



Rent Stabilization Board

RENT STABILIZATION BOARD

DATE: June 15, 2015

TO: Honorable Members of the Rent Stabilization Board

FROM: Honorable Members of the Budget and Personnel Committee and
Jay Kelekian, Executive Director

SUBJECT: Adoption of FY 2015/16 Line-Item Budget, Staffing Model & Expenditure Level

Recommendation:

That the Board adopt the attached resolution approving the FY 2015/16 line-item budget and staffing model of 21.60 FTE career employees and authorizing an overall spending level of \$4,550,000, which includes a set-aside for up to \$50,000 in one-time capital related expenditures.

Background and Need for Rent Board Action

Legally, the Board has through the end of June to adopt a staffing model and budget with a maximum expenditure authorization for FY 2015/16. The process for adopting the annual budget has been guided by the Budget and Personnel Committee. Beginning in early March, the Committee met with the Executive Director to discuss a timeline and process for adopting the FY 2015/16 budget; seven subsequent meetings followed through June 2nd. The Committee recommended that the Board utilize a multi-step process similar to the process followed the past few years:

Step One – Understand the Program’s final financial position at the end of last fiscal year (FY 2013/14) and begin receiving reports on the status of the current fiscal year (FY 2014/15). The first reports were provided in March and have been updated several times thereafter. Those initial reports brought good financial news; we ended last year/began this year with a slightly larger reserve balance than anticipated. Of greater significance, we were on pace to realize salary savings and a larger year-end reserve balance than anticipated when we adopted this year’s budget last June.

Step Two – Throughout March and April, the Budget and Personnel Committee continued to monitor the Program’s current year financial status but also began discussing future needs and possible revisions in next year’s budget. A call went out to Board members, Committees and staff for proposals for future projects that may have a financial impact. The Committee agreed that very little needed to change in the day to day programmatic operations and that the greatest hindrance to accomplishing all desired goals was staff turnover/vacancies, which also resulted in savings to the Fund’s balance the past several years. In March and April the Committee began reviewing expenditure projections for next year. It became apparent that even with no significant change in staffing or new programmatic initiatives requiring additional funding, operational costs would increase by as much as \$240,000. The Committee began discussing several approaches

(please see Attachment 6) for maintaining the long-term solvency of the Fund. The Committee also recommended that the Board schedule a special meeting and hold a public hearing in May to discuss the budget and possibly the first fee increase since 2009.

Step Three – In addition to hearing from the public, Board members wanted to understand the baseline work that the Program regularly engaged in. The Board scheduled a budget workshop and requested that staff prepare a report discussing, division by division, a summary of the services provided to both the community and the Board. At the May 4th Budget Workshop, seven members from staff explained to the Board and public both the recurring baseline work each Division undertook as well as some recent or special projects from the previous 12-18 months. A copy of both the power point presentations from that workshop as well as a report providing some historical context of the Program's operations are included for your reference as Attachments 7 and 8 (note, per the Committee's request, these are only attached on the on-line version of the report). The Board received written or verbal testimony from over twenty individuals at the public hearing on the budget, most arguing that it was essential to not cut back on staff or services in the middle of a housing crisis in which rents and harassment of long-term tenants are on the rise.

Step Four – On May 11th, after receiving additional testimony from the public and a report from the Budget and Personnel Committee and the Executive Director, the Board voted to increase the fee by \$19 per unit/per year so as to maintain a Fund reserve balance of roughly 8% of expenditures. The Board resolution also directed the Executive Director to produce a final budget document showing the revenues and expenditure levels broken down in line-item detail as well as a staffing model for the Board's consideration and adoption at the June 15th meeting.

Step Five – In an effort to carry out the Board's May 11th directive, the Committee met twice with the Executive Director between May 12th and June 2nd to develop and refine the details of the budget presented in your agenda packet this evening. The Executive Director made one notable change to the proposals which were previously discussed. The Director recommended that an additional .50 FTE Office Specialist II be added to the Registration Unit. The Director identified increased savings and/or new revenue which will offset the additional cost of the position thereby having no adverse effect on the Fund's reserves at the end of FY 2016. The joint recommendation presented in the following pages is from the Budget and Personnel Committee and Executive Director and was unanimously approved by the Committee on June 2, 2015.

Programmatic Accomplishments Over the Past 12-18 Months

The Board and Program have much to be proud of over the past 12-18 months. Together, we have experienced an extraordinarily productive period, both administratively and in promoting sound public policy, despite staff turnover and shortages. As was discussed at length on May 4th, the overwhelming majority of staff's time, energy and resources go to performing our core services. As documented in Attachment 7 and 8 our core services focus on providing the following essential services:

1. Regularly communicating with Berkeley's 50,000+ tenants and 2800 landlords to ensure they are aware of the protections, requirements and services under the Rent Stabilization and Good Cause for Eviction Ordinance.
2. Providing counseling and other direct services to over 1000 clients per month who call, come through our doors or write seeking our advice and assistance. The majority of these contacts are with Berkeley property owners.

3. Issuing administrative hearing decisions on over 140 petitions and roughly 100 voluntary mediations each year.
4. Maintaining accurate records on the rents and services of over 20,000 rental units in the City of Berkeley and processing payments, requests for penalty waivers, changes in tenancy and exempt status for all units covered by the Ordinance.
5. Guiding policy, transparency and governance: Historically 1-2 FTE is dedicated to providing policy, administrative, legal and logistical support directly for the Board and its committees.

The overwhelming majority of our resources are dedicated to the multitude of tasks involved in carrying out the five essential “core” areas of work listed above. Providing this great public service is the primary way in which we carry out the purpose and mission of the Ordinance under Section 120 of the City Charter: *“The purpose of this article is to provide for proper administration of programs to regulate residential rents; to protect tenants from unwarranted rent increases and arbitrary, discriminatory or retaliatory eviction; to help maintain the diversity of the Berkeley community; and to ensure compliance with legal obligations relating to the rental of housing.”*

In addition to our “core” areas of work, the past 12-18 months has shown impressive results in fulfilling the Board’s charge under the City Charter through the following efforts and accomplishments:

- Worked with City staff to achieve final adoption and began implementation of the “Soft Story” Ordinance.
- Completed the initial rollout and continued development of our new RTS database. Implemented most major functions of the new system (Annual billing, 60 day penalty bill, ALRC mailing, AGA) with great success.
- Completed a major remodel to our office space and negotiated a significant reduction in rent under a new five-year lease.
- Increased the number of workshops and seminars for owners and tenants.
- Began regular counseling on the Cal campus and improved outreach materials targeting student renters (Renting In Berkeley 101)
- Began providing owners early email notification of important events like the AGA and the annual billing materials (for a beta group). Also began using email rather than USPS to advertise workshops or seminars.
- Provided important counseling on the Relocation Ordinance to owners and tenants (several low-income tenants) displaced by fires, including “real-time/on scene” assistance and information.
- Installed the new Rent Board Building sign on the façade of the Program’s office.
- Worked closely with Housing Code Inspectors to begin proactively contacting tenants in buildings with multiple housing code violations to inform them of their rights.
- Made important improvements to the proposed smoking ordinance to assure that the law is not in conflict with the Rent Ordinance. Staff has assisted in the implementation of that ordinance so that tenants are not unfairly displaced while still achieving maximum compliance with the law.
- Modified the security deposit regulations (701 & 702) after the federal government ceased publishing the H.15 rate.

