

FILED
OFFICE OF THE CITY CLERK
OAKLAND

19 JUN -6 AM 9:54

Independent Analysis of Proposed FY 2019-21 Budget City of Oakland

Prepared for:
City Council, City of Oakland

June 10, 2019

HARVEY M. ROSE
ASSOCIATES, LLC

1390 Market Street, Suite 1150 • San Francisco, California 94102
(415) 552-9292 • (415) 252-0461 (FAX) • info@harveyrose.com

public sector management consulting



Objectives



Analysis of proposed budget, independent of the City's executive branch, to support the City Council in their process of crafting and approving the two-year budget.

Scope



- Multi-year budget-to-actual analysis of all General Purpose Fund departments.
- Major areas of increases, including FTEs over the past three years.
- Review of the Non-Departmental budget
- Analysis of Police Overtime expenditures.
- Revenue enhancement options, including an analysis of the gross receipts tax structure.
- Review of fund balances over \$1 million
- Positions, vacancies, and salary savings
- Costs savings of potential DOT/DPW merger
- Contract contingencies, administrative projects
- Informal survey of peer jurisdictions (independent budget analyst)

Citywide overview



All Funds Budgeted and Proposed Revenues and Expenditures (in 000s)

	FY 2017-18 Adopted	FY 2017-18 Actual	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (adopted v. proposed)	% Change (adopted v. proposed)
Revenues	\$1,409,510	\$1,742,860	\$1,484,149	\$1,613,900	\$204,390	14.50%
Expenditures	\$1,409,510	\$1,485,957	\$1,484,149	\$1,613,900	\$204,390	14.50%

General Purpose Fund Budgeted and Proposed Revenues and Expenditures (in 000s)

	FY 2017-18 Adopted	FY 2017-18 Actual	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (adopted v. proposed)	% Change (adopted v. proposed)
Revenues	\$584,072	\$590,677	\$602,453	\$650,782	\$66,710	11.42%
Expenditures	\$584,072	\$582,739	\$602,453	\$650,782	\$66,710	11.42%

GPF Changes by Department



Department	FY 2018-19 Midcycle Adopted Total	FY 2019-20 Biennial Working Total	Change	% Change	Percent of Total Change
Police Department	261,401,320	291,108,438	29,707,118	11.4%	61.5%
Fire Department	142,551,384	163,089,908	20,538,524	14.4%	42.5%
City Administrator	13,250,773	14,390,135	1,139,362	8.6%	2.4%
Police Commission	2,963,773	4,101,998	1,138,225	38.4%	2.4%
City Attorney	12,741,085	13,513,360	772,275	6.1%	1.6%
Mayor	3,105,972	3,733,891	627,919	20.2%	1.3%
All Other Departments- Aggregated	24,685,303	25,098,702	413,399	1.7%	-11.6%
Total	\$602,452,607	\$650,782,385	\$48,329,778	8.0%	100.0%

Police GPF Changes



Major Changes in Police Department General Purpose Fund Budget

	FY 2018-19 Mid-cycle Adopted	FY 2019-20 Proposed	Change	Percent Change	Percent of GPF Change
Sworn Retirement Accrual	38,150,267	46,609,444	8,459,177	22.2%	28.5%
Sworn Fringe Benefit Accrual	29,845,723	34,577,962	4,732,239	15.9%	15.9%
Sworn Overtime	9,786,510	13,672,960	3,886,450	13.1%	13.1%
Sworn Regular Pay	68,470,247	71,006,423	2,536,176	3.7%	8.5%
Civilian Regular Pay	18,669,913	19,632,617	962,704	5.2%	3.2%
Civilian Fringe Benefit Accrual	8,303,883	9,204,689	900,806	10.8%	3.0%
Sworn Paid Leave	21,824,206	22,632,464	808,258	3.7%	2.7%
Subtotal of Major Changes Related to Pay and Benefits	195,050,749	217,336,559	22,285,810	11.4%	75.0%
Other Cost Accounts with Large Contributions to Change (Adopted vs. Proposed)					
Special Setups	3,768,982	5,978,884	2,209,902	58.6%	7.4%
Sworn Education	2,661,841	4,705,678	2,043,837	76.8%	6.9%
City Vehicle Rentals	9,277,892	11,087,690	1,809,798	19.5%	6.1%
Subtotal	15,708,715	21,772,252	6,063,537	38.6%	20.4%
All Other Accounts	50,641,856	51,999,627	1,357,771	2.7%	4.6%
Total Police General Purpose Fund	261,401,320	291,108,438	29,707,118	11.4%	100.0%

