

BUDGET & PERSONNEL COMMITTEE MEETING

Tuesday, February 3, 2026 – 5:30 p.m.

Berkeley Rent Board Conference Room B – 2000 Center Street, Ste. 400 (4th floor), Berkeley, CA

Public Participation

This meeting will be conducted in a hybrid model with both in-person and remote participation, and in accordance with Government Code Section 54953 and all current state and local requirements allowing public participation in meetings of legislative bodies. Any member of the public may attend this meeting at the posted location(s). Questions regarding this matter may be addressed to DéSeana Williams, Executive Director of the Rent Board, at 510-981-7368 (981-RENT). The Committee may take action related to any subject listed on the Agenda.

To access this meeting by Zoom

[Join from a PC, Mac, iPad, iPhone, or Android device](#). If you do not want your name to appear on the screen, use the drop-down menu and click on "Rename" to rename yourself as anonymous. To request to speak, use the "Raise Hand" icon by rolling over the bottom of the screen.

To join by phone

Dial 1-669-900-6833, enter Webinar ID: 896 0781 0748 and Passcode: 258694. To comment during the public comment part of the agenda, Press *9 and wait to be recognized by the Committee Chair.

Email comments

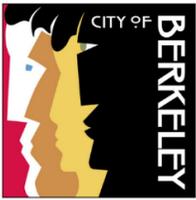
Email comments must be submitted to DeWilliams@berkeleyca.gov by **3:30 p.m.** on the day of the meeting in order to be considered by the Committee and included in the public record. Format your subject line: "PUBLIC COMMENT ITEM FOR BUDGET & PERSONNEL COMMITTEE." Please observe a 150-word limit. Time limits on public comments will apply.

Decorum

All rules of procedure and decorum apply for both in-person attendees and those participating remotely. Attendees at public meetings are reminded that other attendees may be sensitive to various scents. Please help the City respect these needs.

Communications access information

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AGENDA: BUDGET & PERSONNEL COMMITTEE MEETING

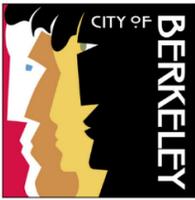
Tuesday, February 3, 2026 – 5:30 p.m.

Berkeley Rent Board Conference Room B – 2000 Center Street, Ste. 400 (4th floor), Berkeley, CA

1. Roll Call
2. Land Acknowledgment Statement: *The Berkeley Rent Stabilization Board recognizes that the rental housing units we regulate are built on the territory of xučyun (Huchiun-(Hooch-yoon)), the ancestral and unceded land of the Chochenyo (Cho-Chen-yo)-speaking Ohlone (Oh-low-nee) people, the ancestors, and descendants of the sovereign Verona Band of Alameda County. This land was and continues to be of great importance to all of the Ohlone Tribes and descendants of the Verona Band. As we begin our meeting tonight, we acknowledge and honor the original inhabitants of Berkeley, the documented 5,000-year history of a vibrant community at the West Berkeley Shellmound, and the Ohlone people who continue to reside in the East Bay. We recognize that Berkeley's landlords and tenants have and continue to benefit from the use and occupation of this unceded stolen land since the City of Berkeley's incorporation in 1878 and since the Rent Stabilization Board's creation in 1980. As stewards of the laws regulating rental housing, it is not only vital that we recognize the history of this land but also recognize that the Ohlone people are present members of Berkeley and other East Bay communities today.*
3. Approval of agenda
4. Public Comment
5. Approval of the January 20, 2026, meeting minutes (attached to agenda)
6. FY 26/27 Fee Model Discussion. Presentation (Finance Director)
7. Discussion and possible action to set Fiscal Year 2027 Registration Fee. Report attached (Finance Director)
8. Discussion and possible action to recommend a Rent Board Operating Reserve Policy (Executive Director) Report attached
9. Update on Project Data System RFP - Verbal (Executive Director)
10. Future agenda items
11. Discussion and possible action to set the next meeting
12. Adjournment

STAFF CONTACT: DéSeana Williams, Executive Director (510) 981-7368

COMMITTEE: Committee Chair Dominique Walker, Soli Alpert, Andy Kelley, Nathan Mizell



BUDGET & PERSONNEL COMMITTEE MEETING

Tuesday, January 20, 2026 – 5:30 p.m.

Berkeley Rent Board Conference Room B – 2000 Center Street, Ste. 400- 4th floor, Berkeley

Public Participation

This meeting will be conducted in a hybrid model with both in-person and remote participation, and in accordance with Government Code Section 54953 and all current state and local requirements allowing public participation in meetings of legislative bodies. Any member of the public may attend this meeting at the posted location(s). Questions regarding this matter may be addressed to DéSeana Williams, Executive Director of the Rent Board, at 510-981-7368 (981-RENT). The Committee may take action related to any subject listed on the Agenda.

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To join by phone

Dial 1-669-900-6833, enter Webinar ID: 884 9595 0189 and Passcode: 292265. To comment during the public comment part of the agenda, Press *9 and wait to be recognized by the Committee Chair.

Email comments

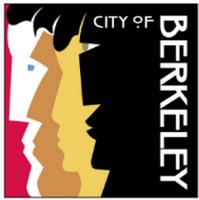
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BUDGET & PERSONNEL COMMITTEE MEETING

Tuesday, January 20, 2026 – 5:30 p.m.