- Staff's comments were accepted and incorporated into the updated Housing Element.
- Expanded Summer Rental program to include sororities.
- Improved outreach materials available to the public – including a better New Landlord and New Tenant Packet and the development of a Guide to students and their parents renting in Berkeley.
- Increased the number of documents translated into Spanish and amended our literature to make it clearer that translation services are available in both Spanish and Chinese.
- Improved the letter sent when a property is in foreclosure to both be clearer and include resources for owners facing foreclosure.
- Clarified the long-standing standards used when determining cases under Regulation 524, 525 and 1018.
- Monitored and provided rent control rental history for several proposed demolitions or cases that would result in the loss of rent controlled units.
- Adopted regulation 509 clarifying the Board standard for evaluating new construction.
- At the request of the City Council, accepted responsibility for annually calculating and posting the revised rate owners may charge tenants for screening fees.
- Last year staff prioritized the growing trend of some larger property management companies and Berkeley's larger property owners blatantly ignoring portions of the Rent Control and/or Relocation Ordinance in an effort to get sitting tenants to vacate their unit or otherwise violate the terms of their existing lease. Last year's budget report documented this very disturbing pattern with details of several attempts to disregard the law and displace tenants en masse. A number of these cases have been brought to the Board's attention over the past 18 months. Staff remains vigilant in monitoring and intervening in such cases and will continue taking efforts to affirmatively prevent them and direct resources to meet this problem.

Goals and New Initiatives in FY 2016

While over the past 18 months, an increasing portion of our efforts has gone into guarding the basic protections of the Rent Stabilization Ordinance, the majority of our time is still devoted to our core areas of work which form the foundation of the excellent services we deliver and that the public has come to expect. In addition, we select projects that improve upon those services to make them more efficient and convenient for those we serve.

Staff, working with the Budget and Personnel Committee, has identified 12 projects that we hope to initiate or implement during the upcoming fiscal year:

1. Continued development and refinement of RTS and begin defining future improvements that will eventually allow the majority of registration functions to be completed online.
2. Establishment of online payment of registration fees.
3. Establish a paperless agenda process for the Rent Board.
4. Completion of Exemption Verification for the majority of units registered as exempt in our database.
5. Increased use of email for outreach and eventually to transact business.
6. Development and mailing of an Annual Report, similar to that distributed by the City, Library and School District.
7. Continued improvements to and possible redesign of the Rent Board's web page.

8. Expanded utilization of case management approach to counseling.
9. Continue assisting the City in the implementation of the recent law prohibiting smoking in multi-unit housing.
10. Consider establishing some services to allow intervention & promote resolution of hoarding cases
11. Increased staff and Board training.
12. Greater availability of unit and property information searchable on the website.

Highlights of the FY 2015/16 Budget Proposal:

Historically, the Board has attempted to maintain at least a two month uncommitted reserve balance in the Rent Stabilization Fund. The attached historical summary of the Rent Stabilization Fund balances (Attachment 3) shows the year-end balances between FY 2009 and the Proposed FY 2016 budget. When the Board adopted the current year's budget (FY 2015) last June and July, we anticipated ending the current year with an uncommitted reserve balance of roughly \$340,000. This was an important departure from prior practice because the Board was allowing the reserve to potentially fall to one month rather than a more secure two month cushion. The last fee increase was in 2009. This was primarily because the Board has expressed a commitment to raising fees only when absolutely necessary. In order to fulfill this commitment, the Board decided that it was better to draw down the reserve than to increase the fees prematurely or more than was necessary.

As discussed in several prior reports to the Board, our uncommitted Fund balance will actually be higher than originally estimated. Based upon actual revenues and expenditures through the end of April, staff is now projecting that the year-end uncommitted Fund balance will be approximately \$605,000. Primarily because of staff turnover, we enter next fiscal year with roughly \$265,000 more in reserves than we thought would be available when we adopted our budget last spring. Nevertheless, we still face some significant challenges. As has been discussed previously (please see Attachment 6), even when using a "status quo" approach, the Program faced increased costs in the neighborhood of \$240,000 over the current year's adopted budget. This is just the reality for an agency in which 82% of the budget is comprised of salary and fringe charges. If the Board simply maintained the status quo and allowed the recurring shortfall to increase by an additional \$240,000, the entire reserve would have been depleted by the end of FY 2016. By increasing the registration fee for the first time since 2009, the Board has taken an important first step in narrowing the recurring structural shortfall but still will be reducing their Fund reserve balance to roughly one month (8%).

The following lists proposed changes from the staffing model approved by the Board last June:

1. Eliminate 1.0 FTE Community Service Specialist I position
2. Add 1.0 FTE Community Service Specialist II position (already approved by Board)
3. Add 1.0 FTE Office Specialist II to the Registration Unit
4. Replace 0.40 FTE temporary Office Specialist II with .25 FTE temporary agency employee (for annual registration assistance)

5. Reduce Associate Management Analyst in Registration from .75 FTE to .60 FTE
6. Add 0.25 FTE Housing Intern
7. Adjust IT Department support to reflect that support may include programming services
8. Reallocate 0.30 FTE Community Service Specialist II from the Hearings Unit to the Public Information Unit and backfill with 0.30 FTE Assistant Management Analyst from the Administrative Unit

Combined, these changes result in a net increase of .95 FTE when compared to the staffing model approved by the Board last June. The net increase in career, City of Berkeley FTE is only 0.15 FTE if we compare the Proposed FY 2016 (21.60 FTE) with the Adopted 2014 (21.45) staffing level. The attached Rent Board Position Detail (Attachment 1) shows the changes in the allocation of staff resources over the past few years. Personnel related costs (salary and fringe benefits) make up 82% of the Board's proposed FY 2016 budget.

Explanation of the Line-item budget

The majority of the budget proposal could best be characterized as "maintenance of effort" budget with very few line-items being changed significantly.

