

Rent Stabilization Program,
Community Development Department,
Finance and Administrative Services Department

DATE: May 22, 2023

TO: Rental Housing Committee

FROM: Derek Rampone, Finance and Administrative Services Director
Anky van Deursen, Program Manager

SUBJECT: **CSFRA and MHRSO Fiscal Year 2023-24 Recommended Budgets**

RECOMMENDATION

To review and provide feedback on the Fiscal Year 2023-24 Recommended Budgets for the administration of the Community Stabilization and Fair Rent Act and the Mobile Home Rent Stabilization Ordinance. The Fiscal Year 2023-24 budgets are scheduled for adoption at a subsequent meeting of the Rental Housing Committee on June 12, 2023. The recommended annual Rental Housing Fee and the annual Rental Space Fee are calculated per unit/space, based on the budgets as established by the Rental Housing Committee.

INTRODUCTION AND BACKGROUND

On November 8, 2016, the Community Stabilization and Fair Rent Act (CSFRA) was passed by the voters. The purpose of the CSFRA is: *“to promote neighborhood and community stability, healthy housing, and affordability for renters in the City of Mountain View by controlling excessive rent increases and arbitrary evictions to the greatest extent allowable under California law, while ensuring Landlords a fair and reasonable return on their investment and guaranteeing fair protections for renters, homeowners, and businesses”* (Section 1700).

The CSFRA created a rent stabilization program in the City of Mountain View and requires dedicated resources for its development, implementation, and administration. Section 1709(d) of the CSFRA empowers the Rental Housing Committee (RHC) to establish a budget for the reasonable and necessary implementation of the provisions of the CSFRA, and Section 1709(j) requires the RHC to finance its reasonable and necessary expenses, including, without limitation, engaging any staff as necessary to ensure implementation of the CSFRA by charging landlords an annual Rental Housing Fee. On June 20, 2022, the RHC adopted its sixth CSFRA budget for Fiscal Year 2022-23 and set a Rental Housing Fee of \$96 per unit.

On September 28, 2021, the City Council adopted an Ordinance of the City of Mountain View Enacting the Mobile Home Rent Stabilization Ordinance (MHRSO). The MHRSO went into effect

on October 28, 2021. The stated purpose of the MHRSO in Section 46.1 is to: *“protect mobile home residents from unreasonable rent increases, while at the same time protecting the rights of park owners and mobile home landlords to receive a fair return on their property and rental income sufficient to cover increases in the costs of repairs, maintenance, insurance, employee services, additional amenities and other costs of operation.”*

The MHRSO created a second rent stabilization program in the City of Mountain View, comparable to the CSFRA. The implementation of the MHRSO program benefitted from the existing framework of the CSFRA program, using built-up experience, expertise, and streamlined processes, such as the management of a petition and hearing process, the development of forms, and the use of best practices, as well as a trusted relationship with Hearing Officers, and an established database that can be expanded upon. However, the MHRSO program still requires ongoing staffing and dedicated resources for its implementation and administration. CSFRA funds, consisting of fees collected from CSFRA-covered multi-family apartments, can solely be used for the CSFRA program and are not available for the MHRSO program. On April 25, 2022, the RHC adopted the MHRSO budget for Fiscal Year 2022-23 and set a Rental Space Fee of \$307 per unit.

Duties of the Rental Housing Committee

The CSFRA Section 1709(d) and the MHRSO Section 46.9(a) assign the RHC powers and duties to implement and administer the MHRSO, including to: *“Establish a budget for the reasonable and necessary implementation of the provisions of the CSFRA/MHRSO, including, without limitation, the hiring of necessary staff, and charge fees as set forth herein in an amount sufficient to support that budget.”*

The CSFRA Section 1709(j) and the MHRSO Section 46.9(b) also states the RHC shall: *“finance the Committee’s reasonable and necessary expenses, including, without limitation, engaging any staff as necessary to ensure implementation of the MHRSO, by charging Park Owners an annual space rental fee, in amounts deemed reasonable by the Committee in accordance with applicable law. The Committee is also empowered to request and receive funding, when and if necessary, from any available source, including the City, for the Committee’s reasonable and necessary expenses.”*

In this memo, staff will detail the draft budget for Fiscal Year 2023-24 as well as recommendations for setting the annual rental housing fee and rental space fee for the continued implementation and administration of the CSFRA and MHRSO.

