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OFFICE OF THE CITY CLERK  
OAKLAND  
2019 DEC -6 AM 9:07

# AGENDA REPORT

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

**FROM:** Adam Benson  
Director of Finance

**SUBJECT:** FY 2019-20 Midyear Budget  
Amendments

**DATE:** December 3, 2019

City Administrator Approval

Date:

12/6/19

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87759 C.M.S., Which Adopted The Fiscal Year (FY) 2019-21 Budget, To Amend The FY 2019-20 Budget To Make Adjustments To The FY 2019-20 Revenue And Expenditure Appropriations In The General Purpose Fund (GPF) And Non-GPF Funds.**

## EXECUTIVE SUMMARY

On November 19, 2019, the City Council approved on first reading two ordinances that, if approved on second reading, will result in a reduction in business license tax revenues in the General Purpose Fund (GPF). Staff continues to recommend against lowering the tax rate at this time. The reductions in GPF revenues are estimated at \$3.9 million from reduced cannabis business license tax revenues and \$0.1 million from reduced residential landlord business license tax revenues (assuming 25 percent eligibility), for a total tax reduction of **\$4.0 million** in FY 2019-20, excluding potential cannabis tax rebates<sup>1</sup>.

City Council policy requires that any Council actions that reduce revenues be accompanied by action(s) to reduce expenditures so as to maintain a balanced budget. Approval of this resolution will make changes in expenditures commensurate with the above-referenced changes in revenues that will result in service-level reductions as outlined in the **Analysis and Policy Alternatives** section of this report beginning on page two. Many of the services targeted for reduction in this proposal were newly added in FY 2019-20. The proposed expenditure reductions **do not decrease services for Homelessness, Housing, and Illegal Dumping**, as Oakland residents and the City Council have indicated these are the areas of highest immediate public concern. The proposed reductions were designed to the extent possible to be consistent with the City's stated goals of enhancing equity so they do not disproportionately impact low-income residents and communities of color.

<sup>1</sup> The maximum cannabis tax rebate is approximately \$1.2 million and the maximum revenue loss from residential landlord tax reduction is approximately \$470,000 in FY 2019-20. Staff is recommending that the City Council balance to a total GPF revenue reduction of \$4.0 million, in consideration that the cannabis rebate program may not have substantial participation its first year of existence. Revenue loss from the cannabis tax rebate program can be re-evaluated during the FY 2020-21 Midcycle Amendment.

Item: \_\_\_\_\_  
City Council  
December 10, 2019

**The City's Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.) requires that amendments by the City Council maintain a balanced budget. Adoption of this resolution would amend the Fiscal Year (FY) 2019-20 Adopted Budget to reduce expenditures in the GPF and other funds that derive resources from the GPF in order to maintain a balanced budget.**

### **BACKGROUND / LEGISLATIVE HISTORY**

On June 19, 2019, the City Council adopted Resolution No. 87759 C.M.S., authorizing the FY 2019-21 Biennial Budget. On November 19, 2019, the City Council approved for first reading of two ordinances that, if approved at second reading, will reduce business license tax rates.

The City's Consolidated Fiscal Policy, as adopted in Ordinance No. 13487 C.M.S., requires that amendments by the City Council maintain a balanced budget. The approval of this amendment to the FY 2019-20 budget is required to maintain compliance with the Consolidated Fiscal Policy. Specifically, the policy states, "From time to time the City Council may present changes in policy and consider additional appropriations that were not anticipated in the most recently adopted budget. *Amendments by the City Council shall maintain a balanced budget*".

### **ANALYSIS AND POLICY ALTERNATIVES**

Approval of this resolution will result in service-level reductions as outlined in this section. Many of the services targeted for reduction in this proposal were newly added in FY 2019-20. The proposed expense reductions avoid decreases to services for Homelessness, Housing, and Illegal Dumping as Oakland residents, and the City Council have indicated these are the areas of highest immediate public concern. The proposed amendments to the FY 2019-20 Adopted Budget and their service impacts are described in more detail below.

#### **FY 2019-20 Midyear Budget Adjustments by Department**

##### **City Administrator Office**

- Repurpose \$500,000 from the Cannabis Equity Business Program in light of new Cannabis Business tax incentives and anticipated additional state funding for equity programs. This may result in the delay of some of the local cannabis businesses eligible for this program receiving loans.