- **Monthly Employees (11-01)** will increase from the FY 2014/5 Adopted Budget by \$125,000. This is primarily due to five reasons: 1) \$30,000 in additional charges to convert the 0.40 Temporary Office Specialist II in the Registration Unit to a full-time career position. 2) \$45,000 in anticipation of a 2% COLA for employees. Contract negotiations are just getting underway but given that there has not been any adjustment in the Cola for several years a 2% increase seems reasonable. 3) Earlier last year, the Budget Committee voted to convert a Community Service Specialist 1 to a Community Service Specialist II, in order to bring all counselors doing similar work into the same classification. It was determined that this change will go into effect with the new fiscal year's budget. The additional cost will be approximately \$7,000. 4) Increased cost of approximately \$10,000 to receive full-time programming support from the IT department so we may continue improvements to the new RTS database. 5) The balance of the increase comes from step increases of less senior employees as they gain seniority.
- **Hourly Employees (11-03)** Through April 30th, the Program expended \$14,768 for Hourly Employees. This was for one of the temporary Office Specialist II positions that we used to assist during the annual registration. We anticipate that the majority of this charge will be eliminated and shifted to 11-01 by hiring the career OSII position mentioned above. The remainder of the anticipated charges will be incurred by hiring the .25 FTE Housing Intern and possibly a City of Berkeley hourly worker for one month.
- **Overtime (13-01)** Based upon actual expenditures last year and projections for this year, we are decreasing this line-item from \$1,900 to \$1,500 per year.
- **Fringe benefits (27-20)** Will increase from the FY 2014/15 adopted budget by \$130,000 This is due primarily to ongoing increases in medical/dental rates and increased CalPERS rate projections. No new benefits are being offered to employees but costs continue to

increase. As we have noted elsewhere, in the past decade, the benefit rate (as a percentage of salary) charged has more than doubled, while actual benefits received have not changed significantly. The current rate is roughly 66% of salary. If the rate had simply increased at the rate of inflation plus 1% per year over the past decade, the program would save over \$500,000 per year in charges.

- **Stipends (30-12)** There is no change in the amount budgeted. This line-item changes very little from year-to-year.
- **Misc Legal Expenses (30-23)** While theoretically this could include costs related to depositions, court reporters, transcriptions of records, outside counsel or expert witness fees, for the past several years these costs have been limited to service of the small claims lawsuits. Through April 30th, those costs have totaled \$3,370. Recently, we have contracted \$10,000 for the services of outside counsel to assist in pending litigation. That expenditure will be charged against the current fiscal year, which is why the projection for the current year is \$13,500. It is not anticipated that this will be a recurring expenditure and the requested amount for next year remains at the same \$4,000 that is budgeted this year.
- **Temp Agency Employees (30-36)** When possible, we use City of Berkeley hourly workers (see above) rather than personnel from temporary employment agencies to fill long-term vacancies. We require assistance between June and August each year to assist with the annual registration process. Because the City is in the process of renewing the eligibility lists for Office Specialist II (the classification we use to assist with the annual registration), we anticipate using temporary agency employees for June and July and then switching over to a City hourly in August. Regardless of which classification we utilize the cost will be similar, approximately \$20,000.
- **Misc. Professional Services (30-38)** This line-item represents our contracts with community service agencies to provide eviction counseling and defense to low income clients (totaling \$242,230 in FY 14/15) as well as the contract with our legislative advocate (\$46,000). A small amount is set aside for additional consulting services. The amount reflects the modest increased allocation recommended as part of the new contract with EBCLC. For FY 2015/16 the amount allocated has increased roughly 3% to \$300,000, which reflects \$46,000 for the contract with our legislative advocate Brian Augusta and Associates, \$120,000 for EDC, \$131,025 for EBCLC. The balance of just under \$3,000 is for any additional consulting services that may be required during the year.
- **Office Equip Mtc./Copy Machine (30-42)** This is for the maintenance and servicing of our two copy machines. The increase is based upon actual usage (including repairs and maintenance). The cost has nearly doubled over the past several years and we are exploring leasing new machines, which may involve an initial capital outlay but reduce costs below the current levels in future years. The amount allocated may also decrease some if/when the Board shifts to paperless agendas.

- **Bldg Structures Mtc Svc (30-43)** This line-item is being adjusted downward by \$500 based upon actual usage this year. Through April, the total FY 2015 expenditure has been \$266.
- **Bank Credit Card Fees (30-51)** In each of the previous four years, the Board has incurred between \$19,500 and \$20,550 in service fees charged by banks so that owners may pay their registration fees with a credit card. Prior to FY 2015, this item was previously reflected as part of the costs tracked in line-item 30-38 but was been moved to its own item to conform with city tracking.
- **Professional Dues and Fees (40-10)** Consistent with City practice, the Program pays for the dues/fees, which we require incumbents of a position to hold. The most common are bar dues but we also may pay for other required dues such as Notary Public Certification dues. The amount budgeted remains unchanged at \$2,500.
- **Telephones (40-31)** Includes charges for mobile devices as well as phones housed in our offices. In most years, the Program's phone related charges are between \$3,000-\$4,000. In FY 2013, the Program was told to set aside \$49,000 for the new City-wide VOIP system. For some reason, all charges for the new phones were not billed in FY 2013 (though the phones were received in 2013) and we continued to receive charges, within the original amount set aside, in FY 2014 and FY 2015. We have been informed that all outstanding VOIP charges were resolved in FY 2015 and thus the amount of the line item has been reduced to \$3400 which should cover our standard phone charges.
- **Printing and Binding (40-50)** Includes charges for the printing of all postcards, newsletters, large mailings (like the AGA and ALRC mailings to owners and tenants) and the guides to rent control.
- **Commercial Travel (40-61)** In most years, Program staff must do some traveling to either Sacramento or Southern California. In FY 2015, the costs nearly doubled because an additional rent consortium meeting was held in Southern California. We expect to be back on our regular schedule in FY 2016 and the total amount budgeted for this travel remains unchanged at \$1000.
- **Meals and Lodging (40-62)** This line-item is for the cost of food an/or lodging when on Rent Board business out of town. Generally it covers the cost of meals when in Sacramento or Southern California. Nothing has been expended in either of the past several fiscal years. The amount set aside is being reduced to a nominal \$200 in case we incur these costs this year.
- **Registration Fees (40-63)** Covers MCLE (ongoing legal training) and fees for professional conferences or trainings attended by staff. Based upon actual and projected expenditures for the past two years, this item was reduced from \$3,000 to \$2,000 in FY 2015. It remains at \$2000 in FY 2016.
- **Transportation (40-64)** The \$500 set aside is to reimburse staff for costs incurred while either taking private or public transit to perform agency-related duties. The most common occurrence is to cover the cost for parking or Bart when going to court to represent the

Board or car rental when at a conference out of town. The amount spent in FY 2015 is \$1,190 because of the additional trip to Southern California but we expect to stay within the \$500 budget in FY 2016.