ANALYSIS OF CSFRA BUDGET

Fiscal Year 2023-24 will be the seventh fiscal year of operations. RHC and staff continue to evaluate and assess the appropriate level and most effective and efficient methods to administer the CSFRA.

Over the past few years, staff has built a successful community resource through the Eviction Help Center, providing in-person assistance to residents in need of rent relief or other housing needs during the COVID-19 emergency. This work proved to be essential for residents seeking help in anything housing-related, especially for the population with technology barriers and language requirements.

To fulfill the City's Strategic priorities of "Community for All" and "Intentional Development and Housing Options," increasing community understanding of housing programs is paramount. To that effect, being able to leverage all housing services together with all available community services, staff has worked incessantly to expand the Eviction Help Center into one central "Housing and Eviction Help Center" (HEHC) with in-person staffing (in multiple languages) to assist with one-on-one case management of all housing-related issues, including rent relief, rent stabilization information, petition assistance, landlord/tenant questions, dispute resolution services, fair housing, affordable housing, and Below-Market-Rate (BMR) housing inquiries and applications. This allows for a comprehensive approach to providing housing services for all as many community members are experiencing multiple housing issues—difficulty paying rent, the need for an affordable unit, and legal issues—at once. The services of the HEHC include:

- Counseling on landlord/tenant rights and the rent stabilization programs;
- Counseling on eviction issues;
- Counseling on dispute resolution services for tenant/landlord issues;
- Rent relief assistance; and
- BMR and affordable housing application one-on-one assistance, including online sign-ups, orientations, and trainings.

The Housing and Eviction Help Program coordinates with community partners and offers increased engagement with our community partners at the HEHC and presentations/assistance in the community. This includes Community Services Agency, Community Legal Services of East Palo Alto (CLSEPA), Santa Clara County Office of Supportive Housing, Sacred Heart, HouseKeys, Community Health Awareness Council Family Resource Center, Catholic Charities, NOVAworks, Mountain View Mediation Program, and Project Sentinel's Fair Housing and Homeownership Counseling programs. These partners provide:

- Access to legal services;
- Access to fair housing services; and

- Access to services for wrap-around services to prevent homelessness from community partners, including family resources and early education programs, rent relief, diaper distribution, back-to-school backpacks, senior resources, back-to-work training programs, food distribution and delivery services, homeowners counseling, and mediation services.

The HEHC also provides outreach in the community, faith-based organizations, schools, neighborhood organizations, etc., by providing outreach materials and efforts in the community, including organizing workshops and presentations. Trained HEHC staff and volunteers also respond to inquiries and proactively share information in the community.

Many agencies received State and Federal funding during the COVID-19 emergency and, with the emergency now officially ending, are now confronted with reductions in subsidies and grants. Staff has requested the City to secure American Rescue Plan Act (ARPA) funds outside of the CSFRA budget for continued legal services as provided by CLSEPA during Fiscal Year 2022-23 and continuing their services into Fiscal Years 2023-24 and 2024-25. The Community Services Agency is another crucial partner in the HEHC efforts and was subject to cutbacks. Staff recommends adding a new line item to the budget to fund a CSA case manager who would provide HEHC in-person access to CSA services for wrap-around services to prevent homelessness, including financial relief and other needed resources.

This fiscal year, the RHC adopted regulations to set administrative fees and penalties in case of nonpayment of annual fees as well as failure to timely register rent stabilized properties. Staff spent considerable time and effort to implement and administer these new regulations. As a result, amendments to the rent stabilization database were implemented and new protocols for issuing invoices for late fees and penalties were processed. Currently, about 73% of all rent-stabilized properties have registered (compared to 35% at this point last fiscal year) and, to date, 91% of properties have paid their annual rental housing fees (compared to 96% at this point last fiscal year). It is expected that compliance with registration and fee payment will continue to increase this fiscal year as staff continues its monthly outreach and delinquency noticing.

Considering the above, staff deems the Recommended Budget for Fiscal Year 2023-24 appropriate in order to ensure critical services to aid in the stability of our community.

The key expenditures of the CSFRA include:

1. Staffing for the administration of the CSFRA;
2. General operating costs, including education, outreach, and communications as well as costs associated with RHC meetings and office expenses;
3. Third-party professional services;

4. Information Technology; and
5. City resources/administrative support.

The RHC adopts a budget annually, and the Fiscal Year 2023-24 Recommended Budget is staff's best estimate of the costs for the program, taking into consideration results of prior fiscal years. It should be noted that a majority of the costs are ongoing program expenses.