##### **City Clerk's Office**

- Freezing of 1.0 FTE Receptionist to the City Clerk, which was added in FY 2019-20, will result in reduced administrative support and slower response times for City Clerk functions, such as reserving City Hall hearing rooms, scheduling onboarding of board and commission appointees, and delayed processing of documents and other communications.

**Finance Department**

- Freezing of 1.0 FTE Tax Enforcement Officer in the Waste Collection Section of the Revenue Bureau will result in longer waiting times and diminished customer service for customers.

**Oakland Police Department (OPD)**

- Reduce \$200,000 in GPF funds for ShotSpotter geographic expansion that was added in the FY 2019-20 adopted budget.
- Freezing of 2.0 FTE Crime Analysts in the Crime Analysis Section and 1.0 FTE Criminalist II in the Criminalistics Section will result in delays in the processing of evidence in crime investigations. Specifically, the freezing of these positions will slow OPD's ability to examine and trace firearms recovered in connection with crime.

**Oakland Fire Department (OFD)**

- Freezing of 1.0 FTE Emergency Planning Coordinator in the Emergency Operations Center of OFD will impact the Communities of Oakland Respond to Emergencies (CORE) program. CORE is a training program for residents, neighborhood groups and community-based organizations to help communities form response teams in case of a major disaster.
- Reducing \$600,000 in one-time funding in FY 2019-20 for Vegetation Management for Fire Prevention will result in the total budget for this purpose to \$1.4 million. This will prevent OFD from performing additional vegetation management and accelerating the vegetation clearing process to an earlier time in the spring before the onset of fire season. It should be noted that the \$1.4 remaining for this purpose is higher than the \$1.1 million in FY 2018-19 and the \$1.1 million in FY 2020-21.

**Economic & Workforce Development**

- Freezing of 1.0 FTE Urban Economic Analyst III, which was added in FY 2019-20, will result in reduced capacity to produce economic development initiatives and reduce Economic & Workforce Development's capacity to enhance the economic vibrancy of Oakland's neighborhoods and commercial centers
- Eliminating \$100,000 one-time funding for community murals, which was added in FY 2019-20, will remove resources for murals or related creative art projects to beautify public spaces.
- Eliminating \$125,000 one-time funding for the Vocational and Trades Training Program, will remove additional funding resource for various workforce service providers to improve the employment outcomes of Oakland residents. These resources have yet to be contracted.
- Eliminating \$145,000 one-time funding for various prospective Business Improvement District initiatives will take away resources to enhance and improve various neighborhoods in the downtown area of the city.

### **Oakland Public Works**

- Freezing of 1.0 FTE Electrical Painter in the Comprehensive Clean Up Fund (1720) will result in reduced capacity to perform painting-related maintenance, such as graffiti abatement.
- Eliminating \$115,000 for the EBMUD Customer Assistance Program will delay the City assumption of partial funding of the program until FY 2020-21.
- Eliminating \$200,000 in funding tree trimming and removal in the Skyline Area.
- Reducing \$100,000 in Minor Capital Improvement funding in the Facilities Fund (4400) will impact one or more building maintenance minor capital projects, such as elevator repairs, heating and cooling systems, restroom repairs, pool pumps, and internal lighting. Affected facilities may include libraries, recreation centers, and senior centers and other public spaces. Reductions in this Internal Service Fund will result in saving to the GPF since 64% of the resources supporting the Facilities Fund (4400) are derived from the GPF.

### **Oakland Department of Transportation**

- Freezing of 1.0 FTE Public Service Representative in the Parking Enforcement section will result in reduced customer and administrative service capacity for Oaklanders who have received parking citations.

### **Non-Departmental**

- Reducing the Oakland Promise funding by \$250,000 will result in decreased capacity to provide financial assistance for various programs it offers, including Brilliant Baby, Kindergarten to College, Future Centers, and College Scholarship & Completion programs.
- Reducing approximately \$412,000 from miscellaneous O&M for various purposes and adjust Central Service Overhead recoveries.

### **FISCAL IMPACT**

Adoption of this resolution will result in savings from the freezing of 9.0 FTEs, as well as reduction/elimination of various operations & management budgets, most of which were added as one-time items in FY 2019-20.

