Rent Stabilization Board

RENT STABILIZATION BOARD

DATE: April 15, 2013

TO: Honorable Members of the Rent Stabilization Board

FROM: Jay Kelekian, Executive Director and
The Budget and Personnel Committee

SUBJECT: Update on the FY 2012/13 budget and recommendations to establish the maximum operational expenditure level and registration fee for FY 2013/14.

Recommendation

That the Board adopt a resolution providing guidance on the FY 2013/14 budget and maximum annual registration fee for FY 2013/14:

The attached proposed resolution establishes a maximum operational spending level of $4,020,000 for Fiscal Year 2013/2014 and maintains the maximum registration fee at the current level of $194 per unit. The resolution also directs that the fee will be set at the May meeting and that final budget documents, detailing revenues, line-item expenditures and staffing model will be prepared for adoption by the Board in June.

Alternatively, should the Board wish to entertain raising the fee above $194 per unit, it must establish a maximum amount by which fees could potentially increase and schedule a public hearing in May to receive comments. Ideally, the Board will adopt the annual registration fee by or before its May 13th meeting to avoid any delays in sending out the registration bills, which are due July 1st.

Background and Need for Rent Stabilization Board Action

Over the past several months, the Budget and Personnel Committee has discussed the timeline and process for adopting the FY 2013/14 Budget and annual registration fee. The Committee has recommended that the budget process be done in three steps:

Step One – Receive a report from staff discussing, Division by Division, a summary of the services we provide the community and the Board. We hope that this evening's workshop will inform the Board's opinion as it discusses which services it values and what, if anything, it wishes to change.

Step Two – Staff and the Committee are committed to setting the annual registration fees no later than the Regular May meeting (May 13th). As will be discussed below, we believe that establishing the maximum per unit fee should be relatively simple. While there may still be details to discuss and work out about a pass-through of the fee and/or continuation of the Summer Rental registration option, we are in agreement that the maximum fee should remain at $194 per unit. The Committee and Board will continue discussing the details of the final fee resolution and a recommendation will be brought to the Board on May 13th. We are recommending that, this evening, the Board adopt a resolution establishing

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that the FY 2013/14 registration fee will be no greater than the current level of $194 per unit. It is also recommended that the maximum operational spending level remain at or below the current year's level of $4,020,000. The Board will discuss separately any additional capital expenditures.

Step Three – That, over the next four – six weeks, Board members working through their committees, discuss any changes in operations that may alter the existing budget. These suggestions should be forwarded to the Budget and Personnel Committee for possible inclusion in the final budget resolution. The Board will adopt the formal budget and staffing model for FY 2013/14 in June.

Update on the FY 2012/13 Budget through March 2013 (two-thirds of the fiscal year).

The discussion of the FY 2013/14 Budget began with the Committee developing an understanding of how we ended last year (FY 2011/12) and how we are managing in the current fiscal year. Initial discussions were based upon revenue and expenditures through the halfway point in the fiscal year. At the end of March, the Committee was updated with information through two-thirds of the fiscal year. We had a detailed discussion of staffing changes and needs as well as variations to the line-item budget adopted by the Board last June. Three documents are attached for the Board's review:

> "Attachment A" – Is a "roll-up" summary of the Board's revenue, expenditures and Fund balance from FY2008 through our projected balance at the end of FY 2013.
>
> "Attachment B" – provides the same financial information, going back to FY 2010/11 but in much greater "line-item" detail.
>
> "Attachment C" – Is a table comparing the staffing model/position detail adopted by the Board last June with the actual positions that are presently filled. The table also shows changes in deployment throughout the agency.

Stated briefly - the news is good. The Rent Stabilization Fund (Fund 440) will end this year with an available reserve balance that is roughly $120,000 larger than what we anticipated last June, when we adopted the current budget. The budget adopted last June anticipated that we would end the current year with a Fund balance of approximately $528,000. The most recent projections increase this estimate to $647,000. It should be noted that roughly $85,000 of this additional Fund balance is for RTS (increasing internet-based public access to our business services through a "public portal"). The $85,000 has been set aside in the current budget but none has been encumbered (committed to a particular vendor or project) to date. The Committee and I have discussed the option of reabsorbing this amount back into the Fund and having new discussions about what we want, need and can afford for a "public portal".

The Fund balance is larger than previously anticipated primarily for three reasons:

1. We raised a little more revenue (apx. $17,000) last year than anticipated.

2. We spent a little less last year than projected. The amount of savings appears greater than it actually was because some of the savings was from money committed last year for services that will not be received until this year (RTS, VOIP). The real (uncommitted) additional savings was apx. $18,000.