The following table provides a comparison of the current fiscal year Adopted Budget, the current fiscal year estimated actuals, and the upcoming fiscal year Recommended Budget (dollars are in thousands):

Table 1: Comparison of Fiscal Year 2022-23 Adopted, Fiscal Year 2022-23 Estimated Actuals, and Fiscal Year 2023-24 Recommended Budget

	Adopted Budget 2022-23	Estimated Actuals 2022-23	Recommended Budget 2023-24	2022-23 Adopted Budget versus 2023-24 Recommended Budget
Revenues:				
Interest Earnings	\$ 15,300	\$ 20,070	\$ 27,100	\$ 11,800
Rental Housing Fee	1,435,200	1,500,107	1,614,600	179,400
Total Revenue	1,450,500	1,520,177	1,641,700	191,200
Operating Expenses	1,783,241	1,465,448	1,850,456	67,215
Operating Balance	(332,741)	54,729	(208,756)	123,985
City Administration	253,150	253,150	155,380	(97,770)
Self-Insurance	28,220	28,220	45,180	16,960
Comp Absence Reserve	10,000	10,000	5,000	(5,000)
Equipment Replacement Reserve	4,990	4,990	5,820	830
Excess (Def.) of Revenue	(629,101)	(241,631)	(420,136)	208,965
Beginning Balance	1,553,366	1,553,366	1,311,736	(241,631)
Reserve/Rebudget	(320,000)	(320,000)	(412,367)	(92,367)
Ending Balance	\$ 604,265	\$ 991,736	\$ 479,233	(\$125,033)

Fiscal Year 2022-23 Estimated Actuals

For Fiscal Year 2022-23, revenues are estimated to be \$1.5 million, about \$70,000 higher than the Adopted Budget. Total operating expenditures are estimated to be \$1.5 million, or about

\$318,000 less than the Adopted Budget. Lower expenditures are a result of a partially vacant position, less-than-anticipated needs for Hearing Officers and facilitation services, staff time charged to other divisions of the Community Development Department for non-CSFRA tasks performed, and database system costs not completely spent.

Fiscal Year 2023-24 Recommended Budget

Revenues are recommended higher compared to the Fiscal Year 2022-23 Adopted Budget by about \$191,000. In an attempt to match revenues with expenditures, staff is recommending an increase in revenue for Fiscal Year 2023-24. In total, recommended expenditures for Fiscal Year 2023-24 are slightly higher than this year's budget (approximately \$67,000) and approximately \$385,000 more than the estimated actuals of the current fiscal year. The components of the expenditures in the Fiscal Year 2023-24 Recommended Budget are as follows:

Staffing—\$1,175,456

Staffing costs are about \$115,000 higher compared to this year's budget. The Fiscal Year 2023-24 Recommended Budget includes hourly wages previously expensed as translation/outreach services. Since these services are performed by hourly City staff, these expenditures have been included in the staffing expenditure line item. The staffing consists of a total of 6.0 full-time equivalent employees (FTEs): 1.0 Program Manager, 1.0 Senior Management Analyst, 2.0 Administrative Analysts, 1.0 Secretary, and 1.0 Outreach Specialist as well as hourly personnel for outreach events and translators from the City's Multicultural Engagement Program.

General Operating—\$174,500

General Operating expenses include program expenditures related to office operations, cost of materials, communications, outreach, education efforts, and RHC preparations and meetings. Examples of these items include development, printing, mailing, and postage of outreach materials, such as newsletters, postcards, flyers, and resource guides; RHC agenda packets and materials; office equipment and office supplies; noticing for meetings; education and workshops; and training costs. These costs are comparable to the costs in the previous Adopted Budget.