Berkeley Rent Board Conference Room B – 2000 Center Street, Ste. 400- 4th floor, Berkeley

MINUTES to be approved

1. Roll Call: Staffer DéSeana Williams called roll at 5:40 p.m.
Members Present: Mizell, Alpert, Committee Chair Walker, Kelley (Late arrival at 5:42 p.m.)
Staff Present: D. Williams, S. Cole.
2. Land Acknowledgment Statement: The recording of the Land Acknowledgment Statement was played.
3. Approval of agenda: M/S/C (Alpert/Mizell) Motion to approve the agenda. YES: 4; NO: None; ABSTAIN; None; ABSENT: None. Motion Carried: 4-0-0-0.
4. Public Comment: No public comment.
5. Approval of December 2, 2025, meeting minutes: M/S/C (Kelley/Mizell). Motion to approve December 2, 2025 meeting minutes. YES: 4; NO: None; ABSTAIN: None; ABSENT: None. Motion Carried: 4-0-0-0.
6. FY 26/27 Fee Model Discussion. Presentation: The Finance Director presented and took questions regarding fiscal year 26/27 budget and proposed fees. No Action Taken.
7. Update on Project Data System: This item was moved to the next meeting on February 3, 2026. No Action Taken.
8. Future agenda items:
 - ➔ Update on Project Data System
9. Discussion and possible action to set the next meeting: Next meeting scheduled for February 3, 2026 at 5:30 p.m.
10. Adjournment: M/S/C (Alpert/Kelley). Motion to adjourn. YES: 4; NO: None; ABSTAIN: None; ABSENT: None; Motion Carried: 4-0-0-0. Meeting adjourned at 7:13 p.m.

STAFF CONTACT: DéSeana Williams, Executive Director (510) 981-7368

COMMITTEE: Committee Chair Dominique Walker, Soli Alpert, Nathan Mizell, Andy Kelley.



Memorandum

February 3, 2026

TO: Honorable Members of the Budget & Personnel Committee

FROM: Shamika Cole, Finance Director
DéSeana Williams, Executive Director

SUBJECT: Recommendation to set the Fiscal Year 2027 Annual Registration Fees

Recommendation

That the Board adopts the following resolutions concerning the Fiscal Year (FY) 2027 annual registration fees:

Proposed Resolution 26-XX – adopting the annual registration fee, due July 1, 2026, at \$395 per unit for fully-covered units. This fee is calculated based on the revenue necessary to cover recurring operational and capital expenses for the program's services to fully covered units.

Proposed Resolution 26-XX – adopting the annual registration fee, due July 1, 2026, at \$243 per unit for partially-covered units. This fee is calculated based on the revenue necessary to cover the expenses associated with registering and providing services for partially covered units.

Proposed Resolution 26-XX – adopting a \$99 per unit annual registration fee, due July 1, 2026, for Summer Fraternity and Sorority units. This fee is calculated based on the revenue necessary to cover program expenses associated with registering and providing services for Summer Fraternity and Sorority units.

The Budget & Personnel Committee reviewed the proposal and voted to forward it to the full Board for consideration.

Background and Need for Committee Action

On June 16, 2025, the Board adopted a staffing model and budget for Fiscal Year (FY) 2026, with a total expenditure level set at \$9,017,005. A Capital Reserve allocation of \$500,000 was also approved to cover unanticipated costs. As part of this budget process, the Board decided to maintain the annual registration fees for the year, keeping the fully covered unit fee at \$344 per unit, the partially covered (formerly Measure MM) unit fee at \$212 per unit, and the reduced registration fee for Summer Fraternity and Sorority units at \$96 per unit.

In the two fiscal years leading up to the FY 2026 fee adjustments, the Board previously approved fee increases to address rising program costs. Specifically, for FY 2024, the fully covered unit fee was raised to \$290 per unit, and the partially covered unit fee increased to \$178 per unit. This represented the first fee increase in five years, underscoring the Board's commitment to financial sustainability amidst increasing operational expenses.

Under current regulations, the Board must adopt a line-item budget and expenditure authorization level for FY 2027 by the end of June 2026. The Budget & Personnel Committee met twice in 2026 to review various aspects of the agency's budget and staffing model and anticipated above baseline expenditure considerations. Following these discussions, the Committee has made a recommendation for FY 2027 registration fee levels. The Committee voted to recommend an increase in the fully covered registration fee to \$395 per unit, the partially covered registration fee to \$243 per unit, and the Summer Fraternity and Sorority fee to \$99 per unit.

The proposed fee increase is essential to ensure the agency's continued ability to recover costs and maintain financial stability. Rising operational costs, including inflation and the increasing complexity of program delivery, have placed additional strain on the agency's resources. Additionally, the Board anticipates several one-time expenditures in the coming fiscal year that will require additional funding. These include outside legal expenses related to ongoing litigation, compliance costs stemming from a new accessibility mandate, and the replacement of the agency's outdated data system. The fee increase will help cover these anticipated costs, ensuring that the agency can continue to provide essential services without compromising its financial health or operational efficiency.

As the Board prepares to establish the FY 2027 registration fees, it is equally important to consider the agency's current financial trajectory and overall fiscal performance. A clear understanding of the outcomes at the close of FY 2025, along with the financial health of the FY 2026 budget at its midpoint, provides essential context for informed decision-making.

