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OFFICE OF THE CITY CLERK  
OAKLAND

2017 APR 27 PM 12:39

# AGENDA REPORT

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

**FROM:** Katano Kasaine  
Finance Director

**SUBJECT:** BAC Infrastructure Bond & Capital  
Planning Recommendations

**DATE:** April 25, 2017

City Administrator Approval

Date:

4/26/17

## RECOMMENDATION

**Staff Recommends That The City Council Receive an Informational Report from the Budget Advisory Commission regarding recommendations for Implementation of the Infrastructure Bond and Establishing a Capital Planning Working Group**

## EXECUTIVE SUMMARY

The purpose of this memorandum is to transmit to the full City Council, Mayor, and public, the Budget Advisory Committee's (BAC) recommendations for improvements to the capital projects planning process and implementation of the 2016 Infrastructure Bond Measure KK.

## BACKGROUND / LEGISLATIVE HISTORY

The Budget Advisory Commission was established by Ordinance 13337 C.M.S.; Section 2 of which describes the Duties and Functions of the Commission in part as "The Budget Advisory Commission shall report regularly to the Finance and Management Committee on topics deemed important to the fiscal health of the City, encouraging public participation and input into fiscal decision making, and improving the transparency and accountability of City fiscal information and decision making." This report is submitted in accordance with those duties.

## FISCAL IMPACT

There are no direct fiscal impacts in the acceptance of this report.

## PUBLIC OUTREACH / INTEREST

The Budget Advisory Commission discussed their recommended changes to the budget development process at numerous public and noticed meetings of that body, prior to adoption.

## COORDINATION

The Finance Department, Oakland Public Works, and the City Administrator's Office were consulted in preparation of this report.

Item: \_\_\_\_\_  
Finance & Management Committee  
May 9, 2017

**SUSTAINABLE OPPORTUNITIES**

**Economic:** There are no environmental opportunities associated with this report.

**Environmental:** There are no environmental opportunities associated with this report.

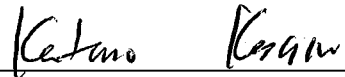
**Social Equity:** The implementation of these recommendations may change the City's Capital Planning processes, which will have a commensurate impact on disadvantaged communities.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council receive an Informational Report from the Budget Advisory Commission regarding recommendations for Implementation of the Infrastructure Bond and Establishing a Capital Planning Working Group.

For questions regarding this report, please contact Brad Johnson, Assistant to the City Administrator at 510-238-6119.

Respectfully submitted,



KATANO KASAINÉ  
Finance Director

Prepared by:  
Bradley Johnson,  
Assistant to the City Administrator

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## MEMORANDUM

TO: HONORABLE MAYOR &  
CITY COUNCIL

FROM: The Budget Advisory  
Commission

SUBJECT: Eleven Recommendations on  
Implementation of the Infrastructure Bond  
and Establishing a Capital Planning  
Working Group

DATE: April 21, 2017

On May 19, 2016 the Budget Advisory Commission (BAC) submitted a Memorandum (attached) including eleven recommendations regarding the placement of an infrastructure bond on the November 2016 ballot. We would like to commend the City for adopting three of our four pre-ballot recommendations in that Memorandum and congratulate you for winning 82% support for Measure KK from Oakland voters last year.

As you begin the process of adopting the City's FY2017/18-FY2018/19 budget, we would like to refine the remaining seven recommendations from our 2016 Memorandum and offer eleven new recommendations as you begin the work of ensuring effective implementation of the infrastructure bond.

In May 2016, the BAC recommended that the City "*bring an equity perspective to bear on the selection of capital projects*" (2016 Recommendation 5) and "*give additional consideration to projects that reduce energy needs, expand mobility, or increase resiliency*" (2016 Rec 7).

The BAC commends City staff for their tremendous progress in this regard since voter-approval, including: (a) convening three meetings of an Infrastructure Working Group which members of the BAC participated in and which helped inform our new recommendations, (b) establishing three new categories – equity, resilience and mobility – to consider in the prioritization of all Capital Improvement Projects, (c) developing a public, interactive map that enables staff and the public to use data to analyze the city's capital projects, including with regard to these three new categories, and (d) committing to continuing these efforts starting in Fall 2017 in order to refine and improve the prioritization scoring well before the next CIP is adopted.

Recognizing both the good faith effort made to date and the complexity of the work yet to come, the BAC offers the following updated recommendations:

**BAC Recommendation #1:** Identify, fund, and budget for key staff (as well as consulting services as needed) in project management, contracting, engineering, design and community engagement within the FY18-19 budget so that the City has time and realistic resources to build the necessary internal capacity to provide smooth and effective project delivery throughout the life of the bond's implementation.

