



**CITY OF SALINAS
FINANCE COMMITTEE**

DATE: NOVEMBER 12, 2024

**DEPARTMENT: COMMUNITY DEVELOPMENT
FINANCE
HUMAN RESOURCES**

**FROM: LISA BRINTON, DIRECTOR
SELINA ANDREWS, DIRECTOR
MARINA HORTA-GALLEGOS, DIRECTOR**

**TITLE: ESTABLISHMENT OF RENT PROGRAM FEES, AMENDMENT OF
RENTAL REGISTRATION FEE, APPROVAL OF FY 24-25 PROGRAM
BUDGET AND GENERAL FUND TRANSFER, AND WORKFORCE
ALLOCATION MODIFICATION**

RECOMMENDED MOTION:

A motion recommending the City Council approve:

1. A Resolution establishing a Rent Program Fee for the Rent Stabilization Ordinance (Ordinance No. 2681) on each Controlled Rental Unit owned and offered for rent in the City of Salinas subject to Ordinance No 2681; and
2. A Resolution amending Residential Registration Fees established by Ordinance Number 2663 (N.C.S.) and integrated into the City's Schedule of Fees and Charges for City Services by Resolution No. 22622; and
3. A Resolution
 - a. establishing the FY 24-25 Residential Rental Registration and Rent Stabilization Program revenue and expense budget under Fund 2530 in the amount of six hundred fifty-five thousand and two hundred and fifty dollars (\$655,250); and
 - b. authorizing the transfer in from General Fund of three hundred and two thousand eight hundred and thirty-five dollars (\$302,835) and the transfer out of three hundred and two thousand eight hundred and thirty-five dollars (\$302,835) to the Residential Rental Registration and Rent Stabilization Program; and
 - c. approving an amended Workforce Allocation to add two limited term administrative positions to the Department's workforce to staff the above-referenced program.

EXECUTIVE SUMMARY:

The City Council has adopted a Rental Registration Program (April 2023) and Rent Stabilization Program (September 2024). Implementation of the Rental Registration and Rent Stabilization Program (Program) requires the establishment of fees and a FY 24-25 Budget, hiring additional administrative staff, and authorizing a transfer from the General Fund to cover Program start-up costs prior to collecting sufficient fee revenue to cover Program expenses. All these actions require City Council approval.

DISCUSSION:

The City retained Economic & Planning Systems, Inc. (“EPS”) to prepare an analysis of the City’s costs to provide and administer the programs created by the Rent Stabilization Ordinance (“Fee Study”). The Fee Study further recommended that the Rental Registration Program be merged with the Rent Stabilization Program (Program) and recommended fee amounts for both Rental Registration and Rent Stabilization units. The City has entered into an Agreement for Professional Services with EPS to conduct additional analysis and recommendations for Program fees, staff allocation, and anticipated timing for reaching a cost-neutral status. A revised Fee Study with an updated Program fee documentation, analysis and recommendation will be included with the City Council November 19, 2024, agenda packet.

Program Fees

Part of EPS’ implementation scope of work is to conduct follow up interviews with jurisdictions identified in their Fee Study to collect information regarding collection rates and the timeframe for reaching cost-neutral status. EPS is also revisiting their analysis and recommendation for the Rental Registration Fee amount to minimize the gap between revenues collected and Program expenses with the objective of operating a cost neutral Program (fees cover actual expenses). A revised Fee Study with an updated Program fee documentation, analysis and recommendation will be included with the City Council November 19, 2024, agenda packet.

Program Staffing/Workforce Allocation Adjustment

The Rental Registration and Rent Stabilization Ordinance Program will be staffed with a Planning Manager (partial), one Community Development Analyst, one limited term Administrative Analyst, and one limited term Administrative Aide as shown below.

- 0.2 FTE Planning Manager
- 1.0 FTE Community Development Analyst (Limited Term)
- 1.0 FTE Admin Analyst (Limited Term)
- 1.0 FTE Admin Aide (Limited Term)

The Community Development Department requests authorization to add the limited term Administrative Analyst and limited term Administrative Aide to the Department’s workforce to staff the Program. The limited term Administrative Analyst and limited term Administrative Aide will need to be filled immediately to assist with implementation of the program by January 1, 2025.

FY 24-25 Proposed Budget and Need for General Fund Contribution

Using the EPS Fee Study, Community Development and Finance staff worked collaboratively to estimate staffing, software, and education and outreach costs through FY 24-25. The proposed program budget has a total cost of \$732,350. However, the Community Development Analyst (Limited Term) will continue to be funded out of a United Way grant for the remainder of the fiscal year, therefore reducing the FY 24-25 impact to \$655,250 as shown below.

Salaries and Benefits	\$142,250
Software	\$200,000
Supportive Services (Hearing Officer, Education/Outreach)	\$300,000
Indirect Costs/Overhead	<u>\$ 13,000</u>
	\$655,250

FISCAL AND SUSTAINABILITY IMPACT:

Program implementation is intended to be cost-neutral and self-funded through the collection of annual fee revenues. However, based upon perspective obtained from other jurisdictions, initial implementation of similar programs has often resulted in lower than anticipated revenues and the need for additional sources of funding, including the General Fund. At this time, based on a conservative projection of a thirty percent (30%) fee collection rate, an estimated amount of \$302,835 will need to be transferred from the General Fund in FY 24-25 to contract for Program portal and data base development, hire administrative staff, develop education and marketing materials, and provide Program supportive services. Program Budget and Fees will be included as part of the FY 25-26 budget development process.

ATTACHMENTS:

None.