Evaluating both prior-year results and current-year activity ensures that the Board's actions are grounded in actual fiscal conditions, not projections alone. This comprehensive review supports responsible fee-setting, helps maintain the agency's financial stability, and ensures continued alignment with operational objectives.

With FY 2025 concluded and FY 2026 well underway, now is the appropriate time to assess how these financial periods are shaping the agency's outlook and informing decisions for FY 2027.

Fiscal Year 2025 Year-End Fund Balance

The Board's FY 2025 adopted expenditure budget totaled \$8,602,355, while actual expenditures were \$7,346,113.

Overall, the Board spent approximately \$1,256,242 less than the adopted budget. The primary drivers of this variance were personnel savings resulting from unanticipated vacancies and the implementation of a more refined and aligned budgeting methodology.

Revenue also exceeded projections by \$308,780, largely due to higher-than-anticipated penalty collections and improved rent registry compliance.

As a result, the Board ended FY 2025 with a total year-end fund balance of \$1,898,105 (accrual basis) as of June 30, 2025.

The uncommitted reserve represented 22% of projected recurring expenditures, exceeding the Board's best practice model of a 16% reserve target. In response, the Board designated \$500,000 for capital reserves and other unanticipated costs.

The City of Berkeley engaged an external auditor to review its financial statements, and the audit of the Board's FY 2025 financial statements was completed during FY 2026.

Fiscal Year 2026 Revenue Collection

The Board's FY 2026 adopted budget anticipates the agency collecting \$8,961,575 in revenue. As of December 31, 2025, the agency has collected \$8,841,229. Because annual registration fees are primarily billed and collected at the beginning of the fiscal year, the majority of projected revenue is received in the first half of the year. Assuming the agency collects fees owed during the remainder of this fiscal year, the agency is on track to collect the majority of its projected revenue for FY 2026.

Fiscal Year 2026 Mid-Year Expenditures & Year End Projections

The FY 2026 adopted budget was developed to more closely align projected revenues with anticipated expenditures while incorporating key operational improvements. The approved spending plan reflects a balanced financial approach, including the Board's authorization to designate \$500,000 for unanticipated operational or capital needs.

To date, expenditure remains consistent with the Board-approved spending plan, and there have been no significant shifts across major budgeted line items.

As of December 31, 2025, total expenditures were \$3,695,430, slightly below the projected midpoint of the fiscal year budget. This indicates that spending is tracking within the anticipated half-year allocation established in the adopted budget. The modest variance is primarily attributable to personnel savings, and the timing of certain larger operational expenses, including outside legal services and scheduled payments for contracted services.

Personnel expenditure during the first half of the fiscal year is lower than projected due to vacancies in key positions, including a Community Services Specialist III and an Accounting Office Specialist II. Recruitment efforts are underway and are expected to be finalized by the end of the third quarter. After accounting for these temporary personnel savings, staff project that total FY 2026 expenditure will remain within the Board's authorized budget.

Reserve Level

Given that expenditures are aligned with the adopted FY 2026 budget and spending remains stable across line items, it is appropriate to review the Board's reserve level and related financial practice.

In prior years, the Board adopted budgets that relied on a deficit spending model to avoid increases to the registration fee, which resulted in reductions to the uncommitted reserve. At times, reserve levels were reduced to between 4% and 6%, below the Board's historical target range of 8% to 16%.

In more recent years, the uncommitted reserve has recovered, primarily due to personnel savings generated by staff turnover and vacancies in budgeted positions. Under the Board's current financial practice, the uncommitted reserve must be sufficient to cover two months of operating expenditure, or 16% of recurring costs. While reserve levels have fluctuated, the Board has consistently maintained at least a two-month (16%) reserve since FY 2018.

This practice aligns with the Government Finance Officers Association (GFOA) best practice guidelines, which recommend maintaining a minimum unrestricted fund balance of approximately 16–17 percent of annual operating expenditures.

Last year, the Budget & Personnel Committee discussed establishing a 16% reserve target while preserving flexibility for unforeseen operational needs and technological needs. Staff and the Committee will be bringing forth a formal reserve policy. Based on current FY 2027 projections, the recommended fee increase would allow the Rent Stabilization Board to begin the fiscal year with an uncommitted reserve that meets the 16% target while aiming for long-term fiscal stability.

One-Time Cost Considerations

Legal Costs

During the current fiscal year, the Board incurred legal expenses associated with ongoing class action litigation that have exceeded the baseline level of outside legal services typically budgeted for routine matters.

Considering the complexity and scope of this litigation, legal staff anticipate the need for approximately \$250,000 to retain specialized outside counsel. Given the technical and precedent-setting nature of the case, engaging external expertise is both prudent and consistent with common public-sector practice. Government agencies, including those with established in-house legal teams, routinely retain outside counsel for complex, resource-intensive, or highly specialized matters.

As the litigation progresses, these costs are expected to continue into the next fiscal year. Ensuring sufficient budget capacity to address legal expenditures above the baseline level will be critical to protecting the Board's legal position.

Staffing Model and Service Delivery Needs

To continue meeting the operational and service demands of the community, staff are recommending the addition of an Office Specialist III position to the Board's staffing model.

In recent years, operational adjustments and staffing vacancies have required consolidation of responsibilities across existing positions, limiting the Board's ability to provide consistent, real-time responsiveness to phone calls and general community inquiries. As call volume and public engagement have increased, it has become clear that the current staffing structure does not adequately support a dedicated, front-facing role to ensure timely and professional responses to tenants, property owners, and other stakeholders.

