



MEMORANDUM

CSFRA, Community Development Department

DATE: September 16, 2019

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, 2019

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, 2019.

INTRODUCTION AND BACKGROUND

On June 18, 2018, the Rental Housing Committee (RHC) adopted the Fiscal Year 2018-19 Budget and Rental Housing Fee. This is the second, full fiscal year of operations. Throughout the past fiscal year, the RHC received quarterly updates on actual financial expenses compared to the adopted budget. As the program continues to adapt to more efficient 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 2018-19, 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 2018-19

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

	2018-19 Adopted	2018-19 Estimated	2018-19 Unaudited	Variance Unaudited to Adopted
Revenues:				
Interest Earnings	\$ 2	\$ 11	\$ 18	\$ 16
Rental Housing Fees	<u>1,897</u>	<u>1,872</u>	<u>1,869</u>	(28)
Total Revenues	1,899	1,883	1,887	(12)
Operating Expenditures	<u>1,917</u>	<u>1,414</u>	<u>1,424</u>	<u>493</u>
Operating Balance	(18)	469	463	481
Miscellaneous Limited-Period	(17)	-0-	-0-	17
Litigation	(200)	(60)	(53)	147
IT System	(175)	(29)	(18)	157
City Repayment	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (Deficiency) of Revenues	(410)	380	392	802
Beginning Balance	766	766	766	-0-
Reserve/Rebudgets	<u>(287)</u>	<u>(794)</u>	<u>(705)</u>	<u>(418)</u>
Ending Balance	\$ <u>69</u>	\$ <u>352</u>	\$ <u>453</u>	\$ <u>384</u>

For Fiscal Year 2018-19, revenues were \$1.9 million, just \$12,000 lower than adopted. Revenues are lower than the budget due to fluctuations in CSFRA covered units. Total operating expenditures were \$1.4 million, \$493,000 lower than budgeted. There were variances in other one-time expenditures as follows:

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

For Fiscal Year 2018-19, expenditure variances were positive, and the ending balance was \$453,000. A more detailed comparison of Operating Expenditures is as follows (dollars in thousands):

	2018-19 Adopted	2018-19 Unaudited	Variance Unaudited to Adopted
Staffing	\$ 660	\$ 519	\$ 141
General Operating	271	170	101
Professional/Technical Services	618	404	214
City Resources/Admin.	<u>368</u>	<u>331</u>	<u>37</u>
Total Operating Expenditures	<u>\$1,917</u>	<u>\$1,424</u>	<u>\$ 493</u>

Staffing

The Fiscal Year 2018-19 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 due to the hiring of the 1.0 FTE Office Assistant (OA) I/II position towards the end of the fiscal year (May 2019) and the underfilling of the Program Manager position until January 2019 of the fiscal year.

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 and to office expense as staff was housed at City Hall for the majority of the fiscal year.

Third-Party Professional/Technical Services

Professional/technical services include outside legal services (\$200,000), hearing officer services (\$250,000), Mountain View Rental Housing Helpline (\$124,800), prehearing settlement services (\$20,000), tenant relocation services (\$10,000), facilitation services (\$5,000), and translation services (\$8,000). The savings in professional/technical services is 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 2019-20 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, 2019 of \$364,000 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 percent of expenditures to be phased in over two years. The reserve balance of \$195,000 is included in the Fiscal Year 2018-19 results, and \$189,000 is being added for Fiscal Year 2019-20.

FISCAL IMPACT

The Fiscal Year 2018-19 unaudited results show total revenues of \$1.9 million and total expenditures of \$1.5 million, resulting in an operating excess of \$400,000. The ending balance of the fund is \$453,000 compared to the estimated amount of \$352,000. The ending balance projected for Fiscal Year 2019-20 is \$308,000 (see Attachment 1).

PUBLIC NOTICING – Agenda posting.

AVD-ROD-JT/DJ/6/RHC

895-09-16-19M

- Attachments: 1. Community Stabilization and Fair Rent Act (CSFRA)/Rental Housing Committee (RHC) Fund: Statement of Revenues, Expenditures, and Balances