

CITY OF OAKLAND



2007 MAY 17 10:3:42

CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Deborah A. Edgerly
City Administrator

(510) 238-3301
FAX (510) 238-2223
TDD (510) 238-2007

May 15, 2007

Oakland City Council
Oakland, California

**RE: Supplemental Information on FY 2007-09 Landscaping and Lighting
Assessment District (LLAD) Budget Issues**

Dear President De La Fuente and Members of the City Council:

The Finance and Management Committee, at its May 8, 2007 meeting, requested additional information on the projected funding shortfall for the Landscaping and Lighting Assessment District (LLAD) and staff's proposal for funding that shortfall.

The current assessment rate structure for the LLAD has been in place since its inception in 1993. With the rates held constant, revenues have been flat at about \$17.0 million annually. Meanwhile, personnel, utilities and other costs have steadily increased. During the last budget deliberations, the LLAD incurred shortfalls totaling \$3.0 million in FY 2005-06 and \$4.3 million in FY 2006-07. These funding shortfalls were covered by one-time funding from the General Purpose Fund. The City Council proposed to increase the annual assessments in FY 2006-07. A majority of property owners, however, did not support the assessment increase. Continuing increases in personnel expenses and utility costs have resulted in a structural gap. The funding shortfall for FY 2007-08 was originally projected to be approximately \$6 million. That original projected shortfall has been reduced to \$3.5 million as a result of the following actions:

- Transfer of funding for streetscapes/medians from LLAD Fund to Measure B Fund (\$1.3 million)
- Utilization of projected FY 2006-07 year-end LLAD fund balance (\$.7 million)
- Freezing five vacant positions: one Greenskeeper, one Gardener II, one Gardener Crew Leader and two Electricians (\$.4 million)
- Subsidy phase-out for private schools, churches, hospitals and agricultural parcels (\$.1 million)

Item: _____
City Council
May 15, 2007

The FY 2007-09 Proposed Policy Budget provides a recommendation for funding the \$3.5 million shortfall in FY 2007-08 by utilizing unexpended FY 2006-07 one-time funds from the General Purpose Fund that were allocated for sidewalk and roofing repairs, tree trimming and undesignated capital projects. A listing of those funding sources, including the work that would be deferred by the re-allocation, is provided below.

| | <u>FY 06-07 Budget</u> | <u>Expended</u> | <u>Re-allocation</u> |
|--------------------------------|------------------------|-----------------|----------------------|
| <u>Sidewalk Repairs</u> | \$1,670,000 | \$1,547 | \$1,668,453 |

93,000 sq. feet of sidewalk replacement, 20 curb ramps, 4,000 linear feet of curb replacement, 8,000 square feet of gutter replacement, 13,600 square feet of driveway replacement and 107,000 square feet of tree root pruning will be deferred.

| | | | |
|--|-------------|-----------|------------|
| <u>Citywide Roofing Repairs</u> | \$1,500,000 | \$683,816 | \$ 350,000 |
|--|-------------|-----------|------------|

Some savings come from use of temporary provisional employees doing the work in-house and other projects that have since received grant funding for renovations that included roofing work. At this time it is difficult to estimate what the final list of outstanding roof repairs will be. PWA staff is in the process of determining what projects will be impacted by the decrease in funding.

| | | | |
|-----------------------------|------------|------|------------|
| <u>Tree Trimming</u> | \$ 450,000 | \$ 0 | \$ 450,000 |
|-----------------------------|------------|------|------------|

Seven \$50,000 tree pruning contracts (1 per Council district) and one \$50,000 citywide park tree pruning contract will be deferred. The remaining \$50,000 was to be utilized as contract contingency funding.

| | | | |
|--|-------------|------|-------------|
| <u>Reserve for Future Consideration</u> | \$1,035,438 | \$ 0 | \$1,035,438 |
|--|-------------|------|-------------|

During the FY 2005-06 Third Quarter Revenue/Expense Review, Council set aside these funds for a use / uses to be determined at a later date. No further action has been taken to allocate these funds for any specific purpose.

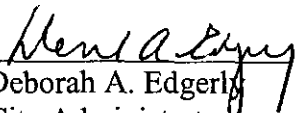
| | | | |
|--|--|--|---------------------------|
| Total Amount Proposed for Reallocation to fund the FY 2007-08 LLAD budget | | | <u>\$3,503,891</u> |
|--|--|--|---------------------------|

The funding shortfall for FY 2008-09 is projected to be approximately \$5.5 million. There are no funding sources identified in the FY 2007-09 Proposed Policy Budget to cover the FY 2008-09 deficit. In order to fund the anticipated deficit, consideration should be given to either generating the additional revenue needed through increased assessments or planning for the implementation of significant service level reductions.

Item: _____
City Council
May 15, 2007

Additional information requested by the Finance and Management Committee including detailed LLAD expenditures, an explanation of cost increases over time, possible funding alternatives, details of uncompleted roofing projects, a description of the different position classifications funded with LLAD funds, including their responsibilities and a listing of vacant positions will be provided for the budget discussion at the May 29th Special City Council Meeting.

Respectfully submitted,


Deborah A. Edgerly
City Administrator

Prepared by: Jim Smith, Jr.
Budget Director
Office of the City Administrator.

Item: _____
City Council
May 15, 2007