The addition of an Office Specialist III would formalize and stabilize this critical function by designating staff capacity specifically for community responsiveness, call management, and inquiry resolution. This operational enhancement is aligned with the Board's commitment to accessibility, transparency, and public service.

However, incorporating this position into the ongoing staffing model represents a recurring expenditure that must be sustainably funded. Together with rising personnel costs, contractual obligations, and above-baseline legal expenditures associated with

ongoing litigation, this additional staffing need underscores the necessity of the proposed fee increase.

The recommended adjustment to the registration fee will ensure that the Board can maintain appropriate reserve levels, meet its operational obligations, and implement necessary service improvements.

Technology Investments

The Rent Board's Registry data system is outdated and no longer adequately supports current operational demands. Replacement of the system is necessary to improve efficiency, enhance data accuracy, strengthen reporting capabilities, and ensure reliable public access. Funding this upgrade is critical to improving service quality, reducing operational risk, and modernizing agency operations.

Accessibility Compliance

In FY 2027, the Rent Board will incur one-time costs to implement a new accessibility mandate. These anticipated expenditures are required to ensure that all services, written communications, and digital systems meet current accessibility standards, enabling equitable access for all community members.

Collectively, these one-time and emerging cost pressures—including ongoing litigation expenses above baseline levels, necessary staffing enhancements, replacement of the Registry data system, and mandated accessibility compliance improvements—demonstrate the need for a sustainable fee adjustment. A measured increase will ensure the Board maintains financial stability, preserves operational capacity, and continues providing high-quality and accessible services to the community.

Fully-Covered Registration Fee as a Percentage of Mean Rent

During discussions with the Budget and Personnel Committee, staff reviewed the fully covered registration fee in relation to prevailing rental market conditions. As shown in the table below, the fee has historically remained close to or near one percent of annual rent.

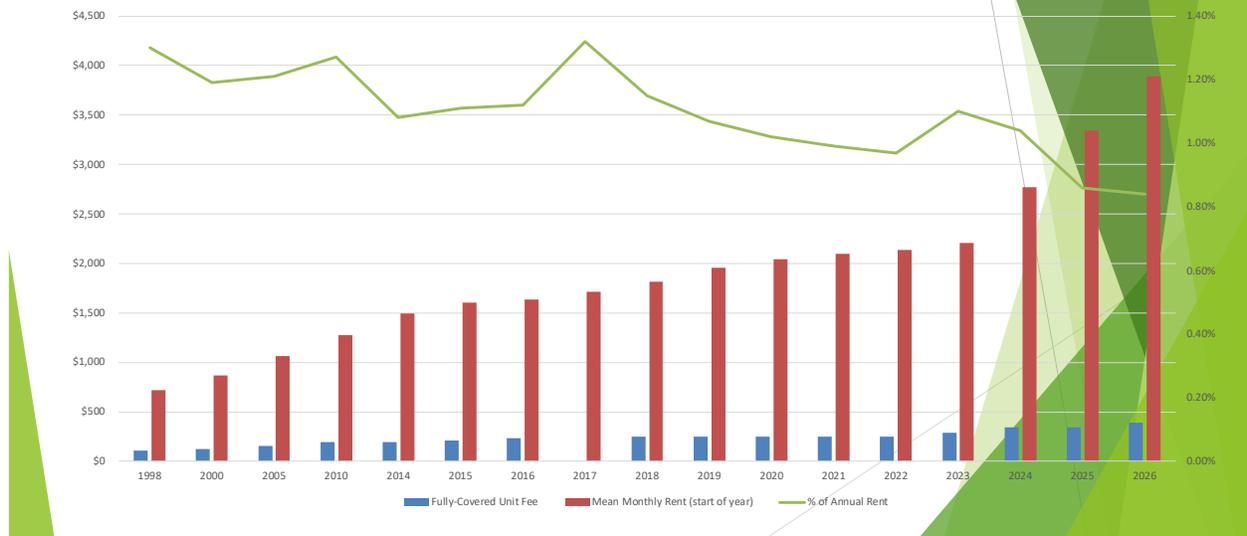
For 2026, using a mean monthly rent of **\$3,900**, the proposed fully covered unit fee of:

- **\$395** represents approximately **0.84% of annual rent**.

By comparison, in prior years the fee generally ranged between approximately **0.97% and 1.32%** of annual rent. Even at the proposed 2027 level, the fully covered registration fee remains below or in line with the historical range as a percentage of rent.

Expressing the fee as a percentage of annual rent provides the most meaningful measure of impact, as it places the registration fee in the broader context of overall housing costs.

Proposed FY 2027 Registration Fee as Percentage of Annual Rental (Range of .84% to 1.32%)



As reflected in the chart above, the relative burden of the fee has declined over time as rents have increased at a faster pace than the registration fee.

Financial Impact: Recommended FY 2027 Fee Levels

To maintain financial stability, fund operational priorities, and sustain the 16% reserve, staff and the Budget & Personnel Committee recommend the following FY 2027 registration fees:

Fully Covered Fee: \$395 per unit

Partially Covered Fee: \$243 per unit

Summer Fraternity and Sorority Fee: \$99 per unit

This fee adjustment will allow the Board to:

- Maintain the 16% uncommitted reserve, ensuring financial resilience.
- Fund ongoing litigation costs above baseline legal expenditure level.
- Incorporate staffing enhancements to improve community responsiveness.
- Replace the Rent Board Registry data system, improving efficiency and public access.
- Implement accessibility upgrades to ensure equitable service delivery.

