

CITY OF OAKLAND
COUNCIL AGENDA REPORT 2006 FEB 16 PM 1:07

TO: Office of the City Administrator
FROM: Budget Office
DATE: February 28, 2006
RE: Report from the Budget Advisory Committee for the Second Quarter of FY 2005-06

SUMMARY

This document transmits the Budget Advisory Committee's (BAC) second quarterly report for FY 2005-06. Staff recommends consideration of the BAC's recommendations.

FISCAL IMPACT

There are no fiscal impacts resulting from the BAC's recommendations.

BACKGROUND

The BAC consists of 15 members, with four appointed by the Mayor, seven appointed by Councilmembers for each of the seven Districts, one by the Community and Economic Development Committee Chairperson, two by the Finance and Management Committee Chairperson, and one by the At-Large Councilmember. The BAC will be focusing on redevelopment and on the Lighting and Landscaping Assessment District (LLAD) in the coming months.

RECOMMENDATION

Staff transmits and recommends City Council's consideration of the BAC's recommendations.

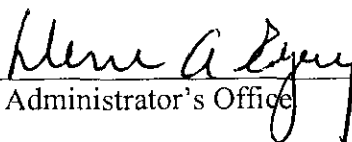
Respectfully submitted,



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Interim Budget Director

Prepared by:
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Forwarded to the Finance & Management Committee


City Administrator's Office

Budget Advisory Committee Report for the Second Quarter of the 2005-2006 Fiscal Year

The Budget Advisory Committee hereby submits its report for the second quarter of the 2005-2006 fiscal year. This reports addresses initial efforts related to the Landscape and Lighting Assessment District (LLAD) shortfall, and as well Redevelopment. It also provides updates and comment on ongoing revenue and expense evaluation, and the OPOA MOU negotiation.

Landscape and Lighting Assessment District (LLAD) shortfall. The BAC has reviewed the issue of a structural budget deficit, conducted discussions with staff on the issue, and evaluated remedies to the situation. Several BAC members have both toured Oakland Parks and Recreation Facilities, and attended community meetings on the topic. Having reviewed the LLAD, the BAC recognizes that indeed there is a structural budget deficit stemming from a revenue stream that remains substantially steady at about \$17.3M per year, while costs progressively increase, both because of increased requirements over time, (such as new park land, and street lights added to the system since the inception of the original LLAD), as well as increases in costs for the same functions, (such as increased cost of electricity). Council has taken short-term action in to fill the gap between LLAD revenue and expenses by committing **one-time** surges in the transfer tax revenue to cover LLAD shortfalls in the **current** budget. However, there is currently no mechanism to address this gap in future budgets, and the gap continues to grow, over time, meaning **substantial cuts to existing services** in the next budget year if the structural deficit is not addressed.

At this point in the process, the BAC is withholding any recommendation on the specifics of a measure to create a new LLAD, as that LLAD proposal is still being formulated, by council members Quan and Bruner in conjunction with staff and community input. However, we do recognize that the LLAD deficit issue is real, and we do support the concept that a new LLAD be put to citizens for their consideration as a potential solution. Specifically, we support the proposal being put forward at this time, for an engineer to formulate what the structure of a revised LLAD would be. We also feel that it is important to raise awareness of the issue in the public's mind.

As the process moves forward, the BAC plans to continue to work to provide input into the shape and direction of a proposed LLAD. Primary concerns are ensuring *accountability and performance measures in any proposed LLAD*, and also *evaluating other potential sustainable sources of funds for parks, landscape and lighting*. BAC has formulated several pages of analysis and recommendations, still under discussion and too lengthily to reprint here. Some of the examples representative of the types of issues we've raised and which are being discussed include:

- Should a LLAD contain a cost of living provision to address the issues of cost growth over time.
- What baseline level of service is contemplated and what costs requirements would result.

- Are there ways to bolster our **current** efforts to retrofit lighting fixtures to be more energy efficient even in the face of rising energy costs, if we were given a sufficient predictable funding source, using a savings to investment approach?
- Can funds from other related activities such as dumping response in parks be used more efficiently and diverted to park support. For example, if dumping response costs in Parks were quantified, and projected over the long term, then short-term expenditures like enforcement cameras, or other prevention and enforcement mechanisms, may actually be less expensive when compared to the ongoing cost of chronic response over the long term. If so, then these funds might be better utilized. We are not able to provide a recommendation at this point, as staff did not have quantification of the cost of park dumping response, at the time of this report, though all agree it is substantial-in the range of several million dollars. This may be a topic for future reports.
- Can we further leverage EBRPD resources, especially for large open space parks.

BAC will continue to work on the LLAD issue, with further recommendations expected in future reports.

Redevelopment Another area of BAC evaluation has been Redevelopment. While respecting the long established role of the Planning Commission and its recommendations to the CEDA Council Committee, there are areas in the realm of redevelopment financial management that may be useful topics for BAC recommendations to the Council Budget and Finance Committee. Some of these issues may merit coordination with our citizen colleagues of the planning commission, and perhaps coordination between the Council CEDA and the Budget and Finance committee. The BAC has conducted several discussions with planning staff on this topic. Two initial areas of evaluation that have come out of these discussions are:

- As several redevelopment area (RDA) designations are reaching the end of their established life, how will the end of the redirection of their tax increment impact the city's revenue streams? As they are closing out, have the goals of the tax increment dedication within the various RDA's been met?
- In the area of permit fees, how are the fees being spent, which are intended to support planning staff's effort to review new development and redevelopment applications? A discussion within the planning department has ensued about what the planning staff priorities should be, for example, should they focus on downtown redevelopment or residential home applications in the hills. If the permit fees are self sustaining, meaning each applicant's fees are sufficient to pay staff time to review that application, and if the fees collected for that purpose, are being directed to paying planning staff time, then each project should pay for its own staff time, and there should not be a conflict.

We note the later issue, which we have discussed briefly within the BAC is already being agendaized within the Budget and Finance Committee. Future BAC reports will address any further recommendations on these issues.

Revenue and Expenses Evaluation The BAC continues and renews its commitment to systematically review revenue and expense variances. The goal is to identify expense overruns in a timely fashion so that corrective action can be taken in time to prevent further overruns, and to identify revenues above budget, so that can be intentionally directed to council's highest priorities and not be overtaken by events. We note and applaud that continued focus on traditional cost overrun items like police overtime have resulted in substantial reductions in those overruns. We appreciate and continue to request the timeliest information possible from staff to facilitate timely periodic evaluation.

Police Department MOU. In our October 24, 2005 report, we provided recommendations regarding the OPOA & City of Oakland MOU. We encourage continued focus and public disclosure of the implications of the negotiations, as the city's labor costs, are without question, the largest component of the city's budget, and the largest component of structural cost growth. Though negotiations such as this are not part of the budget process, they commit funds that will come from the city budget. Just as other priorities for city spending are balances against each other and against potential revenue sources, so too, should the impact of any MOU increases be evaluated prior to making final commitments.