

**DATE:** September 25, 2023

**TO:** Rental Housing Committee

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

**SUBJECT:** **CSFRA and MHRSO Funds Results for the Fiscal Year Ended June 30, 2023**

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**RECOMMENDATION**

To review and accept the year-end results for the Community Stabilization and Fair Rent Act Fund and the Mobile Home Rent Stabilization Ordinance Fund for the fiscal year ended June 30, 2023.

**INTRODUCTION AND BACKGROUND**

On June 20, 2022, the Rental Housing Committee (RHC) adopted the Fiscal Year 2022-23 Community Stabilization and Fair Rent Act (CSFRA) Budget and Rental Housing Fee as well as the Mobile Home Rent Stabilization Ordinance (MHRSO) Budget and Rental Space Fee. Throughout the past fiscal year, the RHC received quarterly financials, which included budget versus actual results for revenues and expenditures.

**ANALYSIS**

Overall, Fiscal Year 2022-23 ended well below budget with efficient operations and excellent fee payment compliance and lower than anticipated Hearing Officer and legal costs. This resulted in a positive ending balance, which is accounted for in the Fiscal Year 2023-24 Budget. For Fiscal Year 2023-24, it is anticipated that Hearing Officer and legal costs may materialize. Staff and the RHC continue to monitor the level of revenue and expenditures to administer the CSFRA and MHRSO programs. The following provides more details of the Fiscal Year 2022-23 Fund results. The key expenditures of these budgets include:

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

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

Community Stabilization and Fair Rent Act Fund

**Table 1: CSFRA Comparison of Fiscal Year 2022-23 Adopted, and the Unaudited Actual Numbers**

	<b>2021-22 Actual</b>	<b>2022-23 Adopted</b>	<b>2022-23 Unaudited Actual</b>	<b>Variance Actual to Adopted</b>
Revenues:				
Interest Earnings	\$ 20,357	\$ 15,300	\$ 29,397	\$ 14,097
Charges for Services	1,486,513	1,435,200	1,496,653	61,453
<b>Total Revenues</b>	<b>1,506,870</b>	<b>1,450,500</b>	<b>1,526,050</b>	<b>75,550</b>
Operating Expenditures	1,195,677	1,783,241	1,218,889	(564,352)
				-0-
General Fund Administration	266,320	253,150	253,150	
Self-Insurance	17,620	28,220	28,220	-0-
Transfer to Compensation				-0-
Absences Reserve	8,000	10,000	10,000	
Transfer to Equipment Replacement Reserve	3,330	4,990	4,990	-0-
<b>Total Expenditures</b>	<b>1,490,947</b>	<b>2,079,601</b>	<b>1,515,249</b>	<b>(564,352)</b>
Excess (Deficiency) of Revenues	15,923	(629,101)	10,801	639,902
Beginning Balance	1,537,443	1,553,366	1,553,366	-0-
Reserve/Rebudgets	(396,000)	(320,000)	(320,000)	-0-
<b>Ending Balance</b>	<b>\$1,157,366</b>	<b>\$604,265</b>	<b>\$1,244,167</b>	<b>\$639,902</b>

For Fiscal Year 2022-23, revenues were approximately \$1.5 million. Interest earnings came in \$14,097 higher than budget and Charges for Services revenues were \$61,453 higher than budget. Total operating expenditures were approximately \$1.2 million, \$564,352 lower than budget. Total expenditures were approximately \$1.5 million, resulting in a positive variance of \$564,352 when compared to the budget amount of \$2.1 million. Total revenues exceeded total

expenditures by \$10,801, resulting in a slight increase of the ending balance, which was \$1.2 million.

### Staffing

The Fiscal Year 2022-23 Adopted Budget included 6.0 FTEs: 1.0 FTE Program Manager, 1.0 FTE Senior Management Analyst, 2.0 FTE Analysts, 1.0 FTE Senior Administrative Assistant, and 1.0 FTE Outreach Specialist as well as hourly personnel from the City's Multicultural Engagement Program for translations and outreach events. The positive budget variance is mostly due to the vacancy of one 1.0 FTE Senior Administrative Assistant and 1.0 FTE Outreach Specialist for part of the fiscal year. Staff also assisted and charged other City departments for tasks outside the scope of the CSFRA, including work performed for the Housing Department, the MHRSO, and the tenant relocation assistance program, which resulted in further budget savings.

### General Operating

General Operating expenses include program expenditures related to office operations, cost for materials, communications, outreach, and education efforts, and RHC preparations and meetings. Examples of such cost 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. The positive budget variance is due to savings in most categories.

### Third-Party Professional Services

The professional services budget included outside legal and litigation services, Hearing Officer services, and Prehearing Settlement Services. The savings in overall professional services are related to having to provide fewer than anticipated Hearing Officer and legal services.

### Information Technology

The Fiscal Year 2022-23 Adopted Budget included a rebudget for the Rent Stabilization Registration database system. Rebudgets are items that were budgeted as one-time expenditures but were not expended by the end of the fiscal year in which they were originally budgeted. The funds are still needed for the purpose originally identified, and \$72,000 was carried over into the Fiscal Year 2023-24 budget. In addition, \$39,000 was budgeted for the annual software license for the database and a CoStar subscription.

### City Resources/Administrative Support (General Fund Administration)

City resources/administrative support represent the indirect costs provided by the City in support of the rent stabilization program. These are budgeted at 15% of the budget.