Third-Party Professional Services—\$389,500

The recommended third-party professional services are \$27,000 less than this year's budget. The Recommended Budget includes the following contract cost projections for third-party professional services:

Legal Services (\$175,000): The law firm of Goldfarb and Lipman continues to provide expert legal services to the RHC. These services include drafting and reviewing agendas and staff memos for the RHC meetings; drafting and updating rules and regulations to implement the CSFRA; regular presentations to the RHC regarding agenda items; reviewing materials related to the CSFRA,

including forms and petitions; providing legal advice; advising on compliance and enforcement; Hearing Officer training; drafting RHC decisions on appeal petitions; researching and analyzing best practices in other California rent-stabilized cities; and utilizing the findings to inform the development and implementation of an effective CSFRA. It is anticipated that an average amount of 49 hours is needed each month to cover RHC meetings (attendance at meetings, agenda review, drafting and review of staff reports, and drafting of RHC decisions on appeal petitions), legal advice on implementation and administration of the CSFRA, drafting or revising of regulations, and petition hearing oversight. This is the same amount as this year's budget.

Project Sentinel (\$10,000): Project Sentinel is no longer providing education and outreach services but will continue to be managing the administration of Hearing Officers and facilitators. The Recommended Budget includes the same amount as this year's budget.

Hearing Officer Services (\$100,000): The Hearing Officers continue to provide petition hearing services in accordance with adopted rules and regulations. The Recommended Budget maintains the same level as the previous year. Although staff has seen a considerable uptick in filed petitions, the budgeted amount should suffice to cover the demand. This recommended amount is at the same level as this year's budget.

Litigation (\$50,000): The CSFRA is subject of one remaining lawsuit regarding the application of the CSFRA (*Enlightened Investments, Inc. v. City of Mountain View Rental Housing Committee, City of Mountain View*, Santa Clara Superior Court Case 21CV390118). This lawsuit is currently on hold and resulted from a petition decision affecting two parties who are currently in mediation. Another lawsuit was successfully resolved in April of this year. The Recommended Budget includes \$50,000 for litigation and would be used to pay legal expenses related to lawsuits. This is \$50,000 lower than this year's budget.

Prehearing Settlement Conference Services (\$10,000): Settlement conferences provide prehearing settlement facilitation services, potentially reducing demands for formal hearings. The Recommended Budget includes funding for approximately 24 cases at \$400 per case. This is an increase of \$5,000 compared to this year's budget.

Tenant Relocation Services (\$7,500): This service is to provide counseling and process services as well as neutral third-party income eligibility determination for tenant relocation assistance under the Tenant Relocation Assistance Ordinance (TRAO) and Senate Bill 330. The Recommended Budget includes funding for 25 cases at \$300 per case.

Community Services Coordination (\$33,000): This new line item is recommended to provide continued services by CSA through funding of CSA case manager services during HEHC operating hours. CSA staff will provide on-site access to all CSA services to prevent homelessness, including financial relief and other needed resources. This request for funding is a result of CSA experiencing reductions in State and Federal subsidies and grants provided during the COVID-19 emergency.

KMVT (\$4,000): KMVT broadcasts RHC meetings, which can be accessed online on the City’s website through Legistar. The Recommended Budget is the same as this year’s budget.

Community Legal Services (\$0): As mentioned above, staff has requested the City to secure ARPA funds outside of the CSFRA budget for legal services as provided by CLSEPA to provide access for residents to legal services, to be continued into Fiscal Years 2023-24 and 2024-25.

Translation Services (\$0): Translation services are now captured under Personnel, line-item Wages, due to the use of the City’s Multicultural Engagement Program (MEP) personnel for Spanish, Chinese, or Russian translations of outreach materials, webpages, educational videos, stakeholder meetings, and workshops.

The table below shows a cost comparison and the components of professional service costs from Fiscal Year 2018-19 through Fiscal Year 2023-24 (recommended).

Table 2: Cost Comparisons for Professional Services Over the Years

Fiscal Year	18-19	19-20	20-21	21-22	22-23	23-24 Recomm.
Legal	\$200,000	\$200,000	\$175,000	\$175,000	\$175,000	\$175,000
Litigation	200,000	150,000	125,000	80,000	100,000	50,000
Hearing Officers	250,000	200,000	100,000	100,000	100,000	100,000
Outreach, Education, Admin. (PS)	125,000	125,000	125,000	125,000	10,000	10,000
Prehearing Settlement	20,000	15,000	10,000	5,000	5,000	10,000
Translations	8,000	4,000	0	5,000	10,000	0
Facilitation	5,000	5,000	5,000	5,000	5,000	0
Relocation Assistance	10,000	5,000	5,000	5,000	7,500	7,500
Community Services Coordination	0	0	0	0	0	33,000
Community Legal Services	0	0	0	0	0	0
KMVT	0	0	4,000	4,000	4,000	4,000
Total	\$818,000	\$704,000	\$555,000	\$549,000	\$416,000	\$389,500