- **Advertising/Public Access (40-70)** – The total amount budgeted for these services is \$50,000. The majority of these costs are associated with making the activities and proceedings of the Board accessible and transparent to the public. Major expenditures include cable coverage on BCM (\$20,000), radio coverage on KPFA (\$2,100), Closed captioning of our meetings (\$13,500), webcasting of our meetings (\$6,000). Other costs in this category include PTA directory advertisements (\$3,500), Rent Board Magnets (\$2,600). Design of newsletters and postcards and publishing of legal notices make up the balance of charges for this line-item.
- **Books and Publications (40-80)** These charges are almost exclusively for legal books or subscriptions for online legal research. The amount budgeted in FY 2016 remains unchanged from FY 2015.
- **Rental of Land/Buildings (50-10)** This charge is to cover costs for renting our office space on Center Street as well as any costs to keep the building open additional “after” hours once a week. In FY 2013 the total charge was roughly \$241,000. Because of a renegotiation of our lease, the total charge for FY 2014 was \$203,000. This increased to \$225,000 in FY 2015 and \$232,000 in FY 2016. As noted last year, the rent paid in FY 2016 will be less than the rent paid for the same space in FY 2004.
- **Postage (51-10)** - \$55,000 is budgeted for FY 2015, which will cover costs for all day-to-day operational mailing needs (Hearings and Administration, Vacancy Registration Form mailings, exemption verification), all seasonal mailings (registration, two ALRC notices), and also the costs for mailing postcards and newsletters to owners and tenants.
- **Messenger/Delivery (51-20)** – The majority of this \$1200 line-item reflects charges related to the delivery of agenda packages. There is no change in FY 2016 to what was budgeted in FY 2015.
- **Office Supplies (55-11)** This line-item speaks for itself. We are hopeful that once the Board moves to a paperless agenda, we will see some decrease in charges for ordering paper. For the time being, this item is budgeted at \$20,000 for FY 2016.
- **Food and Water (55-50)** – In FY 2015 the Board set aside \$1,000 for food and water. Generally, when the Board has early or contiguous meetings (closed session leading directly into a Board meeting) some food is provided. However, historically, the largest portion of this expenditure is for drinking water for staff and the public (per a long-standing Board resolution). Food for meetings hosted by the Board or staff are also reflected in this line-item. The total budgeted for FY 2016 is \$1,500
- **Office Equipment and Furniture (70-41)** – Traditionally, the Board spends around \$5,000 for furniture and small office equipment. The Board spent \$23,105 in FY 2014 when we decided to stay in our current location and remodel the downstairs and a portion of the upstairs. When we realized that the costs for disassembling, storing and

reassembling our 20-year old cubicles would be a few thousand dollars less than replacing them, we agreed to redirect a portion of the savings in rent to purchase and install new cubicles. Most of the remodel was completed in FY 2014 but some work continued in FY 2015. Through April, we have expended \$7,827. With the remodel completed, we believe we can restore the budget for this line item back to \$5,000 for FY 2016.

- **Computers, Printer, Software (70-44)** This line item is used for any additional computer or printer purchased, which is not part of the PC Replacement (75-25) below. It also includes charges for software licenses and access to on-line data services like Realquest.
- **PC Replacement Contribution (75-25)** All of our computers have an assumed life-span and they are rotated out at the end of that assumed cycle. We pay a fixed cost into a recurring fund based upon the number of computers we have and the estimated replacement cost. The charge for FY 2016 remains unchanged at just under \$9,500.
- **Mail Services (76-35)** This is a charge from the City, assessed to all departments, to cover the cost of the employee who sorts and delivers the mail. The charge remains unchanged from FY 2015
- **Capital Expenditures** – The Budget and Personnel Committee is recommending that the Board set aside \$50,000 for one-time capital expenditures. The initial allocation for this set aside amount would be \$30,000 for additional RTS enhancements, \$10,000 for research and/or training for staff and the Board and \$10,000 for costs associated with implementing a paperless agenda process.

Attachments:

1. Proposed FY 2016 Position Detail grouped by unit, classification and job assignment
2. Rent Stabilization Program proposed FY 2016 Organization Chart sorted by supervision
3. Rent Stabilization Board Proposed Fund 440 Balance overview in roll-up and detail
4. Proposed FY 2016 Line-Item Budget with historical data for FY 2014 & FY 2015
5. Pie Chart Comparison of FY 2015 Adopted and FY 2016 Proposed Budgets
6. May 4, 2015 background material for budget workshop and public hearing on the FY 2016 budget and possible increase in the annual registration fee.
7. [Rent Stabilization Program in Review – power point presentation](#) (online only)
8. [Rent Stabilization & Good Cause for Eviction in the 21st Century](#) (online only)
9. Resolution authorizing FY 2016 Expenditure Authorization and staffing model

