



MEMORANDUM

CSFRA, Community Development Department

DATE: September 21, 2020

TO: Rental Housing Committee

FROM: Anky van Deursen, CSFRA Program Manager
Rafaela O. Duran, Principal Financial Analyst
Jesse Takahashi, Finance and Administrative Services Director

SUBJECT: CSFRA Fund Results for the Fiscal Year Ended June 30, 2020

RECOMMENDATION

To review and acknowledge the year-end results for the Community Stabilization and Fair Rent Act Fund for the fiscal year ended June 30, 2020.

INTRODUCTION AND BACKGROUND

On June 3, 2019, the Rental Housing Committee (RHC) adopted the Fiscal Year 2019-20 Budget and Rental Housing Fee. Throughout the past fiscal year, the RHC received quarterly updates on actual financial expenses compared to the adopted budget. The program continues to implement efficient and effective procedures and make adjustments based on gaining additional experience. Future budgets and corresponding fees will be modified to reflect any updates/adjustments.

ANALYSIS

During Fiscal Year 2019-20, staff and the RHC continued to evaluate and gather information to assess the appropriate level of revenue and expenditures and the most effective method to implement the Community Stabilization and Fair Rent Act (CSFRA). The key expenditures of the CSFRA include, but are not limited to:

1. Staffing for the development, implementation, and administration of the CSFRA;
2. General operating costs, including RHC meeting preparation and materials as well as costs associated with administration of the petition process, education, outreach, and communications;

3. Third-party professional/technical services; and
4. City resources/administrative support.

Fiscal Year 2019-20

A comparison of the fiscal year adopted, estimated, and the unaudited numbers follows (dollars in thousands):

	<u>2019-20 Adopted</u>	<u>2019-20 Estimated</u>	<u>2019-20 Unaudited</u>	Variance <u>Unaudited to Adopted</u>
Revenues:				
Interest Earnings	\$ 2	\$ 14	\$ 24	\$ 22
Rental Housing Fees	1,545	1,453	1,452	(93)
Other Revenues	<u>0</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total Revenues	1,547	1,485	1,494	(53)
Operating Expenditures	<u>1,754</u>	<u>892</u>	<u>856</u>	(898)
Operating Balance	(207)	593	638	845
General Fund Admin.	245	245	245	0
Self Insurance	11	11	11	0
Transfer to Comp.				
Absences Reserve	0	0	0	0
Transfer to Equipment				
Replacement Reserve	<u>3</u>	<u>3</u>	<u>3</u>	<u>0</u>
Excess (Deficiency) of Revenues	(466)	334	379	845
Beginning Balance	1,158	1,158	1,158	0
Reserve/Rebudgets	<u>(384)</u>	<u>(402)</u>	<u>(402)</u>	<u>(18)</u>
Ending Balance	\$ <u>308</u>	\$ <u>1,090</u>	\$ <u>1,135</u>	\$ <u>827</u>

For Fiscal Year 2019-20, revenues were \$1.5 million, just \$53,000 lower than adopted. Revenues are lower than the budget due to fluctuations in CSFRA covered units. Total

operating expenditures were \$856,000: \$898,000 lower than budgeted. There were variances in other one-time expenditures as follows:

- Rebudgets for the IT system of \$146,400.

For Fiscal Year 2019-20, expenditure variances were positive, and the ending balance was \$1.1 million. A more detailed comparison of Operating Expenditures is as follows (dollars in thousands):

	2019-20 Adopted	2019-20 Unaudited	Variance Unaudited to Adopted
Staffing	\$ 660	\$499	\$161
General Operating	390	74	316
Professional/Technical Services	<u>704</u>	<u>283</u>	<u>421</u>
Total Operating Expenditures	<u>\$1,754</u>	<u>\$856</u>	<u>\$898</u>

Staffing

The Fiscal Year 2019-20 Adopted Budget included 4.0 FTEs: 1.0 FTE Program Manager, 2.0 FTE Analyst I/II, and 1.0 FTE Office Assistant (OA) I/II. The variance is partially due to the vacancy of the 1.0 FTE Office Assistant (OA) I/II position for most of the year. Staff also assisted and charged the Community Development Department with tasks outside the scope of CSFRA, including, for example, Mobile Home Rent Stabilization, TRAO modifications, and various COVID-related programs such as the Eviction Moratorium, Rent Relief, and Small Landlord Loan Programs.

General Operating

General Operating expenses include costs for program expenditures related to office operations and administration, communications, outreach efforts, and cost of materials for the RHC. Examples of such cost items include development, printing, mailing, and postage of outreach materials, such as informational newsletters, postcards, flyers, and brochures; RHC agenda packets and materials; office equipment and supplies; noticing for meetings; and costs associated with education and outreach meetings. The variance is due to savings in most categories.

Third-Party Professional/Technical Services

Professional/technical services include outside legal services (\$200,000), hearing officer services (\$200,000), litigation (\$150,000), Mountain View Rental Housing Helpline (\$125,000), prehearing settlement services (\$15,000), tenant relocation services (\$5,000), facilitation services (\$5,000), and translation services (\$4,000). The savings in professional/technical services are related to having to provide fewer than anticipated hearing officer services, prehearing settlement services, tenant relocation services, and facilitation services based on lower demand levels.

City Resources/Administrative Support

City resources/administrative support represent the indirect costs provided by the City in support of the program. Indirect costs (e.g., finance, legal services, information technology, and human resources support, etc.) were lower than budget, primarily due to certain budgeted items, including IT support and software licenses that have not been incurred as of the end of the fiscal year.

Rebudgets and Encumbrances

There is a rebudget of \$146,400 for the IT database system. Rebudgets are items that were budgeted as one-time expenditures but have not been expended by the end of the fiscal year. The funds are still needed for the purpose originally identified and were carried over into the Fiscal Year 2020-21 budget.

In addition, there are funds that are encumbered as of the end of the fiscal year. Encumbrances represent a legal obligation for services or goods that have not yet been received and/or fully paid. There are encumbrances outstanding as of June 30, 2020 of \$442,000 for legal services and other miscellaneous professional services.

Reserve

The reserve balance provides a funding source to be used for certain unanticipated expenditures that may come up during the year that were not appropriated during the annual budget process and/or to cover expenditures if revenues fall short of budget. The reserve would provide funding for these expenditures until the budget and fee can be adjusted in the following fiscal year.

The RHC previously approved a reserve balance of 20.0 percent of expenditures to be phased in over two years. In this fiscal year, a reserve of \$189,000 is included, which brings the total reserve to \$384,000.

FISCAL IMPACT

The Fiscal Year 2019-20 unaudited results show total revenues of \$1.5 million and total expenditures of \$1.1 million, resulting in an operating excess of \$379,000. The ending balance of the fund is \$1.1 million, about the same as the estimated amount. The ending balance projected for Fiscal Year 2020-21 is \$454,000 (see Attachment 1).

PUBLIC NOTICING – Agenda posting.

AvD-ROD-JT/1/TG/CDD/RHC
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Attachment: 1. CSFRA Fund: Statement of Revenues, Expenditures, and Balances