Fire GPF Changes



Major Changes in Fire Department General Purpose Fund Budget

	FY 2018-19 Mid-cycle Adopted	FY 2019-20 Proposed	Change	Percent Change	Percent of GPF Change
Sworn Retirement Accrual	26,805,524	32,546,476	5,740,952	21.4%	28.0%
Sworn Fringe Benefit Accrual	23,205,213	26,855,382	3,650,169	15.7%	17.8%
Sworn Regular Pay	47,101,784	49,487,547	2,385,763	5.1%	11.6%
Miscellaneous Payroll Adjustments	0	1,916,377	1,916,377	N/A	9.3%
Civilian Regular Pay	4,566,770	5,437,931	871,161	19.1%	4.2%
Sworn Paid Leave	14,614,475	15,249,486	635,011	4.3%	3.1%
Subtotal of Major Changes Related to Pay and Benefits	116,293,766	131,493,199	15,199,433	13.1%	74.0%
Other Cost Accounts with Large Contributions to Change (Adopted vs. Proposed)					
Special Setups	2,076,705	3,288,100	1,211,395	58.3%	5.9%
City Vehicle Rentals	3,772,632	4,643,730	871,098	23.1%	4.2%
Miscellaneous Educational Expenditures	11,910	598,568	586,658	4,925.8%	2.9%
Subtotal	5,861,247	8,530,398	2,669,151	45.5%	13.0%
All Other Accounts	20,396,371	23,066,311	2,669,940	13.1%	13.0%
Total Fire General Purpose Fund	142,551,384	163,089,908	20,538,524	14.4%	100.0%

Citywide FTE Changes



All Funds Proposed Full Time Equivalent Positions by Department, FY 2018-19 to FY 2019-20

Department	FY 2018-19 FTEs	FY 2018-19 Amount	FY 2019-20 FTEs	Change in FTEs	FY 2019-20 Amount	Change in Amount
Fire Department	612.10	\$ 134,558,957	652.78	40.68	\$ 148,876,450	\$14,317,493
Planning & Building	171.50	28,904,825	195.50	24.00	34,533,391	5,628,566
City Administrator	79.10	12,398,767	92.10	13.00	14,810,826	2,412,059
Finance Department	160.01	23,623,844	167.81	7.80	26,317,325	2,693,481
Housing & Community Development	68.50	13,450,898	74.54	6.04	13,784,199	333,301
Transportation	317.04	58,550,726	322.04	5.00	62,789,943	4,239,217
Human Services	236.94	28,584,597	241.14	4.20	30,314,307	1,729,710
Oakland Parks & Recreation	228.14	17,400,591	231.69	3.55	18,316,353	915,762
City Attorney	78.00	16,715,426	81.00	3.00	18,313,623	1,598,197
Police Commission	14.00	2,182,013	17.00	3.00	3,040,270	858,257
Human Resources Management Department	49.00	7,556,077	50.00	1.00	8,187,514	631,437
City Auditor	10.00	1,739,926	10.00	-	1,920,377	180,451
City Clerk	17.50	2,876,876	17.50	-	2,939,266	62,390
City Council	30.92	4,924,589	30.92	-	5,108,692	184,103
Department of Violence Prevention	3.00	638,486	3.00	-	748,835	110,349
Information Technology	81.00	14,884,422	81.00	-	16,002,867	1,118,445
Mayor	13.00	3,478,163	13.00	-	3,730,585	252,422
Public Ethics Commission	6.00	955,340	6.00	-	1,080,340	125,000
Race & Equity	3.00	519,036	3.00	-	591,148	72,112
Economic & Workforce Development	50.60	10,253,123	49.20	(1.40)	10,634,497	381,374
Oakland Public Works	630.07	101,454,757	628.16	(1.91)	103,847,985	2,393,228
Oakland Public Library	275.27	27,468,222	269.18	(6.09)	29,324,265	1,856,043
Police Department	1,311.50	229,278,152	1,270.20	(41.30)	249,253,981	19,975,829
Grand Total	4,446.19	\$ 742,397,813	4,506.76	60.57	\$ 804,467,039	\$62,069,226