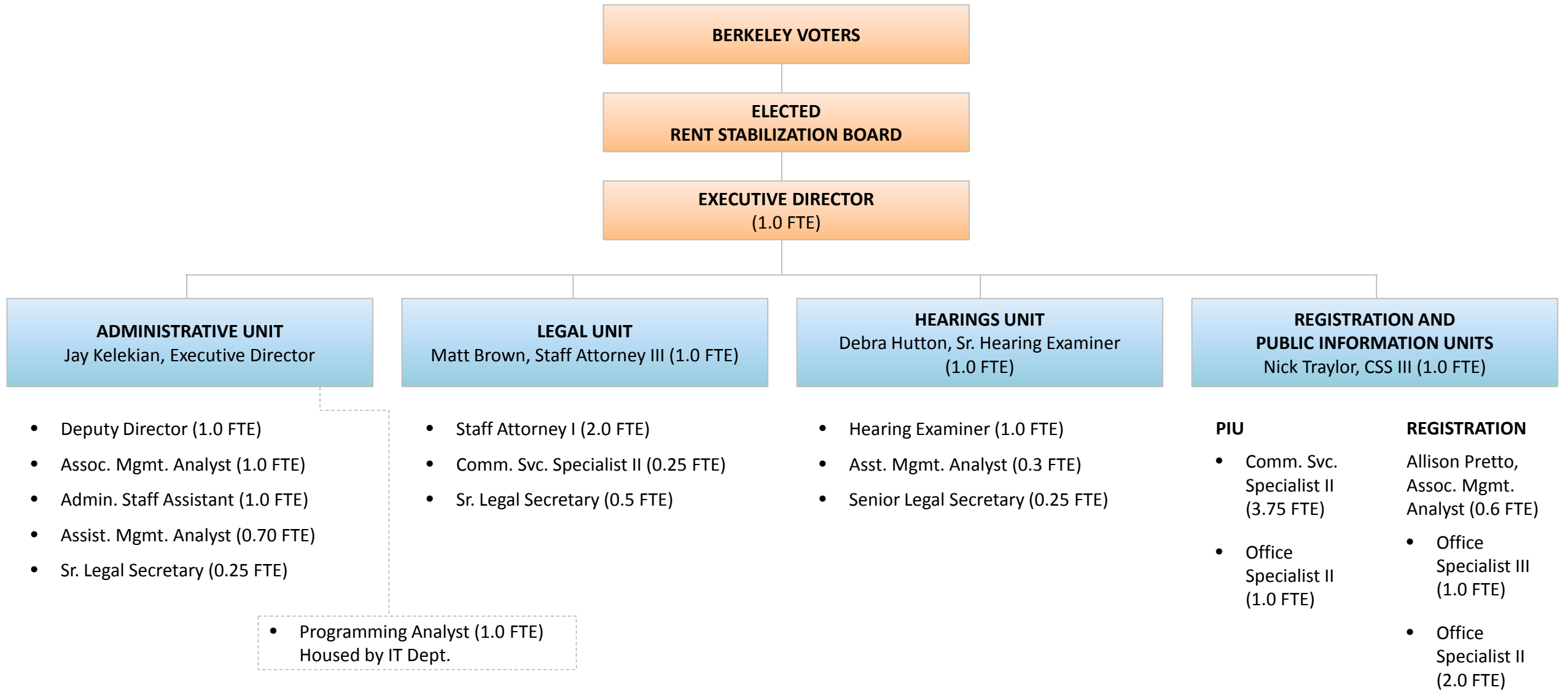
RENT BOARD POSITION DETAIL					
(Sorted by Unit, Classification and Job Assignment)					
Budget Code 11-01 Monthly Employees + 11-03 Hourly Employees					
FY 2014 Adopted		FY 2015 Adopted		FY 2016 Proposed	
Administration / Policy Unit					
Executive Director	1.00	Executive Director	1.00	Executive Director	1.00
Administrative Staff Assistant	1.00	Administrative Staff Assistant	1.00	Administrative Staff Assistant	1.00
Deputy Director	1.00	Deputy Director	1.00	Deputy Director	1.00
Assistant Planner	1.00	Eliminated Position	0.00	Eliminated Position	0.00
Assistant Management Analyst	1.00	Assistant Management Analyst	1.00	Assistant Management Analyst	0.70
Associate Management Analyst	0.00	Associate Management Analyst	0.70	Associate Management Analyst	0.70
Senior Legal Secretary	0.25	Senior Legal Secretary	0.25	Senior Legal Secretary	0.25
Subtotal for FTE	5.25	Subtotal for FTE	4.95	Subtotal for FTE	4.65
				Salary / Benefit Total = \$890,000	
Legal Unit					
Staff Attorney III	1.00	Staff Attorney III	1.00	Staff Attorney III	1.00
Staff Attorney I	1.00	Staff Attorney I	1.00	Staff Attorney I	1.00
Community Service Specialist I	0.25	Community Service Specialist I	0.25	Community Service Specialist II	0.25
Senior Legal Secretary	0.50	Senior Legal Secretary	0.50	Senior Legal Secretary	0.50
Subtotal for FTE	2.75	Subtotal for FTE	2.75	Subtotal for FTE	2.75
				Salary / Benefit Total = \$535,000	
Hearings Unit					
Senior Hearing Examiner	1.00	Senior Hearing Examiner	1.00	Senior Hearing Examiner	1.00
Senior Hearing Examiner	0.85	Hearing Examiner	1.00	Hearing Examiner	1.00
Community Services Specialist II	0.40	Community Services Specialist II	0.30	Community Services Specialist II	0.00
Assistant Management Analyst	0.00	Assistant Management Analyst	0.00	Assistant Management Analyst	0.30
Senior Legal Secretary	0.25	Senior Legal Secretary	0.25	Senior Legal Secretary	0.25
Subtotal for FTE	2.50	Subtotal for FTE	2.55	Subtotal for FTE	2.55
				Salary / Benefit Total = \$435,000	
Registration & PIU Unit					
Community Services Specialist III	1.00	Community Services Specialist III	1.00	Community Services Specialist III	1.00
Staff Attorney I	1.00	Staff Attorney I	1.00	Staff Attorney I	1.00
Associate Management Analyst	1.00	Associate Management Analyst	0.30	Associate Management Analyst	0.30
Associate Management Analyst	0.60	Associate Management Analyst	0.75	Associate Management Analyst	0.60
Community Services Specialist II	1.00	Community Services Specialist II	1.00	Community Services Specialist II	1.00
Community Services Specialist II	1.00	Community Services Specialist II	1.00	Community Services Specialist II	1.00
Community Services Specialist II	0.60	Community Services Specialist II	0.70	Community Services Specialist II	1.00
Community Services Specialist I	0.75	Community Services Specialist I	0.75	Community Services Specialist II	0.75
Office Specialist III	1.00	Office Specialist III	1.00	Office Specialist III	1.00
Office Specialist II	1.00	Office Specialist II	1.00	Office Specialist II	1.00
Office Specialist II	1.00	Office Specialist II	1.00	Office Specialist II	1.00
Office Specialist II	0.00	Office Specialist II	0.00	Office Specialist II	1.00
Subtotal for FTE	9.95	Subtotal for FTE	9.50	Subtotal for FTE	10.65
				Salary / Benefit Total = \$1,510,000	
Total RSB Staff	20.45	Total RSB Staff	19.75	Total RSB Staff	20.60
Employees in Other Departments					
Information Systems Specialist	1.00	Information Systems Specialist	1.00	IT Department Support	1.00
				Salary / Benefit Total = \$160,000	
Grand Total (City)	21.45	Grand Total (City)	20.75	Grand Total (City)	21.60
Temporary / Hourly Employees					
Temporary Agency Assistance	0.25	Temp Office Specialist II	0.40	Temporary Agency Assistance	0.25
Housing Intern	0.05	Housing Intern	0.00	Housing Intern	0.25
				Salary / Benefit Total = \$30,000	
GRAND TOTAL (All Sources)	21.75	GRAND TOTAL (All Sources)	21.15	GRAND TOTAL (All Sources)	22.10

Proposed Changes from FY 2015 to FY 2016 include the following:

- ** Represents changes from 2015 Adopted Position Detail
- ** Based on prior Board action, convert the Community Service Specialist I position to Community Service Specialist II
- ** Add 1.0 FTE career Office Specialist II to the Registration/PIU Unit
- ** Replace 0.40 FTE Temporary Office Specialist II with 0.25 FTE Temp Agency Assistance and .25FTE Housing Intern
- ** Reduce Associate Management Analyst in Registration/PIU Unit from 0.75 FTE to 0.60 FTE
- ** Adjust IT Department Support to reflect that support may include programming services
- ** Reallocate 0.30 FTE Community Services Specialist II from the Hearings to PIU and backfill with 0.30 FTE from the Administrative Unit

Berkeley Rent Stabilization Program Organization Chart

Career Positions Proposed for FY 2015/16
Sorted by Supervision



Total Career Staff: 21.60 FTE

Attachment 3

Rent Stabilization Board Fund -- 440 -- Cash Basis -- Rolled Up

Updated Fund Projections Based upon FY 2015 5/6 Year Report (April 2015)

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Updated*	FY 2015 Projected	FY 2016 Proposed
Beginning Balance	587,056	457,767	770,549	1,032,354	1,059,743	797,100	742,472	742,472	604,572
Revenues	3,416,960	3,808,926	3,909,345	3,886,600	3,911,005	3,899,835	3,900,000	3,920,000	4,300,000
Expenditures	3,546,249	3,496,144	3,647,540	3,859,214	4,173,648	3,904,463	4,245,000	4,057,900	4,550,000
Prior Year Carryover						50,000	20,754		
Ending Balance	457,767	770,549	1,032,354	1,059,743	797,100	742,472	376,718	604,572	354,572
Minus Encumbrances						20,754			
Accrual Basis Balance						721,718			