3. We have managed to reach our revenue goals and, despite some challenges, contain costs in the current fiscal year.

At the Committee, we discussed the major changes and challenges in managing the budget and Program this year. Most notably, because of turnover and extended illness, we experienced savings in salary and benefits. Because we have been short-staffed, it was necessary to rely upon temporary agency personnel to a greater extent than anticipated last June. Board members may notice that the level of expenditure for Telephones (item 40-31) is substantially over budget. This is almost exclusively caused by the actual and anticipated charges for the VOIP system that the Board authorized last year (please see Agenda Item 8 a.4). We expected that the expenditure would be charged against last year's budget but as noted above, we are beginning to be charged for it in the current year's budget. Printing and Postage may both be a little over the level budgeted. Advertising/public access (40-70) will be over budgeted levels because we are absorbing multiple years of bills for our contract with Granicus, which enables web-casting of our meetings. Finally, it was necessary to remove a private office to install additional workstations. This resulted in modest overages in Professional Services (30-38) and Office Equipment and Furniture (70-41). As noted previously, we are confident that we will end the fiscal year with a Fund balance of at least $647,000. At present, roughly $85,000 of this reserve has been designated for increased public access to our services over the internet (online payments and registration, increased access to the database). For decades, the Board has followed the policy of maintaining a Fund balance at least equivalent to a two-month operational reserve. The projected Fund balance at the end of this fiscal year keeps us on target with this goal.

Process for Adopting the Budget and Registration Fee

Legally, the Board has through the end of June to adopt a line-item budget and expenditure authorization level for FY 2013/2014. However, in order to provide sufficient time to allow staff to print and mail the annual bill prior to the last week of May, the Board traditionally sets the fee no later than a meeting in early-mid May. The Board's regularly scheduled May meeting is May 13th. When the Board adopted the FY 2012/2013 Budget last June, it was anticipated that there would be no need to raise the registration fee this year. This was primarily due to the salary savings we experienced in the previous two years leaving us with a secure reserve balance. In the current fiscal year we utilized salary savings to make capital improvements (phones and workstations) and continued with our large capital project of replacing our 20 year-old database. We have been monitoring current year expenditures and revenues, as well as beginning the process of analyzing possible changes to next year's budget. We continue to believe that it should not be necessary to increase the registration fee.

If the Board wishes to raise the current fee of $194 per unit, a public hearing must be held upon ten days published notice as set forth in Government Code section 6062a. Therefore, in order to hold a public hearing to consider increasing the registration fee in May, notice of a potential fee increase must first be published. Newspapers require between 3-5 days' lead-time before publishing the public notice. The earliest possible date a notice could be published is April 19 but possibly as late as April 22nd. While the Board may hold the public hearing the same evening that it makes a decision on the registration fee, the Board has traditionally held the initial public hearing in advance of the date the fee is adopted. If the Board is considering increasing the fee, I would suggest that we schedule a special meeting the first week of May and adopt the fee at our May 13th regular meeting. Alternatively, you may hold the public hearing on May 13th.

ATTACHMENT "A"

Rent Stabilization Board Fund -- 440

Fund Forecast from June 2012 - Used at time FY2013 Budget was adopted

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Projected	FY 2013 Proposed
Beginning Balance	**568,619**	**587,056**	**457,767**	**770,549**	**1,032,354**	**947,854**
Revenues	**3,331,756**	**3,416,960**	**3,808,926**	**3,909,345**	**3,870,000**	**3,850,000**
Registration Charges	3,207,952	3,244,952	3,679,142	3,698,628	3,720,000	3,710,000
Legal Fees Recovery	1,056	813	154	8,512	0	0
Review Fees and Miscellaneous	0	21,475	5811	6,464	5,000	5,000
Fines & Penalties	122,748	149,720	123,819	195,741	145,000	135,000
Expenditures	**3,313,318**	**3,546,249**	**3,496,144**	**3,647,540**	**3,954,500**	**4,270,000**
Personnel	2,556,758	2,697,575	2,732,754	2,962,903	2,971,500	3,264,500
Non-Personnel	756,560	823,674	769,840	684,637	799,000	755,500
Capital (RTS, etc)		25,000			184,000	250,000
Displacement Reimbursement Offset *			-6,450			
Annual Surplus/Shortfall	18,438	-129,289	312,782	261,805	-84,500	-420,000
Ending Balance	**587,057**	**457,767**	**770,549**	**1,032,354**	**947,854**	**527,854**

* * Note: Displacement Reimbursement Project costs are listed as a negative charge because they are offset by non-registraion 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 Board Fund -- 440