Reduction to O&M funding will result in a savings of \$2.6 million in the GPF and \$0.1 million in the Facilities Fund (4400). Reductions in the Facilities Fund will result in saving to the GPF as 64 percent of the resources supporting the Facilities Fund are derived from the GPF.

Approximately \$1.8 million of the proposed reductions are items that were newly added during the FY 2019-21 budget process. **Table 1** below is a list of these newly added items.

**Table 1: Proposed Expenditure Reductions Added In The FY 2019-21 Budget Process**

		<b>Reduction Amount</b>
City Clerk	Receptionist to the City Clerk	(104,088)
Economic & Workforce Development	Urban Economic Analyst III	(155,024)
Economic & Workforce Development	Chinatown & Eastlake BID	(125,000)
Economic & Workforce Development	Dimond BID	(20,000)
Economic & Workforce Development	Community Murals	(100,000)
Economic & Workforce Development	Vocational and Trades Training Program	(125,000)
Oakland Police Department	ShotSpotter Geographic Expansion Phases	(200,000)
Oakland Fire Department	Funding for Vegetation Management for Fire Prevention	(600,000)
Oakland Public Works	EBMUD Customer Assistance Program	(115,000)
Oakland Public Works	Skyline Area Tree Removal	(200,000)
Oakland Public Works	Minor CIP	(100,000)
<b>Total</b>		<b>(1,844,112)</b>

In summary, the total net reduced expenses, across all funds, is estimated at \$4.0 million in FY 2019-20, most of which is in the GPF. For details on the proposed budget adjustments, refer to **Exhibit 1**.

**PUBLIC OUTREACH / INTEREST**

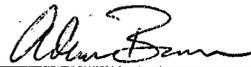
During the two-year budget, extensive public outreach was completed including a scientific poll, informal survey, and community outreach forums. This amendment did not include any additional public outreach.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87759 C.M.S., Which Adopted The Fiscal Year (FY) 2019-21 Budget, To Amend The FY 2019-20 Budget To Make Adjustments To The FY 2019-20 Revenue And Expenditure Appropriations In The General Purpose Fund (GPF) And Non-GPF Funds.

For questions regarding this report, please contact Bradley Johnson, Principal Budget Analyst, at (510) 238-6119 or Chris Yi, Principal Budget Analyst, at (510) 238-3917.

Respectfully submitted,



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ADAM BENSON  
Director, Finance Department

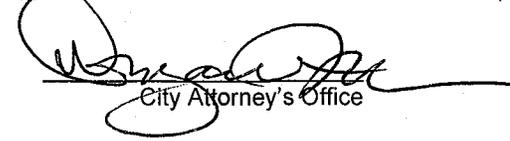
Prepared by:  
Bradley Johnson, Principal Budget Analyst  
Budget Bureau, Finance Department

Chris Yi, Principal Budget Analyst  
Budget Bureau, Finance Department

Attachments (1):

1. Resolution to Adopt the FY 2019-20 Budget Amendments
- Exhibit 1: Summary of GPF and Non-GPF Adjustments

2019 DEC -6 AM 9:07

  
City Attorney's Office

## OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C.M.S.

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**RESOLUTION AMENDING RESOLUTION NO. 87759 C.M.S., WHICH ADOPTED THE FISCAL YEAR (FY) 2019-21 BUDGET, TO AMEND THE FY 2019-20 BUDGET TO MAKE ADJUSTMENTS TO THE FY 2019-20 REVENUE AND EXPENDITURE APPROPRIATIONS IN THE GENERAL PURPOSE FUND (GPF) AND NON-GPF FUNDS.**

**WHEREAS**, the City Council adopted Resolution No. 87759 C.M.S. on June 19, 2019, adopting the FY 2019-21 Policy Budget, and appropriating certain funds to provide the expenditures proposed by the said budget; and

**WHEREAS**, the City Council has proposed to amend the Business License Tax rates for cannabis businesses, creating a tiered and category based tax structure, merging medical and non-medical cannabis business classifications, and reducing tax rates, as well as to implement the Cannabis Business Tax Rebate Program; and

**WHEREAS**, the City Council has also proposed to fully or partially exempt Business License Tax on residential property rentals for qualified landlords; and

**WHEREAS**, the City Council approved first reading of these proposed amendments to the city ordinances on November 19, 2019, and if second reading, scheduled on December 10, 2019, is approved, this will reduce Business License Tax revenues by approximately \$4.0 million in the FY 2019-20; and