Rent Stabilization Board Fund -- 440 -- Cash Basis -- Detailed

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Adopted	FY 2015 Projected	FY 2016 Proposed
Beginning Balance	568,619	587,056	457,767	770,549	1,032,354	1,059,743	797,100	742,472	742,472	604,572
Revenues	3,331,756	3,416,960	3,808,926	3,909,345	3,886,603	3,911,005	3,899,835	3,900,000	3,920,000	4,300,000
Registration Charges	3,207,952	3,244,952	3,679,142	3,698,628	3,727,983	3,713,586	3,736,085	3,750,000	3,785,000	4,140,000
Legal Fees Recovery	1,056	813	154	8,512	0	1,238	240	0	0	0
Review Fees and Miscellaneous	0	21,475	5,811	6,464	1,024	1,904	21,374	5,000	5,000	5,000
Fines & Penalties	122,748	149,720	123,819	195,741	157,596	194,277	142,136	145,000	130,000	155,000
Expenditures	3,313,318	3,546,249	3,496,144	3,647,540	3,859,214	4,173,648	3,954,463	4,245,000	4,057,900	4,550,000
Personnel	2,556,758	2,697,575	2,732,754	2,962,903	2,984,169	3,201,928	3,142,753	3,432,400	3,282,000	3,715,000
Non-Personnel	756,560	823,674	769,840	684,637	721,045	847,320	714,710	762,600	750,900	785,000
Capital (RTS, etc.)		25,000			154,000	124,400	97,000	50,000	25,000	50,000
Displacement Reimbursement Offset**			-6,450							
Carryover (Services Received)					0					
Annual Surplus/Shortfall	18,438	-129,289	312,782	261,805	27,389	-262,643	-54,628	-345,000	-137,900	-250,000
Ending Balance	587,057	457,767	770,549	1,032,354	1,059,743	797,100	742,472	397,472	604,572	354,572

* "Updated" reflects adopted budget plus prior years' carryovers

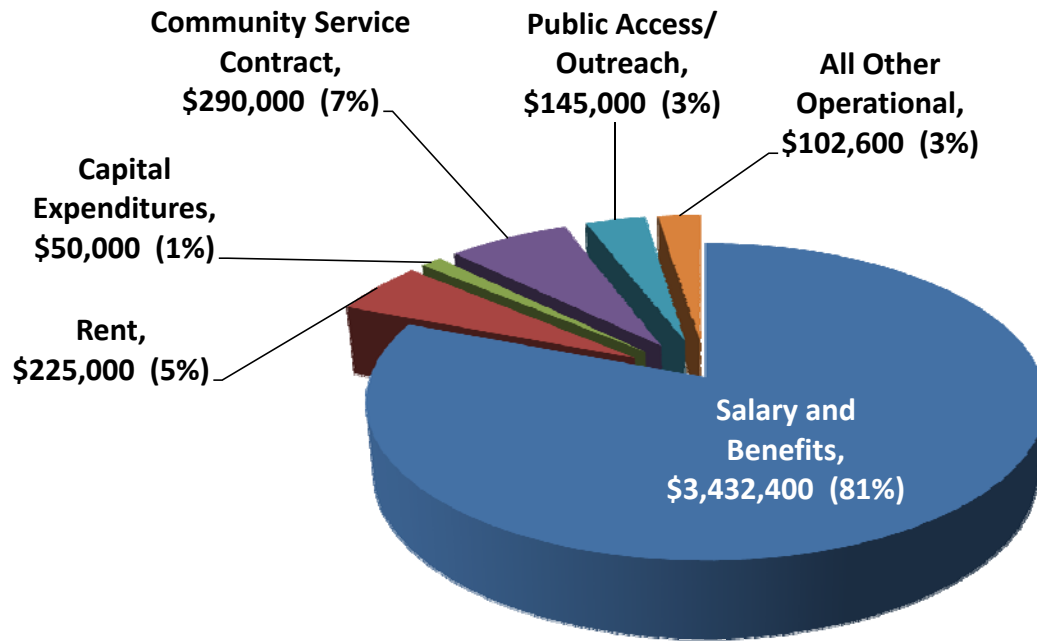
** Note: Displacement Reimbursement Project costs are listed as a negative charge because they are offset by non-registration fee related funding sources and have no impact on the Funds balance. Unused funds will be carried over to the next fiscal year.

Rent Stabilization Program
FUND 440
FY 2014-2015 5/6 YEAR BUDGET UPDATE &
FY 2015-2016 PROPOSED BUDGET

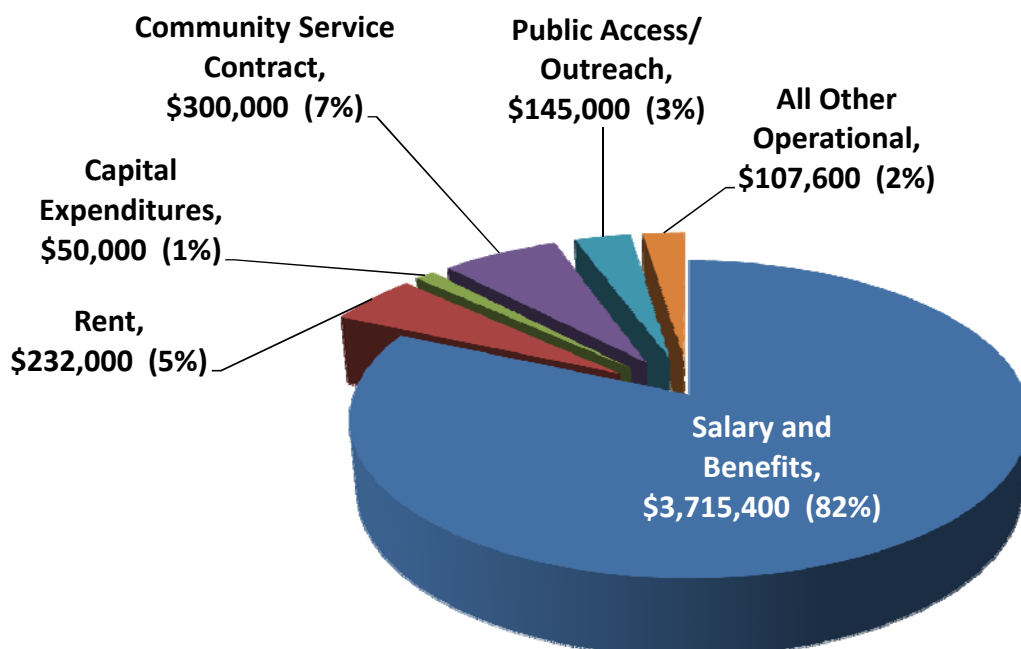
Code	Description	Actual FY 2014	Adopted FY 2015	YTD April 30th	Year-End Projected	Proposed FY 2016
11-01	Monthly Employees	1,852,079	2,075,000	1,505,210	1,940,000	2,200,000
11-03	Hourly Employees	30,079	0	14,768	16,000	10,000
13-01	Overtime	1,402	1,900	197	1,000	1,500
27-20	Benefits	1,187,555	1,300,000	988,932	1,270,000	1,430,000
30-12	Stipends	52,820	53,500	39,085	53,000	53,500
30-23	Misc. Legal Expenses	4,279	4,000	3,370	13,500	4,000
30-36	Temp. Agency Employees	18,818	2,000	0	2,000	20,000
30-38	Misc. Professional Services	280,134	290,000	229,999	290,000	300,000
30-42	Office Equip. Mtc. Svcs. / Furniture	5,587	8,000	7,926	11,000	13,000
30-43	Bldg. & Structures Mtc. Svc.	358	1,000	266	500	500
30-51	Bank Credit Card Charges	20,550	20,000	19,236	20,000	20,000
40-10	Professional Dues & Fees	1,544	2,500	1,544	1,800	2,500
40-31	Telephones	8,962	3,000	7,444	8,500	3,400
40-50	Printing and Binding	29,104	40,000	13,460	25,000	40,000
40-61	Commercial Travel	718	1,000	1,720	2,000	1,000
40-62	Meals & Lodging	0	200	0	200	200
40-63	Registration Fees	2,764	2,000	1,795	2,000	2,000
40-64	Transportation	425	500	1,190	1,500	500
40-70	Advertising/public access	44,984	50,000	43,583	48,000	50,000
40-80	Books & Publications	11,571	12,200	11,066	12,200	12,200
50-10	Rental of Land / Buildings	202,771	225,000	222,535	225,000	232,000
51-10	Postage	36,756	55,000	31,351	40,000	55,000
51-20	Messenger / Delivery	1,584	1,200	855	1,200	1,200
55-11	Office Supplies	17,806	20,000	10,988	16,500	20,000
55-50	Food and Water	1,144	1,000	1,105	1,500	1,500
70-41	Office Equipment and Furniture	23,105	5,000	7,827	10,000	5,000
70-44	Computers, Printers, Software	2,333	4,000	2,414	4,000	4,000
75-25	PC Replacement Contribution	9,493	9,500	7,910	9,500	9,500
75-35	Mail Services	3,528	3,500	2,940	3,500	3,500
75-50	City Vehicle / Fuel & Maint.	3,698	3,000	1,770	2,000	3,000
	Displacement Reimbursement Offset	1,512	1,000	1,224	1,500	1,000
	Expenditure Subtotal	3,857,463	4,195,000	3,181,710	4,032,900	4,500,000
	CIP (RTS, paperless agenda, research)	97,000	50,000	0	25,000	50,000
	Total Fund Expenditures	3,954,463	4,245,000	3,181,710	4,057,900	4,550,000
	Total Fund Revenue	3,899,835	3,900,000	3,886,143	3,920,000	4,300,000
	Annual Surplus/Shortfall	(54,628)	(345,000)	704,433	(137,900)	(250,000)
	FUND BALANCE (cash basis)	742,472	397,472	1,446,905	604,572	354,572
	Carryover for FY14 encumbrances (included above)	20,754	20,754	0	0	
	FUND BALANCE (accrual basis)	721,718	376,718		604,572	354,572