**BAC Recommendation #2:** Direct City staff to sequence bond issuances and project start dates to align with the capacity of this increased staffing level and to develop additional staffing plans that align with future bond tranches and project delivery expectations.

The BAC also recommended in May 2016 that the City "*prioritize projects that Fix it First*" (2016 Rec 6). After years of historic disinvestment, Oakland's infrastructure is in a dire state of need and it is important that we begin to immediately address the problem.

**BAC Recommendation #3:** Utilize the first tranche of bond funds to complete existing designed and Council-approved project lists – such as the remaining approximately \$23 million in projects from the City's 5-year paving plan adopted in 2014 – to demonstrate early progress, avoid cost escalation, clear backlogs of designed and approved projects and highlight any existing contracting, staffing, and/or project management bottlenecks. This should include strong communication with the public on the value of initiating projects without further delay even as the City finalizes any additional processes regarding project selection and prioritization.

The need for communication leads to transparency, accountability, and efficient implementation, which are always critical components of effective public project delivery (2016 Rec 8). Once recommendations #1 through #3 above are implemented, three specific steps the Mayor and Council can take in this regard include:

**BAC Recommendation #4:** Explicitly define Equity not as simple geographic dollar allocations but rather as a means of serving populations or geographies with acute public service needs (high public transit reliance, open space deficits or City service utilization, for example), that have suffered historic disinvestment in infrastructure and/or have incomes levels below City of Oakland averages.

**BAC Recommendation #5:** Weight the new Equity, Resilience and Mobility categories in such a way that they collectively account for a meaningful portion of the total CIP score but do not displace the preservation of life safety as the City's paramount concern.

**BAC Recommendation #6:** Consider a programmatic approach to project selection so that projects taken as a whole or by category (Housing, Facilities or Streets) can meet the City's goals even if not every individual project does.

The BAC was pleased to see the inclusion of language in the ballot argument to "*Establish the required citizen oversight body*" (2016 Rec 9). Now is the time to designate that body and ensure they are a part of the planning for delivery of bond projects and proceeds.

**BAC Recommendation #7:** Designate the BAC as the public bond oversight committee to ensure funds are spent in accordance with the law and the intent of Measure KK. Consider accomplishing this by *filling vacancies, as they occur, to ensure representative membership on the BAC for its expanded duties.*

Finally, the City of Oakland needs to look beyond the infrastructure bond to “develop a more robust long-range capital improvement plan” (2016 Rec 10) and “adopt a policy goal to minimize fluctuations in the city’s share of the property tax rate from year to year” (2016 Rec 11). Given available resources and timing, this could be implemented incrementally, as follows:

**BAC Recommendation #8:** Form a Capital Planning Working Group with representatives from departments with significant capital assets and infrastructure responsibilities, which include, but may not be limited to, the City Administrator’s Office, Planning Department, Finance and Budget, Mayor’s Office, and the Departments of Transportation, Public Works, Fire, Police, Office of Parks and Recreation, and the Library.

**BAC Recommendation #9:** Task the Capital Planning Working Group with:

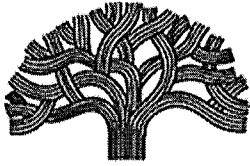
- Scoring projects in the CIP by the metrics adopted by Council and mentioned above;
- Leveraging available matching funding sources;
- Planning for the delivery of an aggressive but attainable set of annual projects given existing staff constraints and the availability of shovel-ready projects;
- Projecting anticipated funding needs and using it to determine the issuance of bonds and limit the impact on the property tax rate;
- Tracking the impacts of capital projects on the City’s operating budget;
- Utilizing City staff where possible but securing additional outside professional consultants and/or contractors as needed; and,
- Resolving areas of conflict and uncertainty.

**BAC Recommendation #10:** Beginning in the Fall of 2017, the Capital Planning Working Group’s mission should grow to include developing a fiscally constrained ten year capital plan for Council consideration in advance of the 2019-20 and 2020-21 budget cycle.

**BAC Recommendation #11:** Also beginning in the Fall of 2017 and in advance of future budget discussions, the Capital Planning Working Group should develop policy recommendation to City Council to cap the property tax rate, such that debt issuances do not exceed impacts to the property tax rate as of a future date.

Thank you for the opportunity to comment and congratulations again on the historic passage of Measure KK. We look forward to working closely with the Mayor, City Council, and City staff to support the efficient management of bond funds and to making visible improvements to the city’s infrastructure and quality of life for all of Oakland’s businesses and residents.

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