Actual FY2012 and FY2013 Projected through March 2013

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Projected
Beginning Balance	**568,619**	**587,056**	**457,767**	**770,549**	**1,032,354**	**1,028,910**
Revenues	**3,331,756**	**3,416,960**	**3,808,926**	**3,909,345**	**3,886,600**	**3,850,000**
Registration Charges	3,207,952	3,244,952	3,679,142	3,698,628	3,727,983	3,710,000
Legal Fees Recovery	1,056	813	154	8,512	0	0
Review Fees and Miscellaneous	0	21,475	5811	6,464	1,021	5,000
Fines & Penalties	122,748	149,720	123,819	195,741	157,596	135,000
Expenditures	**3,313,318**	**3,546,249**	**3,496,144**	**3,647,540**	**3,859,214**	**4,232,150**
Personnel	2,556,758	2,697,575	2,732,754	2,962,903	2,984,169	3,185,500
Non-Personnel	756,560	823,674	769,840	684,637	721,045	852,250
Capital (RTS, etc)		25,000			154,000	194,400
Displacement Reimbursement Offset *			-6,450			
Carryover (services received)					30,830	
Annual Surplus/Shortfall	18,438	-129,289	312,782	261,805	-3,444	-382,150
Ending Balance	**587,057**	**457,767**	**770,549**	**1,032,354**	**1,028,910**	**646,760**

Rent Stabilization Program

FUND 440

FY 2013 Budget Update through March

Code	Description	Actual FY 2011	Actual FY 2012	Adopted FY 2013	Projected FY 2013
11-01	Monthly Employees	1,774,804	1,788,151	1,980,000	1,885,000
11-03	Hourly Employees	65,884	60,894	60,000	75,000
13-01	Overtime	407	1,261	1,000	2,000
27-20	Benefits	1,023,590	1,073,182	1,160,000	1,110,000
30-12	Stipends	53,400	53,700	53,500	53,500
30-23	Misc. Legal Expenses	2,002	12,257	3,000	2,000
30-36	Temp. Agency Employees	41,818	6,981	10,000	60,000
30-38	Misc. Professional Services	305,860	281,746	320,000	330,000
30-42	Office Equip. Mtc. Svcs. / Furniture	3,138	4,362	4,000	6,000
30-43	Bldg. & Structures Mtc. Svc.	952	240	2,000	2,500
40-10	Professional Dues & Fees	1,465	1,767	2,500	3,000
40-20	Insurance	59	0	0	0
40-31	Telephones	4,837	5,151	6,000	51,500
40-50	Printing & Binding	34,196	42,623	45,000	52,000
40-61	Commercial Travel	368	1,215	1,000	250
40-62	Meals & Lodging	0	99	500	250
40-63	Registration Fees	2,395	5,460	4,000	3,000
40-64	Transportation	517	178	500	250
40-70	Advertising/public access	26,557	25,861	30,000	40,000
40-80	Books & Publications	10,467	10,539	12,000	14,000
50-10	Rental of Land / Buildings	225,288	233,514	240,000	240,000
50-30	Rental of Office Equip. & Furniture	0	0	0	0
51-10	Postage	24,256	42,059	40,000	50,000
51-20	Messenger / Delivery	3,236	4,722	5,000	6,000
55-11	Office Supplies	15,710	16,824	17,000	20,000
55-50	Food	760	658	500	1,000
70-41	Office Equipment and Furniture	0	6,168	500	9,500
70-44	Computers & Printers (copy machine)	3,864	4,371	5,000	4,000
75-25	PC Replacement Contribution	7,242	9,493	9,500	9,500
75-30	Central Duplicating	1,422	0	0	0
75-35	Mail Services	3,321	3,360	3,500	3,500
75-50	City Vehicle / Fuel & Maint.	9,581	7,190	4,000	3,000
75-90	Training	0	0	0	0
81-01	Liability Payments	0	0	0	0
	Displacement Reimbursement Offset	144	1,188	0	1,000
	Expenditure Subtotal	**3,647,540**	**3,705,214**	**4,020,000**	**4,037,750**
	RTS Database Upgrade Project*		154,000	250,000	194,400
	Total Fund Expenditures	**3,647,540**	**3,859,214**	**4,270,000**	**4,232,150**
	Total Fund Revenue	3,909,345	3,886,600	3,850,000	3,850,000
	Annual Surplus/Shortfall	261,805	27,386	(420,000)	(382,150)
	FUND BALANCE (cash basis)	**1,032,354**	**1,059,740**	**639,740**	**677,590**
	Carryover (services received)		30,830	30,830	30,830
	FUND BALANCE (accrual basis)		1,028,910		646,760