Information Technology—\$111,000

The Recommended Budget for Information Technology software development consists of a rebudget of the estimated remainder of the Fiscal Year 2022-23 budget for the database system amounting to \$72,000 as well as \$39,000 to cover the annual software license for the database and a license for the CoStar subscription. The implementation of the database system is progressing with several phases launched, but subsequent phases will not be completed prior to the end of the current fiscal year. Therefore, the remainder is recommended to be rebudgeted for Fiscal Year 2023-24 and will not impact the fee calculated for Fiscal Year 2023-24.

City Resources/Administrative Support—\$155,380

Many of the items recommended for the CSFRA budget are direct costs associated with the implementation and operations of the program. However, indirect costs are also incurred for the support of the program. To truly identify and calculate the cost of these services, the City proposes to include the CSFRA in its next cost allocation plan update. However, until that time, this year's costs are recommended at 15% over the last five years of actual annual expenditures (previous years' calculations were made using the budgeted amounts). This is a decrease of \$97,770 compared to this year's budget. The 15% is a standard allocation percentage the City charges for the administration of contracts and some other programs that are generally less intensive than the CSFRA, and it is possible that once a cost allocation plan can be performed, the costs could vary. Indirect costs would include, but are not limited to, the following:

- Finance and Administrative Services:
 - Budget: The development of an annual budget and fees.
 - Accounts Receivable: For the annual billing and collection of the Rental Housing Fee.
 - Accounts Payable: The staff time necessary to make payments for the obligations of the CSFRA. Examples would be the payment of consultants, legal services, mediator services, tenant relocation services, etc.
 - Payroll: For the current personnel on a biweekly basis. This would include the processing, tax reporting, and benefit payments.
 - Document Processing: The processing of documents, including agendas, agenda reports, and minutes for the RHC.
 - Purchasing/Contracts: For the purchase of certain goods and services as well as the processing of contracts for services.

- Human Resources: Provides for the administration of benefits and recruitment of personnel.
- Information Technology: Provides for cost and maintenance of the telephone system, computers, website, and other technology.
- Administration and Management: Provides for administration and management of the staff and the program from the Community Development Department, Finance and Administrative Services Department, Information Technology Department, City Attorney's Office, City Clerk's Office, and City Manager's Office.
- Facilities: Provides office space, maintenance and repairs, copier services, and other facility costs.

General Liability, Compensated Absences, and Equipment Replacement—\$56,000

Other City costs include general liability, compensated absences, and equipment replacement. This amount increased by \$12,790 compared to this year's budget.

Multi-Family Housing Inspection Program

It is currently unknown whether the ongoing administration of the CSFRA, and more specifically the petition process, will impact the existing Multi-Family Housing Inspection program as the majority of the rental units covered by the CSFRA are included in this program. The Multi-Family Housing Inspection program is funded through an annual program fee. To date, several petition applications have been referred to the Multi-Family Housing Inspection program, and staff has been able to incorporate the inspections required in their current workload. Staff will continue to monitor the impacts of the implementation of the CSFRA on the Multi-Family Housing program.

Petition Fee

In previous years, the RHC decided to not include a nominal petition fee for submitting petitions. Consequently, staff has not included such a fee in the Recommended Budget for Fiscal Year 2023-24. One reason for such a petition fee would be to deter frivolous filing of petitions. Currently, 43 petitions have been filed in the current year. This is up from 16 petitions last year. However, staff has not determined that any frivolous filings have occurred. If the RHC is interested in a petition fee, staff requests the RHC to provide directions to review and propose such a petition fee in tonight's meeting.

Table 3: Number of CSFRA Petitions per Fiscal Year

Fiscal Year	17-18	18-19	19-20	20-21	21-22	22-23 to date
Landlord	13	3	1	0	3	0
Tenant	5	49	11	21	13	43

Rebudgets and Reserve

As previously mentioned, a rebudget of \$72,000 is recommended for database development. Rebudgets are items that were budgeted as capital outlay or limited period expenditures but have not been expended to date. The funds are still needed for the purpose originally identified and, therefore, are requested to be carried over into the Fiscal Year 2023-24 budget.