Adopting the recommended fees will position the Board to continue providing essential services effectively, uphold sound operational and financial practices, and maintain long-term fiscal stability.

Contact Person

Shamika Cole, Finance Director (510) 981-7368

DéSeana Williams, Executive Director (510) 981-7368

Attachments

1. FY 2026 Mid-Year Budget Update

**Rent Stabilization Program FUND 801
FY 2026 Mid Year Budget Update**

Account Code	Description	Adopted FY 2025	Year End Actuals FY 2025	Adopted FY 2026	Mid Year Actuals FY 2026
511110	Monthly Employees	3,820,000	3,062,100	4,260,000	1,713,400
513110	Overtime	10,000	2,800	10,000	5,600
520110	Benefits	2,640,000	2,044,800	2,800,000	1,042,000
514110	Stipends	169,000	165,300	174,100	84,000
612110	Professional Services - Legal Outside	0	205,300	7,500	0
612190	Misc. Legal Expenses	90,000	7,900	30,000	300
612250	Temp. Agency Employees	10,000	0	10,000	0
612990	Misc. Professional Services	393,000	656,100	400,000	248,000
613120	Office Equip. Mtc. Svcs. / Furniture	25,000	9,900	25,000	4,700
613130	Office Software	0	200	1,000	300
624110	Property Repairs/ Mtc Svcs	500	0	500	1,300
625110	Rental of Land / Buildings	374,000	303,400	512,000	350,900
632110	Telephones	9,000	10,800	12,325	600
632120	Telephones - Cellular			675	200
633110	Advertising/public access	80,000	36,200	70,000	15,500
634110	Training and Conference - Training	78,000	5,000	40,000	0
634120	Training and Conference - Registration	0	1,200	10,000	800
634210	Transportation & Commercial Travel	4,000	600	4,000	1,600
634220	Travel Lodging	0	0	4,000	200
634230	Travel Other Trans	0	0	0	400
634240	Travel Meals	5,000	60	1,000	130
635110	Printing and Binding	45,000	52,700	65,000	31,600
639110	Bank Fees	20,000	22,500	25,000	23,800
639120	Professional Dues & Intern Fees	4,200	2,500	3,500	0
639130	Messenger / Delivery	500	0	500	0
641110	Office Supplies	13,500	15,400	15,000	7,900
641120	Postage	42,000	53,300	50,000	18,400
643110	Books & Publications	55,000	24,900	40,000	16,200
644110	Supplies - Food	5,000	6,000	3,500	1,040
645110	Supplies - Clothing	1,500	4,000	1,500	0
651110	Non Cap Computers and Software	0	40,900	30,000	5,900
651120	Non Cap Office Furniture	0	37,300	5,000	3,300
664130	Cap Office Equipment and Furniture	50,000	23,700	0	0
664140	CAP - Computers	20,000	0	3,300	0
664150	Leashold - Tenant Improvements	0	2,040	12,200	8,150
670140	PC Replacement/City Software Licenses	74,305	74,300	74,305	37,150
670150	Mail Services	3,600	3,600	3,600	1,800
670190	City Vehicle / Fuel & Maint./Prkg	15,000	4,500	15,000	0
670200	Internal Service/Pkg	4,500	15,600	4,500	0
720003	Unallocated		0		0
9001/514110	Stipends - Elected Officials	15,000	2,600	3,000	0
	Recurring Expenditure Subtotal**	8,076,605	6,897,500	8,727,005	3,625,170
	Outside Legal Counsel/Services		192,300	250,000	57,060
	Special Projects (Executive Evaluations/Contracts, 3DI)	256,313	256,313	40,000	13,200
	Total Authorized Fund Expenditures*	8,332,918	7,346,113	9,017,005	3,695,430
		Adopted FY 2025	Year End Actuals FY 2025	Adopted FY 2026	Mid Year Actuals FY 2026
	Fully Covered Unit Revenue	6,880,000	6,865,830	7,396,000	6,915,894
	Partially Covered Revenue	1,120,000	1,062,025	1,272,000	1,484,000
	Registration Penalties	250,000	674,500	250,000	441,335
	Fair Chance Ord. Administration	41,575	0	41,575	0
	Misc. (Project review, Settlements, Admin.Fees)	2,000	0	2,000	0
	Total Authorized Fund Revenue*	8,293,575	8,602,355	8,961,575	8,841,229
	Annual Surplus/Shortfall	-39,343	1,256,242	-55,430	-55,430
	<i>Previous FY Carryover Expenditures</i>				
	FUND BALANCE (cash basis)	1,898,105	3,154,347	3,098,917	3,098,917
	FUND BALANCE (accrual basis)	1,898,105	3,154,347	3,098,917	3,043,487
	TOTAL UNCOMMITTED OPERATIONAL (Reserve)	1,398,105	2,654,347	2,598,917	2,563,487
720003	TOTAL CAPITAL RESERVE FUND BALANCE	500,000	500,000	500,000	480,000

* Note: this report only reflects charges & revenues against the Rent Board Fund (Fund 440 and Fund 801) and does not include services charged to or received from other funds
 ** Note: variance in actual expenditures and total fund balance reflects remaining balance in reimbursement offset escrow



Memorandum

DATE: February 3, 2026
TO: Honorable Members of the Budget and Personnel Committee
FROM: DéSeana Williams- Executive Director
SUBJECT: Recommendation for Twenty Percent Operating Reserve Standard

Recommendation

Staff recommends the adoption of a formal Operating Reserve Policy establishing a target reserve level of 20% of annual operating expenditures. The policy provides consistent rules for maintaining a prudent reserve, defines allowable uses, and requires replenishment planning when reserves fall below established thresholds. The proposed 20% target aligns with widely recognized public finance standards that encourage governments to maintain at least two months of operating expenditures in unrestricted fund balance and to adopt a formal policy to guide reserve levels and replenishment.