**WHEREAS**, the City's Consolidated Fiscal Policy requires that any amendments to the adopted budget to be balanced; and now, therefore be it

**RESOLVED:** That the City's FY 2019-20 Adopted Policy Budget is hereby amended to include adjustments to the GPF and non-GPF funds as set forth in **Exhibit 1** attached to and incorporated into this Resolution; and be it

**FURTHER RESOLVED:** That the City Administrator is hereby authorized to balance the budget by freezing vacant positions and adjusting some of the Operation & Maintenance (O&M) budgets; and be it

**FURTHER RESOLVED:** That the City Administrator is hereby authorized to make revisions, within reason, to the GPF and non-GPF amendments as set forth in **Exhibit 1**, if necessary, as long as the FY 2019-20 budget remains balanced. Any subsequent changes to adjustments set forth in **Exhibit 1** shall be reported as part of the FY 2020-21 Midcycle Amendments; and be it

**FURTHER RESOLVED:** That all other provisions of Resolution No. 87759 C.M.S., which adopted the FY 2019-21 biennial budget on June 19, 2019, shall remain in effect for FY 2019-20.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND  
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council of the  
City of Oakland, California

## Exhibit 1: Proposed Budget Adjustments

ALL FUNDS	FTE	FY 2019-20 Increase/ (Reduce)
<b>Significant Revenue Change</b>		
Reduce Business Licence Tax Revenue in General Purpose Fund (1010)		(\$4.00)
<b>Significant Expenditure Changes</b>		
<b>CITY ADMINISTRATOR (CAO)</b>		
Reduce O&M Cannabis Equity Business Funding in General Purpose Fund (1010)		(\$0.50)
<b>CITY CLERK</b>		
Freeze 1.00 FTE Receptionist to the City Clerk in General Purpose Fund (1010)	(1.00)	(\$0.10)
<b>FINANCE</b>		
Freeze 1.00 FTE Tax Enforcement Officer II in General Purpose Fund (1010)	(1.00)	(\$0.14)
<b>POLICE (OPD)</b>		
Freeze 2.00 FTE Crime Analyst and 1.00 FTE Criminalist II in General Purpose Fund (1010)	(3.00)	(\$0.44)
Reduce funding for ShotSpotter geographic expansion in General Purpose Fund (1010)		(\$0.20)
<b>FIRE</b>		
Freeze 1.00 FTE Emergency Planning Coordinator in General Purpose Fund (1010)	(1.00)	(\$0.16)
Reduce O&M funding for Vegetation Management for Fire Prevention in General Purpose Fund (1010)		(\$0.60)
<b>ECONOMIC &amp; WORKFORCE DEVELOPMENT</b>		
Freeze 1.00 FTE Urban Economic Analyst III in General Purpose Fund (1010)	(1.00)	(\$0.16)
Eliminate O&M funding for the Chinatown & Eastlake BID (\$125K), the Dimond BID (\$20K), Community Murals (\$100K) and for Vocational and Trades Training Program (\$125K) in General Purpose Fund (1010)		(\$0.37)
<b>OAKLAND PUBLIC WORKS</b>		
Transfer 1.00 FTE Clean Community Supervisor from General Purpose Fund (1010) to Comprehensive Clean-up Fund (1720)	(1.00)	(\$0.19)
Freeze 1.00 FTE Electrical Painter in Comprehensive Clean-up Fund (1720)	(1.00)	(\$0.17)
Transfer 1.00 FTE Clean Community Supervisor to the Comprehensive Clean-up Fund (1720) from General Purpose Fund (1010)	1.00	\$0.19
Eliminate O&M funding for EBMUD Customer Assistance Program in General Purpose Fund (1010)		(\$0.12)
Eliminate O&M funding for Skyline Area Tree Removal in General Purpose Fund (1010)		(\$0.20)
Reduce O&M funding for Minor CIP in Facilities Fund (4400)		(\$0.10)
<b>TRANSPORTATION</b>		
Freeze 1.00 FTE Public Service Representative in General Purpose Fund (1010)	(1.00)	(\$0.10)
<b>NON-DEPARTMENTAL</b>		
Reduce O&M funding for Oakland Promise in General Purpose Fund (1010)		(\$0.25)
Reduce O&M and adjust CSO recoveries in General Purpose Fund (1010)		(\$0.41)