



CITY OF

Richmond CALIFORNIA

FISCAL YEAR 2022-23 BUDGET AND RENTAL HOUSING FEE STUDY UPDATE

City of Richmond Rent Program

May 18, 2022, Regular Rent Board Meeting

Item G-1

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Update on Budget and Fees

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- On February 16, 2022, the Rent Program presented two options for a proposed budget, Option A and Option B. Both budget options included using Cost Pool amounts with an escalation factor charged by the City of Richmond for Cost Pool allocations in the previous fiscal years.
- The Board directed staff to develop a budget for Option B, which included funding a new Rent Program database and modest staff salary adjustments.
- The proposed Rental Housing Fees under Option B were: \$228 for Fully Covered Rental Units and \$129 for Partially Covered Rental Units.

Update on Budget and Fees (continued)

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- From February through May 2022, Rent Program staff has been engaged in discussions with the City Manager's Office, the City Attorney, Finance, and Human Resources Department to address concerns related to the new methodology not aligning with Government Code 50076 for Fringe Benefits and Cost Pool charges.
- The City of Richmond and the Rent Program agreed that any methodology for Fringe Benefits and Cost Pool allocations used for the Rent Program must align with Government Code 50076. During a meeting on April 6, 2022, the City and Rent Program tentatively reached an understanding to use a placeholder for Cost Pool for General Liability charged until further research is completed.

Fringe Benefits Update

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- Early April the City inputted the Fringe Benefit costs for the Rent Program budget (healthcare, retirement, taxes, and other benefits) which had increased from 62% to 78% calculated from Total Salaries and Wages. The Fringe Benefits budget increased by \$259,398 or 34.8% and resulting in Rental Housing Fees of \$264 for Fully Covered and \$149 for Partially Covered Rental Units.
- The Fringe Benefits costs were revised by the Finance Department during the first week of May. Prior total of \$1,004,332 in April at 78% of Total Salaries decreased to \$954,273 which represented 73% of Total Salaries.
- In the prior fiscal year, the Fringe Benefits total of \$744,934 or 62% of Total Salaries was consistent to the prior three fiscal years. Staff determined through analysis and discussions with the City that the methodology of the Worker's Compensation allocation produced from the Risk Management and actuary needs to be further researched and data validated, the final charge is not available until the end of May.

Cost Pool - Admin. Charges Update

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- The Rent Program was informed that Cost Pool for Admin. Charges would increase significantly in February. The increase from prior year was 702%, an increase from \$52,481 to \$420,651.
- New consultants developed the allocation and staff had analyzed the new report and methodology.
- The methodology used by the City must align with Government Code 50076, which prohibits using the Program's regulatory fee in such a way that it constitutes a tax.

Cost Pool - Admin. Charges Update - (continued)

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- Upon reviewing the methodology that increased Cost Pool for Admin. Charges, Rent Program staff questioned certain line items charged to the Rent Program, in addition to the number of full-time staff being overstated (17 FTEs vs. 10 FTEs).
- Staff met with the City Manager and Councilmembers in early May to discuss the Cost Pool allocation, specifically the substantial increase in Admin. Charges as well as the Fringe Benefits allocation for Worker's Compensation.
- Cost Pool - Admin. Charges line items in question included:
 - 1 Equipment Services / Fleet Services
 - 2 Non-Departmental
 - 3 City Manager's Office
 - 4 City Attorney
 - 5 Human Resources (budget operating costs included in new methodology of General Liability and Worker's Compensation Insurance allocation provided by Risk Mgmt.)

Answers were provided by consultants in early May, further research is needed.

Development of Resolution Proposal

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- During the recent May meeting with the City Manager and Councilmembers, it was determined that the Rent Program would require the following to stabilize the longevity and viability of the services provided by the Rent Program for the current year budget:
 1. Cap Fringe Benefits allocation to 62% of Total Salaries (the difference would be subsidized by the City General Fund). Worker's Compensation allocation methodology must be further analyzed by a hired consultant for accuracy and assure alignment with Government Code 50076. Program Staff has developed the budget with the 62% methodology consistent to the prior year budget.
 2. Cost Pool for Admin. Charges and General Liability requires the City and Rent Program to jointly hire a consultant for a recommended methodology that aligns with Government Code 50076. The consultant would also study current costs and anticipated allocation for establishing next year's cost pool amounts. Program Staff has developed the budget without Admin. Charges and General Liability.

Proposed Budget Option B (With New Database)

PROPOSED SCENARIOS	DESCRIPTION OF SIGNIFICANT CHANGES	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 18% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)
<p>62% FRINGE OPTION B</p>	<p>Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and a portion for cost-of-living, \$100K for new database, \$20K for Consultants, 62% Fringe Benefits allocation, no charges for Cost Pool Allocation for Admin. Charges and General Liability</p>	<p>\$3,062,686</p>	<p>Fully Covered Units: \$226/unit</p> <p>Partially Covered Units: \$127/unit</p>

Budget Schedule - Next Steps

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- In accordance with Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the amount of the Residential Rental Housing Fee will be determined by the City Council after a recommendation by the Board is provided to the City Council. Prior to July 1, the Board is required to hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year.

Recommended Action

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- RECEIVE an updated Fiscal Year 2022-23 Rent Program operating budget and fees, discuss, schedule a Special Meeting, and PROVIDE direction to staff (on a proposed budget).