RENT BOARD POSITION DETAIL

Budget Code 11-01 Monthly Employees + 11-03 Hourly Employees

FY 2013 Adopted Budget		Staffing Model as of April 15, 2013	
Administration Unit			
Executive Director	1.00	Executive Director	1.00
Administrative Staff Assistant	1.00	Administrative Staff Assistant	1.00
Deputy Director	1.00	Deputy Director	0.45
Assistant Planner	1.00	Assistant Planner	1.00
Senior Legal Secretary	0.25	Senior Legal Secretary	0.25
Subtotal for FTE	**4.25**	**Subtotal for FTE**	**3.70**
Legal Unit			
Staff Attorney III	1.00	Staff Attorney III	1.00
Staff Attorney I (6-month temp)	1.00	Staff Attorney I	1.00
Senior Field Representative	1.00	Community Service Specialist I	0.25
Senior Legal Secretary	0.50	Senior Legal Secretary	0.50
Subtotal for FTE	**3.50**	**Subtotal for FTE**	***2.75***
Hearings Unit			
Senior Hearing Examiner	1.00	Senior Hearing Examiner	1.00
Senior Hearing Examiner	0.85	Senior Hearing Examiner	0.85
Community Services Specialist II	0.25	Community Services Specialist II	0.40
Senior Legal Secretary	0.25	Senior Legal Secretary	0.25
Subtotal for FTE	**2.35**	**Subtotal for FTE**	***2.50***
Registration & PIU Unit			
Community Services Specialist III	1.00	Community Services Specialist III	1.00
Staff Attorney I	1.00	Staff Attorney I	1.00
Associate Management Analyst	1.00	Assoc. Management Analyst	1.00
Associate Management Analyst	0.60	Assoc. 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	0.75	Community Services Specialist II	0.60
Community Services Specialist II	1.00	Community Services Specialist II (Vacant)	
Community Services Specialist I	1.00	Community Services Specialist I	0.75
Community Services Specialist I	1.00	Community Services Specialist I (eliminated)	
Community Services Specialist I	0.50	Community Services Specialist I (vacant)	
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 (Vacant)	
Subtotal for FTE	**13.85**	**Subtotal for FTE**	***9.95***
Total RSB Staff	**23.95**	**Total RSB Staff**	**18.90**
Employees in Other Departments			
RTS Project Manager	0.10	RTS Project Manager	0.10
Information Systems Specialist	1.00	Information Systems Specialist	1.00
Temporary/Hourly Employees			
Temporary Agency Assistance	0.10	Temporary Agency Assistance	1.20
Housing Intern	0.5	Housing Intern	0.20
Grand TOTAL	***25.55***	**Grand TOTAL**	***21.40***

RESOLUTION NO.13 -

ESTABLISHING THE MAXIMUM ANNUAL REGISTAION FEE AND OPERATIONAL EXPENDITURE LEVEL FOR FISCAL YEAR 2013/14 AND PROVIDING ADDITIONAL DIRECTION FOR FINAL ADOPTION OF THE REGISTRATION FEE AND FY 2013/14 BUDGET

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, the Budget and Personnel Committee of the Rent Board has reviewed projected year-end Fund balance for the Rent Stabilization Program Fund (Fund 440); and

WHEREAS, the Budget and Personnel Committee of the Board has also reviewed the overall budget priorities for next fiscal year and recommends our operational spending level in Fiscal Year 2013/14 not to exceed the current level of $4,020,000; and,

WHEREAS, the Executive Director and Rent Stabilization Board believe that recurring annual revenues of $3,850,000 in FY 2013/14 will be necessary to meet the Program's operating needs and it will require an annual registration fee of $194 per unit in order to meet the Board's projected budget; and,

WHEREAS, the Board has held a Budget Workshop and reviewed the recommendations from the Budget and Personnel Committee and Executive Director.

NOW, THEREFORE, BE IT RESOLVED that in order to guide the Executive Director and the Budget and Personnel Committee in drafting a final line-item budget, a maximum operational spending level totaling $4,020,000 is hereby adopted for Fiscal Year 2013/14 with a commitment that the annual registration fee, due July 1, 2013 not exceed $194 per unit.

BE IT FURTHER RESOLVED that the Budget and Personnel Committee and Executive Director will prepare a report and resolution for consideration and adoption at the Board's May 13, 2013 meeting formally establishing the registration fee schedule for FY 2013/14 registration year.

BE IT FURTHER RESOLVED that the Executive Director and Budget and Personnel Committees hall produce a final budget document detailing the revenues, line-item expenditures and staffing model for Rent Board consideration and adoption at a scheduled meetings in June 2013.

Dated: April 15, 2013

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

Yes:
No:
Abstain:
Absent:

_____
Lisa Stephens, Chairperson
Rent Stabilization Board

Attest: _____
Jay Kelekian, Executive Director