Starting in Fiscal Year 2018-19, the RHC established a reserve balance of approximately 20% of operating expenditures. The current reserve amount is \$412,367. Considering the Recommended Budget's net expenses and providing the RHC would like to maintain a 20% reserve, no additional funds need to be added.

The reserve provides a balance to be used for expenditures that are not appropriated during the annual budget process and to cover expenditures if revenues fall short of budget. If additional costs are incurred or unanticipated expenditures are required midyear, the reserve would provide funding for these expenditures until the budget and fee can be established in the following fiscal year. To date, the CSFRA program has not used any reserves.

Annual Rental Housing Fee

To ensure full funding of the CSFRA program, the Rental Housing Fee is calculated by dividing the total amount of the fiscal year budget, as approved by the RHC, less the prior fiscal year ending balance and the limited-period funding for the database system, by the total amount of rental units covered by the CSFRA. The number of rental units covered by the CSFRA (both fully and partially covered) for Fiscal Year 2023-24 has been estimated to stay the same as Fiscal Year 2022-23, which is 14,950. Based on the above, the fee would be \$108 per unit for Fiscal Year 2023-24 and would be invoiced in January. For comparison, in Fiscal Year 2022-23, the RHC adopted a Rental Housing Fee of \$96 per unit. For a complete overview of fees charged in previous years, see Table 4 below.

Table 4: Annual Rental Housing Fee per Fiscal Year

Fiscal Year	17-18	18-19	19-20	20-21	21-22	22-23
Annual Rental Housing Fee	\$155	\$124	\$101	\$85	\$102	\$96

ANALYSIS OF MHRSO BUDGET

Fiscal Year 2023-24 will be the second full fiscal year of operations, and the RHC and staff continue to evaluate and assess the appropriate level and most effective and efficient methods to administer the MHRSO.

After having developed and implemented the MHRSO in Year 1, the second year was primarily dedicated to developing forms and processes for the petition process as well as community outreach and education. A newsletter was sent to all mobile home residents summarizing the basic components of the MHRSO, workshops were organized at Mobile Home Parks to inform residents of their rights under the MHRSO and to familiarize them with staff, and contact information as well as the HEHC hours were disseminated through postcards to mobile home residents.

Resources in Fiscal Year 2023-24 for the continued implementation and administration of the MHRSO program include the following key components:

1. Staffing for the implementation and administration of the MHRSO.
2. General operating costs, including preparation and conducting of RHC meetings, and meeting materials as well as costs associated with education, outreach, clinics, and communication.
3. Third-party professional contract services.
4. Information Technology to facilitate monitoring, compliance, and implementation of MHRSO requirements.
5. City resources/administrative support.

The RHC annually adopts a budget. The Fiscal Year 2023-24 Recommended Budget is staff's best estimate of the costs of the program, taking into consideration experience of the past and current fiscal years. Most costs are ongoing program expenses.

The following table provides a comparison of the current fiscal year Adopted Budget, the current fiscal year estimated actuals, and the upcoming fiscal year Recommended Budget (dollars are in thousands).

Table 5: Comparison of Fiscal Year 2022-23 Adopted, Fiscal Year 2022-23 Estimated Actuals, and Fiscal Year 2023-24 Recommended Budget

	Adopted Budget 2022-23	Estimated Actuals 2022-23	Recommended Budget 2023-24	2022-23 Adopted Budget versus 2023-24 Recommended Budget
Revenues:				
Interest Earnings	\$ 500	\$ 8,000	\$ 11,200	\$ 10,700
Rental Space Fee	638,913	346,910	325,440	(21,470)
Total Revenue	639,413	354,910	336,640	(302,773)
Operating Expenses	639,259	590,130	346,911	(292,348)
Operating Balance	154	(235,220)	(10,271)	(10,425)
City Administration	253,150	253,150	26,900	(97,770)
Self-Insurance	5,700	5,700	7,530	1,830
Transfer to General Non-Operating Fund	292,000	292,000	0	(292,000)
Equipment Replacement Reserve	1,000	1,000	1,030	30
Excess (Def.) of Revenue	154	(235,220)	(10,271)	(10,425)
Beginning Balance	246,276	246,276	11,056	(235,220)
Reserve/Rebudget				
Ending Balance	\$246,430	\$ 11,056	\$ 785	(\$245,645)

Fiscal Year 2022-23 Estimated Actuals

For Fiscal Year 2022-23, revenues are estimated to be \$354,910, about \$285,000 lower than the Fiscal Year 2022-23 Adopted Budget of \$639,259. This is a result of budgeting Fiscal Year 2021-22 revenue into the budget for Fiscal Year 2022-23 due to the anticipation that revenue would come in later when the program got started. Instead, the Mobile Home Park owners paid the Fiscal Year 2021-22 invoices immediately, which resulted in revenue coming in earlier than budgeted. Total operating expenditures are estimated to be approximately \$590,000, about \$49,000 less than the budgeted amount.