Background

The Rent Board is a fee-funded public agency responsible for administering rent stabilization programs and delivering critical public services. The Budget and Personnel Subcommittee annually reviews expenditures and projected revenues and recommends a fee allocation for the registration cycle.

The Rent Board has historically maintained approximately 12% reserves as a matter of practice, and in prior years, the agency maintained expenditures and baseline revenue without a fee increase. For the upcoming cycle, staff anticipate increased operational demands and implementation costs associated with agency modernization and technology reliability requirements, including the replacement of the core data system. The Subcommittee requested that staff formalize a reserve level policy, rather than relying on informal practice, to better align with best business practices and improve long-term fiscal stability. In support of this request, staff have compiled authoritative guidance from the Government Finance Officers Association (GFOA) and representative examples of reserve policies adopted by peer public agencies, which are attached for reference.

Why A Formal Reserve Policy is Needed

A written reserve policy, instead of formal practice, serves four practical purposes:

1. **Protects continuity of operations:** Reserves allow the agency to maintain services during revenue timing disruptions, unexpected expenses, emergencies, or system failures.
2. **Creates consistent decision-making:** A policy reduces ad hoc reserve decisions and ensures a stable framework that carries across budget cycles and Board terms.
3. **Improves transparency and accountability:** Clear reporting requirements support public understanding and reinforce fiscal stewardship.
4. **Requires a replenishment plan:** A policy ensures that if reserves are used, the Board receives a structured plan to restore the reserve to target levels.

GFOA recommends that governments adopt a formal, unrestricted fund balance policy established by the appropriate policy body, including a framework for how balances will be increased or decreased and replenished over time.

Target and Minimum Levels

The Rent Board shall maintain an Operating Reserve equal to 20% of Annual Operating Expenditures. If the Operating Reserve falls below 15%, staff shall prepare and present a replenishment plan. Amounts above 20% may be retained when prudent and will be evaluated during the annual budget process.

Best practices and standards supporting a 20% target

GFOA fund balance guideline (public sector):

GFOA has long recommended that general-purpose governments maintain an unrestricted fund balance of at least two months of operating expenditures or revenues, with the exact level reflecting the entity's risk factors, volatility, and exposure.

A 20% reserve equals about 2.4 months of annual operating expenditures (20% of a year), which is modestly above the two-month minimum benchmark.

Nonprofit reserve guidance:

Many nonprofit finance resources recommend maintaining 3 to 6 months of operating funds in cash reserves, depending on the organization's risk profile and revenue predictability. While nonprofits are not identical to the Rent Board, this benchmark provides additional context that a 20% target is a conservative, mainstream reserve posture rather than excessive.

What other agencies do

Many cities and public agencies adopt formal reserve policies at or around 20% of annual operating expenditures. Examples include:

- **City of Signal Hill (CA):** A reserves policy requiring the City to strive to maintain a minimum balance of **20% of ongoing General Fund expenditures**, with annual reporting and intended uses including interruptions in cash inflows.
- **City of Azusa (CA):** A General Fund reserve resolution setting a minimum funding target of **20% of annual operating expenditures** (minus one-time expenditures) for stabilization and catastrophic events.
- **City of San Diego (CA):** Council policy establishes a structured reserve framework tied to annual operating budget expenditures. While not a simple single-percentage approach, it is a prominent example of a formal policy framework used by a large California city.
- **California city finance reserve policy examples:** A compiled set of municipal reserve policy examples includes a proposed statement that a city maintain a contingency reserve of **not less than 20%** of the appropriation budget total, with restricted use for emergencies and revenue shortfalls rather than routine operations.

These examples reflect that (1) reserve policies are commonly adopted by governing bodies, (2) 20% is a frequently used target, and (3) policies typically restrict reserve use to emergencies and disruptions and require reporting and replenishment planning.

Local rationale for moving from 12% practice to 20% policy

Staff recommends increasing the reserve target based on the Rent Board's operating realities and risk profile, including:

- **Operational continuity requirements:** Rent Board services must remain available even in disruption scenarios. The cost of service interruption can be high, including delays in case processing, backlogs, and impacts on customer service.
- **Revenue timing and volatility:** Fee-supported agencies may experience timing gaps and uncertainty in receipts related to compliance rates, processing cycles, or legal changes.
- **Technology reliability exposure:** If core systems fail, immediate stabilization work may be needed to restore business functions, reporting, payments processing, or customer service workflows.
- **Emergency and unanticipated cost exposure:** Facility issues, cybersecurity events, unplanned legal costs, or major staffing disruptions are predictable categories of "unpredictable" risk.

