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OFFICE OF THE CITY CLERK  
OAKLAND  
2016 JUL 21 PM 3:54

## AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Sarah T. Schlenk  
Acting Budget Director

**SUBJECT:** Amend FY 2016-17 Rent  
Adjustment Program Fund (2413)  
Budget

**DATE:** July 21, 2016

City Administrator Approval

Date:

7/21/16

### RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending The City Of Oakland's FY 2015-17 Policy Budget Adopted Pursuant To Resolution No. 85672 C.M.S. On June 30, 2015 And Amended On June 21, 2016 Through The Adoption Of The Fiscal Year (FY) 2016-17 Midcycle Budget Resolution No. 86250 C.M.S. To Increase the Rent Adjustment Program Fund (2413) Budget In An Aggregate Amount Not To Exceed \$4,829,498 In Accordance With A \$68 Per Unit Fee.

### EXECUTIVE SUMMARY

This action would authorize the City Administrator to amend the FY 2016-17 Rent Adjustment Program Fund (2413) budget in accordance with the proposed program fee of \$68 per unit as presented in the July 19, 2016 staff report that accompanied the first reading of the Ordinance to increase the fee. The second reading of the Ordinance for the \$68 per unit fee is also scheduled to be heard on July 26, 2016. If the second reading is approved, this action would ensure no delay would be experienced related to budget authority in hiring additional staff and expanding services.

### BACKGROUND / LEGISLATIVE HISTORY

On July 19, 2016, the City Council approved a first reading of a Master Fee Schedule amendment to increase the Rent Adjustment Program Service Fee ("the Fee") from \$30 per unit to \$68 per unit. Three (3) different spending scenarios for a fee \$68 per unit were provided and are provided again below.

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## **ANALYSIS AND POLICY ALTERNATIVES**

As described in various staff reports for the fee increase, staff estimates that 70,000 rental units historically pay the Fee and that a Fee of at least \$58 per unit is needed to cover current costs. Without an increase in the Fee, RAP would be unable to maintain current staffing levels, leading to a decrease in services provided. A Fee increase from \$30 per unit to \$68 per unit would create additional revenue, at current revenue capture rates, of approximately \$700,000 annually beyond the current program costs. These additional funds could be allocated to address existing program needs, as well as projected increases in RAP workload. *Table 1* below summarizes three potential scenarios for expenditures included in the Fee. This action would authorize a total appropriation for Fund 2413 of up to the amount provided in Scenario 1; however, the actual expenditures could be a combination of any of the three scenarios, including the addition of up to four staff positions.

**Table 1. RAP Fee -- \$68/Unit**

	<b>Status Quo (costs exceed revenue)</b>	<b>Scenario 1: Emphasis on Personnel Costs</b>	<b>Scenario 2: Emphasis on Non- Personnel Costs</b>	<b>Scenario 3: City Auditor's Recommendations</b>
<b><u>Staffing Costs</u></b>				
Staffing (inc. O&M) <sup>Y</sup>	\$3,971,677	\$4,353,833	\$4,301,271	\$4,551,387
<i>Sub-Total Staffing Costs</i>	\$3,971,677	\$4,353,833	\$4,301,271	\$4,551,387
<i>Per Unit</i>	-	\$62	\$61	\$65
<b><u>Miscellaneous Costs (Non-Staffing)</u></b>				
Security Upgrades	-	\$50,000	\$50,000	-
Public Education	-	\$50,000	\$100,000	\$50,000
<i>Sub-Total Miscellaneous Costs</i>	-	\$100,000	\$150,000	\$50,000
<i>Per Unit</i>	-	\$1	\$2	\$1
<b><u>Third-Party Costs</u></b>				
Additional Third-Party Legal Services <sup>Y</sup>	-	\$85,000	\$85,000	-
<i>Sub-Total Third-Party Costs</i>	-	\$85,000	\$85,000	-
<i>Per Unit</i>	-	\$1	\$1	-
<b><u>Technology Costs</u></b>				
Website Upgrades & Maintenance <sup>YY</sup>	-	\$50,000	\$50,000	\$8,000
Technology Upgrades & Maintenance <sup>YY</sup>	-	\$100,000	\$100,000	\$25,000
<i>Sub-Total Technology Costs</i>	-	\$150,000	\$150,000	\$33,000
<i>Per Unit</i>	-	\$2	\$2	\$0
<b>TOTAL ANNUAL COSTS**</b>	<b>\$4,090,827</b>	<b>\$4,829,498</b>	<b>\$4,826,859</b>	<b>\$4,773,419</b>
<b>EST. FEE AMOUNT</b>	<b>\$30</b>	<b>\$68</b>	<b>\$68</b>	<b>\$68</b>