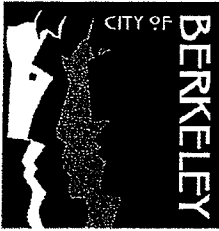
Comparison of FY 2015 Adopted and FY 2016 Proposed Budgets

FY 2015 Proposed Budget = \$4,245,000



FY 2016 Adopted Budget = \$4,550,000





Rent Stabilization Board

RENT STABILIZATION BOARD

DATE: May 4, 2015

TO: Honorable Members of the Rent Stabilization Board

FROM: Jay Kelekian, Executive Director

SUBJECT: Background Material for Budget Workshop and Public Hearing on the FY 2016 Budget and Possible Increase in the Annual Registration Fee

The Budget and Personnel Committee continues to meet and review both the current Fiscal Year (FY) 2014/2015 budget as well as options for maintaining consistent quality services and a sound Fund reserve balance in FY 2015/2016. I will continue to meet with the Committee in order to, on May 11th, present the Board with recommendations on the annual registration fee, a "summer rental" fee for fraternities and sororities, a pass-through of the registration fee for all pre-1999 tenancies and a process for reimbursing low-income tenants who are unable to afford the monthly pass-through of the fees. While the Board is scheduled to set the annual registration fee on May 11th, the Board has through the end of June to adopt the remainder of the FY 2015/2016 line-item budget and staffing model.

Thus far, the primary focus of our attention has been on numbers – the "inputs" – described either in the number and type of "Full-Time Equivalents" (FTEs) needed or the dollars apportioned to various budgetary line-items. There is no question that getting the numbers right and balanced is one essential element to a good budget.

However, while essential, inputs only paint part of the budget's picture. Equally important is an understanding of the "outputs": the work product and benefits that result from the dollars spent. At the Board's request, during the first portion of our meeting we will shift our gaze from focusing on the inputs to more fully understanding the outputs. As part of the Budget Workshop, Rent Stabilization Program staff will describe the work they perform and the services provided to landlords and tenants in Berkeley. Only by shifting our focus and seeing the full picture, can the Board understand why the Program operates the way it does and determine if it is providing a necessary service to the community in a reasonable way. Two documents will be provided to guide the Board and public through the workshop:

- An updated version of Rent Stabilization and Good Cause for Eviction in the 21st Century (Attachment 1)
- A copy of the PowerPoint slides presented by staff during the workshop (to be distributed at the meeting)

The second portion of our meeting will be a Public Hearing to receive comments on the FY 2015/16 Rent Board budget and a possible increase in the annual registration fee, due July 1, 2015, by an amount not to exceed an additional \$19.40 (10%). The registration fee has not been raised since 2009 and is currently set at \$194 per unit.

Summary of April 20th Presentation

As we discussed at the April 20th Board meeting, the Budget and Personnel Committee has been using a "Status Quo" budget model to guide the discussions and analysis of the Board's financial status at the end of FY 2015/16. The "Status Quo" model builds in only known, or reasonably anticipated, changes to the existing budget and assumes that all other items will either be frozen or, if increased, offset by an expenditure reduction elsewhere in the budget. Only four line-items (salary, fringe benefits, building rent and copy machine costs) are expected to increase next year. This type of model provides the clearest understanding of the overall financial well-being of the Program if we simply maintained our current operations. The Board, when it adopts the final budget in June, may make additions or deletions that offset each other or make choices (such as cutting staff or raising the fee) that increase or decrease the overall Fund balance. As both Attachment 2 and Attachment 3 reflect, if no changes are made to the "Status Quo" model, we project that there will be \$232,000 in recurring expenditure liabilities added to the current \$345,000 structural shortfall that exists in the FY 2014/15 budget. This would nearly deplete the Rent Board Fund reserve balance by the end of FY 2015/16. Over the past several years, the Board has determined that it is better to draw down the Fund reserve rather than increase registration fees. Given the increasing cost, primarily of health care and retirement benefit rates (with no increase in coverage) over the past several years, the Budget and Personnel Committee believes that this practice is no longer sustainable.

On April 20th, the Board discussed five options under consideration by the Budget and Personnel Committee. The options considered include:

1. **Cutting staff by between 2-5 full-time equivalents (FTEs) to narrow the recurring spending gap.** It would require cutting two positions (housing counselor and analyst) to cover the anticipated increased cost next year of \$232,000. It would require the elimination of up to five positions (20-25% of staff) to completely eliminate the projected FY 2015/16 shortfall.
2. **Keep the authorized spending at a level roughly equal to the "Status Quo" budget and not adjust fees.** As noted above and in the attached table, this would nearly deplete the reserve by the end of FY 2015/16 and require cuts in staff and/or a large fee increase in July 2016.

