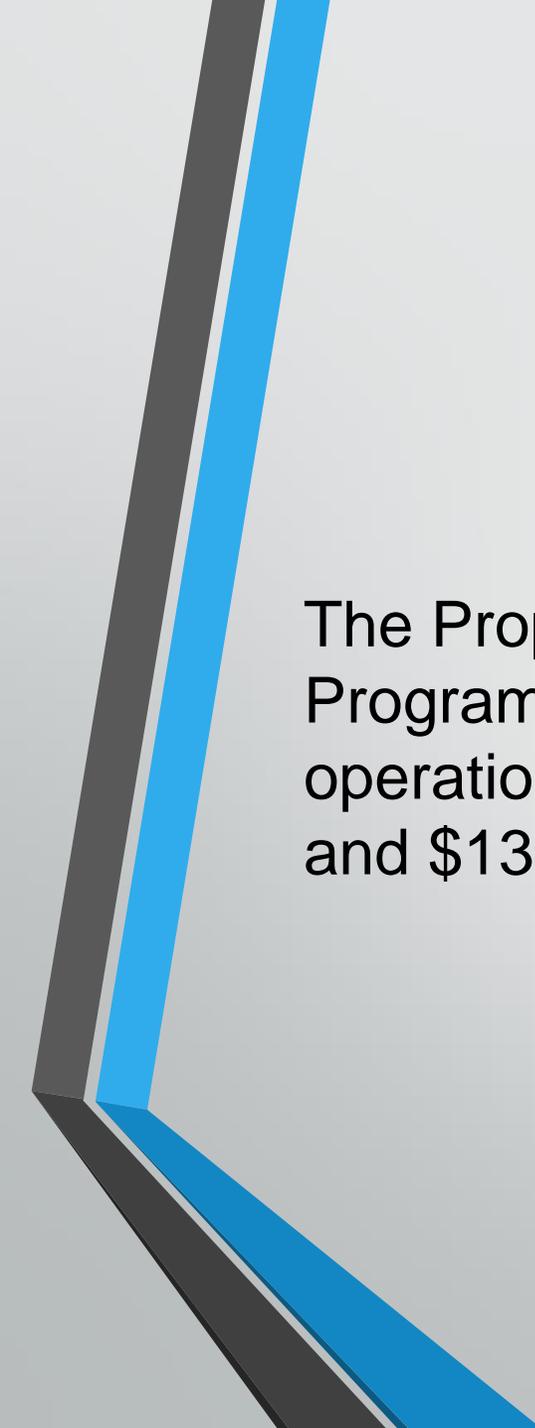
		Proposed for FY 2024-25	Change from FY 2023-24
TOTAL BUDGET:		\$3,299,011	+\$294,313 (+9.8%)
Fully Covered Units	7,857	\$239	+\$19 (+8.6%)
Partially Covered Units (<i>including subsidized units</i>)	10,485	\$136	+\$11 (+8.5%)
TOTAL REVENUE:		\$3,399,011	\$324,313 (+10.5%)

Proposed Fiscal Year 2024-25 Rental Housing Fee

Staff members recommend the Board continue to utilize a tiered-fee approach to the Fiscal Year 2024-25 Rental Housing Fee to ensure the requirements of Section 50076 of the California Government Code are met.

The following chart compares the proposed FY2024-25 Rental Housing Fee to prior year fees:

FISCAL YEAR	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS
2017-18	\$145	\$145
2018-19	\$207	\$100 \$50 - Gov. Subsidized
2019-20	\$212	\$112
2020-21	\$219	\$124
2021-22	\$218	\$123
2022-23	\$226	\$127
2023-24	\$220	\$125
2024-25 (Proposed)	\$239	\$136



Conclusion and Proposed Actions

The Proposed 2024-25 Budget and fees reflect the goals of the Rent Program and will allow the agency to recover costs of all budgeted operations by increasing the Rental Housing Fee to \$239 for Fully Covered and \$136 for Partially Covered units.

Recommended Action

(1) RECEIVE and review the revised Proposed Fiscal Year 2024-25 Rent Program Budget and corresponding fees and (2) DETERMINE a date and time to hold a public hearing and publish an annual budget for Fiscal Year 2024-25 with corresponding fees for adoption consistent with Sections 11.100.060(n) and (l) of the Rent Ordinance – Rent Program (Nicolas Traylor/Fred Tran – 620-6564).

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