\*\*Includes a 3% Default Rate

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Y \$165,000 for Existing Third-Party Legal Service Contracts is included in O&M for all options

YY The estimated technology costs listed under Scenario 3 are based upon the City Auditor's report on the RAP. The City Auditor's estimates are for an electronic case management system. For Scenario 1 & 2, Staff is proposing a more robust database management system akin to the one describe in the June 28, 2015 Staff Report.

### **FISCAL IMPACT**

The Rent Adjustment Program fee of \$68 per unit would cover the cost of the increased program costs and support this budget amendment.

### **PUBLIC OUTREACH / INTEREST**

No additional public outreach was conducted in the preparation of this report.

### **COORDINATION**

This report was prepared in coordination with the Office of the City Attorney, the Controller's Bureau and the Housing and Community Development Department.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Amending The City Of Oakland's FY 2015-17 Policy Budget Adopted Pursuant To Resolution No. 85672 C.M.S. On June 30, 2015 And Amended On June 21, 2016 Through The Adoption Of The FY 2016-17 Midcycle Budget Resolution No. 86250 C.M.S. To Increase the Rent Adjustment Program Fund (2413) Budget In An Aggregate Amount Not To Exceed \$4,829,498 In Accordance With A \$68 Per Unit Fee.

For questions regarding this report, please contact Sarah Schlenk, at (510) 238-3982.

Respectfully submitted,

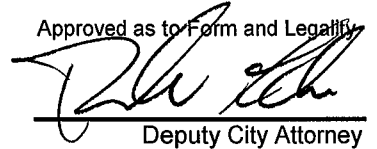


SARAH T. SCHLENK  
Acting Budget Director

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

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Approved as to Form and Legality

  
Deputy City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**A RESOLUTION AMENDING THE CITY OF OAKLAND'S FY 2015-17 POLICY BUDGET ADOPTED PURSUANT TO RESOLUTION NO. 85672 C.M.S. ON JUNE 30, 2015 AND AMENDED ON JUNE 21, 2016 THROUGH THE ADOPTION OF THE FISCAL YEAR (FY) 2016-17 MIDCYCLE BUDGET RESOLUTION NO. 86250 C.M.S. TO INCREASE THE RENT ADJUSTMENT PROGRAM FUND (2413) BUDGET IN AN AGGREGATE AMOUNT NOT TO EXCEED \$4,829,498 IN ACCORDANCE WITH A \$68 PER UNIT FEE**

**WHEREAS**, the City Council adopted Resolution No. 85672 C.M.S. on June 30, 2015 adopting the FY 2015-17 biennial budget, and appropriating certain funds to provide for the expenditures proposed by the said budget; and

**WHEREAS**, the City Council amended the FY 2015-17 biennial budget through Resolution No. 86250 C.M.S. on June 21, 2016 approving a FY 2016-17 Midcycle Budget Amendment; and

**WHEREAS**, the City Council finds that based on the significant increase in petitions there is good cause for raising the Rent Adjustment Program (RAP) service fee from \$30 to \$68 per unit, thereby enabling RAP to meet its responsibilities; and

**WHEREAS**, the City Council finds that the staffing levels proposed for RAP are justified and necessary for the program to function in an efficient and responsive manner

**WHEREAS**, a fee of \$68 per unit provides revenue to support existing program expenditures, as well as projected increases in RAP workload and expanded service levels; and

**WHEREAS**, the City Council is scheduled to approve the second reading of an Ordinance to amend the Master Fee Schedule to increase the RAP fee to \$68 per unit on July 26, 2016; and

**WHEREAS**, the adopted FY 2016-17 Midcycle Budget expenditures for the Rent Adjustment Program Fund (2413) do not provide adequate budget authority for existing and expanded RAP services in accordance with a \$68 per unit fee; now, therefore, be it

**RESOLVED:** That the City's FY 2016-17 Midcycle Budget is hereby amended to increase the Rent Adjustment Program Fund (2413) budget in an aggregate amount not to exceed \$4,829,498 in accordance with a \$68 per unit fee.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California