Fiscal Year 2023-24 Recommended Budget

Revenues are recommended lower compared to the Fiscal Year 2022-23 Adopted Budget (without the Fiscal Year 2021-22 rental Space revenue of \$292,003) by about \$11,000 due to

lower estimated rental space fees. In total, recommended expenditures for Fiscal Year 2023-24 are approximately \$292,000 less than this year's budget.

It is expected that the implementation and administration of the MHRSO by the RHC and staff will provide efficiency and efficacies due to the experience gained with the CSFRA. The following estimates are deemed necessary to fund the MHRSO implementation work through the Fiscal Year 2023-24.

Staffing—\$175,951

Continued support of 1.0 FTE Analyst I/II as well as limited-scope support from hourly staff (e.g., for translation) provides staff with sufficient capacity for the implementation and administration of the MHRSO. This is a reduction of \$29,449 compared with this year's budget.

General Operating—\$20,500

General operating expenses are cost estimates for program expenditures related to office operations, furniture, devices, communications, outreach efforts, advertising, and cost of materials. Staff is able to make use of existing infrastructure and services but will incur specific costs related to the MHRSO with regard to design, printing, mailing, and postage of outreach materials, such as newsletters, postcards, flyers, as well as advertising. This is an increase of \$10,500 compared to this year's budget.

Third-Party Professional Services—\$110,000

Staff recommends contracting third-party consultants for services, such as legal support and Hearing Officer services. Staff will be able to make use of existing CSFRA consultants in certain circumstances but need to separately budget and invoice services provided for the MHRSO program. This amounts to an increase of \$35,000 compared to this year's budget. The following third-party professional services and cost projections are included in these recommendations:

Outside Legal Services (\$30,000): Staff recommends retaining the outside legal counsel of Goldfarb & Lipman, with expertise in rent stabilization, to provide dedicated resources. Outside legal counsel attends RHC meetings, assists in the preparation for and attendance at RHC meetings and presentation of proposed regulations, and provides legal advice on implementation and administration of the MHRSO and any petition hearings. The fees are based on the level of experience of the attorney providing the service and will vary. Costs are only incurred as services are rendered. This is an increase of \$5,000 compared to this year's budget.

Litigation (\$50,000): Like CSFRA practice, a yearly amount is recommended to be incorporated for potential litigation. There are no current lawsuits pending regarding mobile home parks, but the Recommended Budget includes \$50,000 for potential litigation and would be used to pay legal expenses related to lawsuits. This is \$25,000 higher than this year's budget.

Hearing Officer Services (\$25,000): Staff recommends funding to provide petition hearing services in accordance with adopted rules and regulations. Although only one petition was filed this year, the increased outreach services may have facilitated more awareness in the mobile home community regarding the petition process. This recommendation is an increase of \$5,000 compared to this year’s budget.

Prehearing Settlement Conference Services (\$4,000): Staff recommends funding to provide prehearing facilitation services, provided by expert hearing officers/mediators, which could reduce the demand for formal hearings. The cost is estimated to be able to provide settlement services for 10 cases. This is the same amount as this year’s budget.

Project Sentinel (\$1,000): Project Sentinel will be managing the administration of Hearing Officers and facilitators, similar to their services provided for the CSFRA. The Recommended Budget includes funding for these administrative services. This is \$1,000 more than this year’s budget.

Translation Services (\$0): Translation services are now captured under Personnel, line-item Wages, due to the utilization of the City’s MEP personnel for Spanish, Chinese, or Russian translations of outreach materials, webpages, educational videos, stakeholder meetings, and workshops. This is a reduction of \$1,000 compared to this year’s budget.

The table below shows a cost comparison and the components of professional service costs for Fiscal Year 2022-23 and Fiscal Year 2023-24 (recommended).