Encumbrances

These 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 were encumbrances outstanding as of June 30, 2023 in the amount of \$263,700 for miscellaneous professional services.

Reserve

The reserve balance provides a funding source to be used for certain unanticipated expenditures that may come up during the fiscal 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% of expenditures. In Fiscal Year 2022-23, the RHC decided to not further increase the reserve. The total Reserve/Rebudgets of \$320,000 includes the balance of the IT System rebudgeted in the next fiscal year and, as stated above, a portion of encumbrances outstanding that are assumed to be spent next fiscal year.

**Mobile Home Rent Stabilization Ordinance Fund**

**Table 2: MHRSO Comparison of Fiscal Year 2022-23 Adopted, and the Unaudited Actual Numbers**

	<b>2021-22 Actual</b>	<b>2022-23 Adopted</b>	<b>2022-23 Unaudited Actual</b>	<b>Variance Actual to Adopted</b>
Revenues:				
Interest Earnings	\$ 2,666	\$ 500	\$ 9,258	\$ 8,758
Rental Space Fee	291,992	346,910	346,910	-0-
Prior Year Fees	-0-	292,003	-0-	(292,003)
Transfer from General Non-Operating Fund	107,000	-0-	-0-	-0-
<b>Total Revenues</b>	<b>401,658</b>	<b>639,413</b>	<b>356,168</b>	<b>(283,245)</b>
Operating Expenditures General Fund	111,582	296,249	215,586	80,663
Administration	43,800	44,310	44,310	-0-
Self-Insurance	-0-	5,700	5,700	-0-
Transfer to General				

	<b>2021-22 Actual</b>	<b>2022-23 Adopted</b>	<b>2022-23 Unaudited Actual</b>	<b>Variance Actual to Adopted</b>
Nonoperating Fund	-0-	292,000	-0-	292,000
Transfer to Equipment				
Replacement Reserve	-0-	1,000	1,000	-0-
<b>Total Expenditures</b>	<b>155,382</b>	<b>639,259</b>	<b>266,596</b>	<b>372,663</b>
Excess (Def.) of Revenue	246,276	154	89,572	89,418
Beginning Balance	-0-	246,276	246,276	-0-
Reserve/Rebudget	-0-	-0-	-0-	-0-
<b>Ending Balance</b>	<b>\$246,276</b>	<b>\$246,430</b>	<b>\$335,848</b>	<b>\$89,418</b>

For Fiscal Year 2022-23, total revenues were \$356,168. Interest earnings came in \$8,758 higher than budgeted, at \$9,258, and Rental Space Fee revenue came in as budgeted, at \$346,910. Total operating expenditures were \$215,586, \$80,663 lower than budget. Total expenditures were \$266,596, resulting in a positive variance of \$372,663 when compared to the budget amount of \$639,259. Total revenues exceeded total expenditures by \$89,572, resulting in an increase of the ending balance, which was \$335,848.

### Staffing

The Fiscal Year 2022-23 Adopted Budget included 1.0 FTE Analyst, who provided continued support for the MHRSO program as well as limited-scope support from hourly staff, e.g., for translation.

### General Operating

General Operating Fund expenditures are costs for program expenditures related to office operations, furniture, devices, communications, outreach efforts, advertising, and cost of materials. Staff was able to make use of existing infrastructure and services but incurred specific costs related to the MHRSO regarding design, printing, mailing, and postage of outreach materials, such as newsletters, postcards, flyers as well as advertising.

### Third-Party Professional Services

The professional services budget included outside legal and litigation services, Hearing Officer services, and Prehearing Settlement Services. The budget savings in overall professional services are related to having to provide fewer than anticipated Hearing Officer and legal services.

### Information Technology

The Fiscal Year 2022-23 IT System Budget included a post for services to develop an addition to the rent stabilization database to include Mobile Home Parks and to maintain and service this database throughout the year. The addition makes it possible for the mobile home park owners to access the database and register their properties.

### City Resources/Administrative Support (General Fund Administration)

City resources/administrative support represents the indirect costs provided by the City in support of the rent stabilization program. These costs are budgeted at 15% of the operating expenses.

### Reserve

Since the MHRSO is a brand-new program, the budget did not yet have a reserve established in Fiscal Year 2022-23. A 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 adopted a reserve for its Fiscal Year 2023-24 MHRSO Budget.

## **FISCAL IMPACT**

### Community Stabilization and Fair Rent Act Fund

The Fiscal Year 2022-23 Unaudited Actual results show total revenues of slightly over \$1.5 million and total expenditures slightly over \$1.5 million, resulting in an excess of \$10,801. The ending balance of the fund is \$1,244,167, higher than the estimated amount of \$604,265, due to expenditures coming in lower than budgeted. The ending balance projected for Fiscal Year 2023-24 is \$731,664 (see Attachment 1).

### Mobile Home Rent Stabilization Ordinance Fund

The Fiscal Year 2022-23 unaudited actual results show total revenues of \$356,168 and total expenditures of \$266,596, resulting in an excess of \$89,572. The ending balance of the fund is \$335,848, higher than the estimated amount of \$246,430, due to expenditures coming in lower than budget. The ending balance projected for Fiscal Year 2023-24 is \$325,261 (see Attachment 2).

**PUBLIC NOTICING**—Agenda posting.

AvD-DR/KG/1/HSN/RHC

895-09-25-23M

- Attachments:
1. CSFRA Fund: Statement of Revenues, Expenditures, and Balances
  2. MHRSO Fund: Statement of Revenues, Expenditures, and Balances