A 20% reserve target is intended to position the agency to continue operating without immediate service reductions or emergency fee actions during disruptions, while remaining within mainstream public finance norms.

Approval and Governance

The Rent Stabilization Board has sole authority to adopt, amend, and oversee this Operating Reserve Policy. The Executive Director may authorize use of Operating Reserves up to \$30,000, consistent with existing spending authority, when a narrowly defined emergency requires immediate action to prevent material service disruption. The Executive Director shall notify the Board Chair within three business days and report the action at the next regular Board meeting. The Rent Board makes operating Reserve decisions and is not subject to external approval.

Relationship to technology modernization and the data system replacement

Staff recommends explicitly separating the Operating Reserve from planned one-time modernization investments. The Operating Reserve is intended for continuity and unanticipated needs.

For major one-time initiatives, including a data system replacement, staff will return to the Board with a separate, Board-approved funding plan (for example, a designated technology modernization reserve or a multi-year fee strategy with planned allocations). This separation is consistent with common reserve policy structures that distinguish between stabilization reserves and project or capital funding.

Relationship to One-Time Projects and Technology Modernization

The Operating Reserve is intended to protect continuity of operations and respond to unanticipated events. Major one-time initiatives, including technology modernization and data system replacement, shall be funded through separate Board-approved plans and not through routine use of the Operating Reserve.

Financial Impact

Adoption of the policy does not itself increase expenditures. The policy establishes a target that will influence annual fee-setting and budget decisions to maintain or rebuild reserves over time. If reserves are below the 20% target at the time of adoption, staff will incorporate a proposed path to reach the target as part of the budget and fee-setting cycle and will provide a replenishment plan if reserves fall below the minimum threshold described in the policy.

Contact Person

DéSeana Williams, Executive Director

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Attachments

1. Draft Operating Reserve Policy
2. Proposed Rent Board Operating Reserve Resolution
3. GFAO Guidance and Best Practices Summary



Rent Stabilization Board Operating Reserve Policy

Policy title: Operating Reserve Policy

Adopted by: Rent Stabilization Board

Effective Date: February 19, 2026

Applies to: All Rent Board operating funds supported by fee revenue unless otherwise specified by Board action

Responsible Parties: Executive Director; Finance Unit Director; Budget and Personnel Subcommittee (review); Full Board (oversight)

Purpose

The purpose of the Operating Reserve is to ensure continuity of Rent Board operations and service delivery during financial disruptions or unanticipated events. The Operating Reserve provides a stable source of funding to maintain essential services during revenue timing disruptions; respond to emergencies and unplanned operational costs; address critical system or facility disruptions requiring immediate action; and protect the agency's ability to meet legal and program obligations without service interruption.

Definitions

Operating Reserve: Unrestricted resources set aside to support continued operations in the event of emergencies, revenue shortfalls, or other unanticipated disruptions.

Annual Operating Expenditures: Total annual operating expenditures included in the adopted budget, excluding one-time expenditures such as non-recurring capital purchases or one-time system implementation costs, unless expressly included by Board action.

Reserve Ratio: Operating Reserve balance divided by Annual Operating Expenditures.

Target and Minimum Levels

The Rent Board shall maintain an Operating Reserve equal to 20% of Annual Operating Expenditures. If the Operating Reserve falls below 15%, staff shall prepare and present a replenishment plan. Amounts above 20% may be retained when prudent and will be evaluated during the annual budget process.

Funding and Maintenance

The Operating Reserve may be funded through annual fee revenues in excess of operating expenditures, budgeted contributions approved during annual budget adoption, and one-time surpluses allocated by Board action. Reserve planning shall be integrated into the annual fee-setting and budget development process.

Permitted Uses

The Operating Reserve may be used only for emergency response and continuity of operations; unanticipated costs that cannot be absorbed within the adopted budget without material service impacts, revenue shortfalls, or timing delays; and critical operational disruptions, such as urgent facility, cybersecurity, or system stabilization needs. The Operating Reserve is not intended to fund routine or recurring operating costs or planned major projects.

Replenishment Requirements

If the Operating Reserve falls below the 20% target, staff shall propose a replenishment strategy during the next budget cycle. If the Operating Reserve falls below the 15% minimum threshold, staff shall present a replenishment plan within 60 days, including the cause of the drawdown, actions needed to restore the reserve, and a proposed restoration timeframe.

Approval and Governance

The Rent Stabilization Board has sole authority to adopt, amend, and oversee this Operating Reserve Policy. The Executive Director may authorize use of Operating Reserves up to \$30,000, consistent with existing spending authority, when a narrowly defined emergency requires immediate action to prevent material service disruption. The Executive Director shall notify the Board Chair within three business days and report the action at the next regular Board meeting. Operating Reserve decisions are made through Rent Board action and are not subject to external approval.

Reporting

Staff shall report on Operating Reserves during the annual budget and fee-setting process and whenever reserves are used. Reporting shall include the current reserve balance, target amount, any reserve use, and the status of replenishment plans.

Relationship to One-Time Projects and Technology Modernization

The Operating Reserve is intended to protect continuity of operations and respond to unanticipated events. Major one-time initiatives, including technology modernization and data system replacement, shall be funded through separate Board-approved plans and not through routine use of the Operating Reserve.