Table 6: Cost Comparisons for Professional Services

Fiscal Year	22-23	23-24 Recomm.
Legal	\$25,000	\$30,000
Litigation	25,000	50,000
Hearing Officers	20,000	25,000
Outreach, Education, Admin. (PS)	-0-	1,000
Prehearing Settlement	4,000	4,000
Translations	<u>1,000</u>	<u>-0-</u>
Total	\$75,000	\$110,000

Information Technology—\$5,000

Using the existing framework of the CSFRA Database Registry, annual fees for support and licensing are estimated to be \$5,000. This is comparable to this year’s budget.

City Administrative Support—\$ 26,900

The above items recommended for funding are direct costs associated with the implementation and operations of the program. However, indirect costs will also be incurred for the support of the program. Administrative overhead costs are related to Finance and Administrative Services, Human Resources, Information Technology, City Attorney, Administration, and Management. To truly identify and calculate the cost of these services, the City proposes to include the MHRSO in its next cost allocation plan update. However, until that time, the City is proposing a standard allocation percentage the City charges for the administration of contracts and other programs. This is a reduction of \$17,410 compared to this year's budget.

General Liability, Compensated Absences, and Equipment Replacement—\$8,560

Other City costs include general liability, compensated absences, and equipment replacement. This amount increased by \$1,860 compared to this year's budget.

Petition Fee

In previous years, the RHC decided to not include a nominal petition fee for submitting petitions. Consequently, staff has not included such a fee in the Recommended Budget for Fiscal Year 2023-24. One reason for such a petition fee would be to deter frivolous filing of petitions. Currently, one petition has been filed to date. If the RHC is interested in a petition fee, staff requests the RHC to provide directions to review and propose such a petition fee in tonight's meeting.

Reserves

Since the initiation of the MHRSO, the RHC has not established a reserve balance for the budget. At the time, the RHC determined the budget amounts themselves were considered to provide an adequate buffer if certain actual expenses exceeded the budget amount, considering the amount of the annual rental space fees compared to the annual rental housing fees. In general, a reserve of 20% of operating expenditures would be similar to the level of other City fund reserves that are generally between 20% and 25% and the same as the 20% reserve balance established by the RHC for the CSFRA. If the RHC is interested in a reserve, staff requests the RHC to provide directions to review and propose such a reserve in tonight's meeting.

Fiscal Year 2022-23 Annual Rental Space Fees

The MHRSO stipulates that the RHC set an annual rental space fee to recover the costs of the program. This is similar to the cost recovery mechanism for the CSFRA. To ensure full funding of the MHRSO program, the annual rental space fee is calculated by dividing the total amount of the fiscal year budget as approved by the RHC by the total amount of mobile home spaces covered by the MHRSO. If the RHC approves the recommended budget, this amount is divided

by the total number of mobile home spaces covered by the MHRSO (1,130). The fee would be \$288 per space for Fiscal Year 2023-24. These fees are usually charged six months into the fiscal year (January). For comparison, in Fiscal Year 2022-23, the RHC adopted a Rental Space Fee of \$307 per unit. For a complete overview of fees charged in previous years, see Table 7 below.

Table 7: Annual Rental Space Fee per Fiscal Year

Fiscal Year	21-22	22-23	23-24 Recommended
Annual Rental Space Fee	\$258.40	\$307	\$288

REQUESTED ACTION

Staff has prepared the Recommended Budgets based on staff’s best estimate for administration of the CSFRA and MHRSO programs for Fiscal Year 2023-24, taking into account a continued level of service to address the needs of the rental housing community through a robust outreach and education program as well as the collaborative Housing and Eviction Help Center. Staff requests feedback on the Recommended Budgets. After incorporating any feedback from this meeting, staff will be presenting the budgets for adoption at the next RHC meeting on June 12, 2023.

FISCAL IMPACT

There is no fiscal impact to the review and discussion of the budget. However, when the RHC adopts a budget and the applicable Rental Housing Fee and Rental Space Fee, the fees will need to be sufficient to fund the costs of the programs.

PUBLIC NOTICING—Agenda posting.

DR-AVD/AK/6/CDD/RHC

896-05-22-23M-1

- Attachments:
1. CSFRA Fiscal Year 2023-24 Statement of Revenues, Expenditures, and Balances
 2. MHRSO Fiscal year 2023-24 Statement of Revenues, Expenditures and Balances