3. **Keep the authorized spending at a level roughly equal to the "Status Quo" budget and increase fees by \$12 per unit.** This would raise approximately \$240,000, covering only the anticipated increased costs for FY 2015/16. This approach would leave approximately \$245,000 (apx. 5%) in Fund reserves and the prospect for staffing cuts or additional fee increases the following year.
4. **Keep the authorized spending at a level roughly equal to the "Status Quo" budget and increase fees by \$18 per unit.** This would raise approximately \$360,000, covering the anticipated increased costs for FY 2015/16 and a portion of the structural shortfall included in the FY 2014/15 budget adopted last June. This approach would leave approximately \$365,000 (apx. 8%) in Fund reserves. The City of Berkeley and the City Council have adopted a policy of maintaining at least an 8% (one month) reserve balance.
5. **Keep the authorized spending at a level roughly equal to the "Status Quo" budget and increase fees by an amount greater than \$18 per unit.** This would allow the Board to either have a Fund reserve larger than the minimum 8% norm established by the City and/or add staff to meet increasing needs and demands.

On April 20th, after receiving the above information, the Board voted to direct staff when preparing the notice of Public Hearing, to indicate that the maximum amount the annual fee would be increased was 10% (\$19.40) per year.

On April 29th, the Budget and Personnel Committee voted to recommend that the Board discard Options 1 and 2 above from consideration and focus its attention and discussion on Options 3, 4 and 5 above. The Committee members expressed that, given the list of desired improvements that are already being deferred due to staffing shortages, to pursue Option 1 and cut staff any more than has already been done in prior years would directly have an adverse impact on services to the 10,000 - 12,000 clients we assist each year. These additional cuts should not be imposed during a period of increasing demands caused by difficult economic times in which rents and evictions are rising. The Committee members also expressed that to maintain the status quo and allow the Rent Board Fund reserves to be nearly depleted (Option 2 above) was ultimately not a feasible option for continued consideration.

The Committee Chair asked staff to provide the Board with some analysis of the impact of a fee increase of \$18 per year given increasing rents and the Consumer Price Index (CPI) since the last fee increase in 2009. The following is staff's initial analysis of the impact of an \$18 increase in the fee:

- Since July 2009, the Bay Area Consumer Price Index has increased by roughly 13%.
- Since July 2009, the average rent for all controlled units has increased by 23.24%
- Since July 2009, the average rent for all rent controlled units has increased by \$289 per month or \$3468 annually.

Fees as a percentage of rent

<u>Year</u>	<u>Fee</u>	<u>Mean Monthly Rent</u>	<u>% Monthly Rent</u>	<u>% Annual Rent</u>
1998	\$112	\$720	15.56%	1.30%
2000	\$124	\$865	14.34%	1.19%
2005	\$154	\$1,062	14.50%	1.21%
2010	\$194	\$1,274	15.23%	1.27%
2014	\$194	\$1,498	12.95%	1.08%
2015	\$212	\$1,550	13.68%	1.14%

The following documents are attached as background for the Board's reference in considering the FY 2015/16 Budget and potential increase in the annual registration fee:

- Attachment 1**– Rent Stabilization and Good Cause for Eviction in the 21st Century
- Attachment 2**– Rent Stabilization Board Fund 440 “Roll-Up” FY 2016 Projections, Using “Status Quo” budget model
- Attachment 3** – Rent Stabilization Program FY 2014/15 “line item” 2/3-year update and FY 2015/16 “Status Quo” budget
- Attachment 4** – History of fees, staffing level and adopted budget, 1980 - 2015

RESOLUTION 15-03

ADOPTING THE FISCAL YEAR 2015-2016 BUDGET, STAFFING MODEL POSITION DETAIL AND THE EXPENDITURE LEVEL FOR FISCAL YEAR 2015-2016

BE IT RESOLVED by the Rent Stabilization Board of the City of Berkeley as follows:

WHEREAS, the Rent Stabilization Board operates on the basis of a fiscal year and each year adopts an operational budget after public review and input; and

WHEREAS, Section 123 of Article XVII of the Charter of the City of Berkeley provides that the Rent Stabilization Board shall finance its reasonable expenses by charging landlords annual registration fees in amounts deemed reasonable by the Board; and

WHEREAS, on May 4, 2015, the Rent Board held a budget workshop which included a detailed discussion of the ongoing and special responsibilities performed by the staff in each division of the Program; and,

WHEREAS, on May 4, 2015, the Rent Board also held a public hearing on the budget and proposed increases to the annual registration fee and received extensive public feedback; and,

WHEREAS, on May 11, 2015, after reviewing the overall budget priorities of the Program, the Board determined that an annual registration fee of \$213 per unit would be necessary to meet the Program's operating needs; and,

WHEREAS, since early March, the Budget and Personnel Committee has met eight times to discuss and evaluate the work and challenges facing the Program as well as the resources available to carry out the high-quality public service our clients deserve and have come to expect; and,

WHEREAS, on June 2, 2015, the Budget and Personnel Committee and the Executive Director met and developed a line-item operating budget and staffing model for FY 2016 for the Board's review and consideration; and,

WHEREAS, the proposed operating budget for FY 2016 authorizes expenditures totaling \$4,500,000; and.

RESOLUTION 15-03

**ADOPTING THE FISCAL YEAR 2015-2016 BUDGET, STAFFING MODEL POSITION DETAIL,
AND EXPENDITURE LEVEL FOR FISCAL YEAR 2015-2016 (Page 2)**

WHEREAS, the Budget and Personnel Committee and Executive Director recommend that the Board also authorize the set-aside of up to \$50,000 additional for one-time capital improvement projects contracts designed to enhance the new Rent Tracking data base, implement the Board's goal of having a paperless agenda process and possibly a conduct research and/or staff and Board trainings; and

WHEREAS, after reviewing the current workload and filled positions along with the goals and objectives for FY 2015/2016 articulated by the Board, the Executive Director and the Budget and Personnel Committee, the Board believes that a staffing level of at least 20.60 Full-Time Equivalents (FTE's) at the Rent Board and 1.5 FTE's housed in other departments or as temporary/seasonal employees for a total of 22.10 FTE's is required; and,

NOW, THEREFORE, BE IT RESOLVED that an overall spending level totaling \$4,550,000 (\$4,500,000 operational and \$50,000 for capital) and a staffing level of 22.10 FTE's is hereby adopted for the Fiscal Year 2015/2016.

Dated: June 15, 2015.

Adopted by the Rent Stabilization Board of the City of Berkeley by the following vote:

Yes: Chang, Harr, Laverde, Selawsky, Shelton, Soto-Vigil, Townley

No: None

Abstain: Hunt

Absent: Dodsworth

Jesse Townley, Chairperson
Rent Stabilization Board

Attest: _____
Jay Kelekian Executive Director