RESOLUTION 26-XX

ADOPTING AN OPERATING RESERVE POLICY ESTABLISHING A TWENTY PERCENT (20%) TARGET RESERVE LEVEL

BE IT RESOLVED by the Rent Stabilization Board of the City of Berkeley (“Board”) as follows:

WHEREAS, the Board is an independently governed, fee-funded public agency responsible for administering the City’s rent stabilization and housing programs; and

WHEREAS, the Board operates separately from other City departments and is not subject to Berkeley City Council, Mayor, or City Manager control with respect to its internal policies and financial governance; and

WHEREAS, maintaining financial stability and continuity of operations is essential to the Board’s ability to meet its statutory obligations and deliver services to the public; and

WHEREAS, recognized public finance best practices recommend that public agencies adopt formal reserve policies and maintain sufficient unrestricted reserves to address revenue volatility, emergencies, and unanticipated operational needs; and

WHEREAS, the Government Finance Officers Association recommends that governments maintain a minimum level of unrestricted fund balance sufficient to support continued operations during disruptions and adopt policies governing reserve levels and replenishment; and

WHEREAS, the Board has historically maintained operating reserves as a matter of practice but has not previously adopted a formal Operating Reserve Policy establishing a target reserve level, permitted uses, governance, and replenishment requirements; and

WHEREAS, the Budget and Personnel Committee reviewed the attached proposed Operating Reserve Policy and recommended that the Board adopt it in order to strengthen fiscal stewardship and align agency practices with recognized public finance best practices;

NOW, THEREFORE, BE IT RESOLVED that the City of Berkeley Rent Stabilization Board hereby adopts the attached Operating Reserve Policy establishing a target Operating Reserve equal to twenty percent (20%) of annual operating expenditures; and

BE IT FURTHER RESOLVED that the Operating Reserve Policy shall govern the maintenance, use, reporting, and replenishment of Operating Reserves and shall be implemented through the annual budget and fee-setting process; and

BE IT FURTHER RESOLVED that the Executive Director is authorized to administer the Operating Reserve Policy consistent with its terms and to report on reserve levels and any reserve use as required by the policy.

Dated: February 19, 2026

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

YES:

NO:

ABSTAIN:

ABSENT:

Soli Alpert, Chair
Rent Stabilization Board

Attest: _____
DéSeana Williams, Executive Director

Reserve Policy Best Practices and Peer Examples

This attachment provides authoritative guidance from the Government Finance Officers Association (GFOA) and representative examples of reserve policies adopted by peer public agencies. These materials are provided to support the adoption of the Rent Stabilization Board Operating Reserve Policy.

I. GFOA Guidance on Fund Balance and Reserves

Source: Government Finance Officers Association (GFOA), Fund Balance Guidelines for the General Fund

The Government Finance Officers Association recommends that governments adopt a formal policy on the level of unrestricted fund balance (operating reserves) that should be maintained to mitigate financial risk and ensure continuity of operations.

Key elements of GFOA guidance include:

- Governments should maintain unrestricted fund balance sufficient to cover at least two months of regular operating revenues or expenditures.
- The appropriate reserve level should be tailored to the government's specific risk profile, including revenue volatility, expenditure volatility, and exposure to emergencies or unplanned costs.
- A formal reserve policy should be adopted by the governing body and reviewed periodically.
- Policies should clearly describe the purpose of reserves, conditions for use, and expectations for replenishment when reserves fall below target levels.

GFOA identifies reserve policies as a core component of sound financial management, enabling governments to continue providing services during economic downturns, revenue timing disruptions, or unforeseen events.

II. Additional Public Finance Best Practice Context

Public finance best practices emphasize that reserves are intended to stabilize operations rather than accumulate excess funds. Reserve levels above minimum benchmarks may be appropriate for agencies with fee-based revenue structures, operational complexity, or heightened service continuity requirements.

III. Examples of Reserve Policies from Peer Public Agencies

The following examples illustrate how other public agencies have structured reserve or fund balance policies, demonstrating that a 20% target reserve level is consistent with common public-sector practice.

Example 1: City of Signal Hill, California

The City of Signal Hill maintains a formal reserve policy requiring a minimum General Fund reserve equal to 20% of ongoing operating expenditures. The reserve is intended to address revenue interruptions, emergencies, and unanticipated expenditures, with reporting and replenishment requirements.

Example 2: City of Azusa, California

The City of Azusa has adopted a General Fund reserve policy establishing a target reserve of 20% of annual operating expenditures, excluding one-time costs. Use of reserves is limited to stabilization and catastrophic events, and the policy requires a plan to restore reserves following use.

Example 3: City of Encinitas, California

The City of Encinitas maintains a contingency reserve fully funded at 20% of General Fund operating expenditures. The reserve is reviewed annually as part of the budget process and is intended to address economic uncertainty and emergencies.

Example 4: Common Elements Across Public Agency Reserve Policies

- Target reserve levels tied to annual operating expenditures
- Restricted use for emergencies, revenue shortfalls, or unanticipated costs
- Governing body approval with limited emergency authority
- Defined replenishment expectations following reserve use
- Annual reporting and review during the budget process

IV. Relevance to the Rent Stabilization Board

The GFOA guidance and peer examples demonstrate that adoption of a formal Operating Reserve Policy with a 20% target reserve level aligns with recognized public finance best practices. For a fee-funded, independently governed agency such as the Rent Stabilization Board, a clearly defined reserve policy supports continuity of operations, transparency, and disciplined financial management.