Personnel Spending



- The City-wide vacancy credit (2.4%) is much lower than the actual City-wide vacancy rate (12.5%).

- Departments with highest vacancies (March 2019):
 - Police- 10.6%
 - Fire- 13.6%
 - DPW- 18.6%
 - DOT- 23.3%

- However, because the City significantly over-spends on overtime, the total personnel budget is typically overspent.

Personnel Spending



General Purpose Fund Personnel Expenditures Over- or Under-Spending

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
	(Under) and Over Spending			
Salary	(5,906,987)	5,256,757	(3,542,026)	(2,596,649)
Fringe Benefits and Retirement	(8,055,651)	53,913	(7,017,617)	(4,512,671)
Overtime	32,759,406	31,407,189	31,136,486	27,873,841
Paid and Unpaid Leaves	(10,562,352)	(8,800,372)	(12,191,264)	(12,677,404)
Premiums	(662,769)	2,029,734	2,979,110	1,721,720
Miscellaneous Payroll Adjustments	(1,280,667)	(10,457,695)	4,339,754	(5,735,264)
Allowances/Buybacks	615,140	695,432	845,440	1,194,471
Workers' Compensation/Disability	2,995	1,121	157,633	334,046
Total	6,909,115	20,186,078	16,707,515	5,602,091

Police Overtime Budget



- The overtime budget does not reflect actual overtime use.
 - Actual police overtime expenditures of \$26.9 million in FY 2017-18 are twice the proposed overtime budget of \$13.9 million in FY 2019-20

- Police overtime spending decreased by 9% from FY 2015-16 to FY 2017-18 (when reimbursements for special events are included), but is projected to increase in FY 2018-19.

- Backfill of vacant positions, special events/enforcement, extension of shifts are the most frequent overtime use.

Police Overtime



High Users of Shift Overtime

Employee	FY 2017-18 Extension of Shift Overtime			FY 2015-16 to FY 2017-18 Extension of Shift Overtime	
	Hours	Pay	Number of Days	Average Hours per Year	Total Pay
1	1,248.50	\$104,588	244	1,325.80	\$316,779
2	901.50	\$87,322	239	972.17	\$268,130
3	887.00	\$74,247	272	612.67	\$149,586
4	837.00	\$70,148	272	766.33	\$184,625
5	806.50	\$77,663	179	911.33	\$249,913
6	794.25	\$66,383	211	516.92	\$126,149
7	735.50	\$71,022	206	428.33	\$116,307
8	701.00	\$67,683	177	736.50	\$202,934
9	679.00	\$56,598	201	446.08	\$108,582
10	639.00	\$53,777	102	501.42	\$122,056
11	608.50	\$50,925	121	525.75	\$125,926
12	534.50	\$51,643	164	681.83	\$187,393

Fund Balances over \$1 Million



- Development Service Fund:
- General Purpose Fund
- Measure Z Violence Prevention Fund
- Vital Services Stabilization Fund

Contracts and Projects



- According to City, departments can use placeholder contracts accounts to set aside funds when there is uncertainty regarding actual expenditures.
- Many departments underspend these funds year-to-year.

	FY 2017-18	FY 2018-19*
Total Contract/Project Funds Appropriated Citywide	\$27,964,229	\$26,900,028
Total Contract/Project Funds Available	\$37,145,787	\$37,778,833
Total Contract/Project Expenditures Citywide	\$25,329,068	\$20,303,614
Total Annual Unspent	\$11,816,719	\$17,475,219

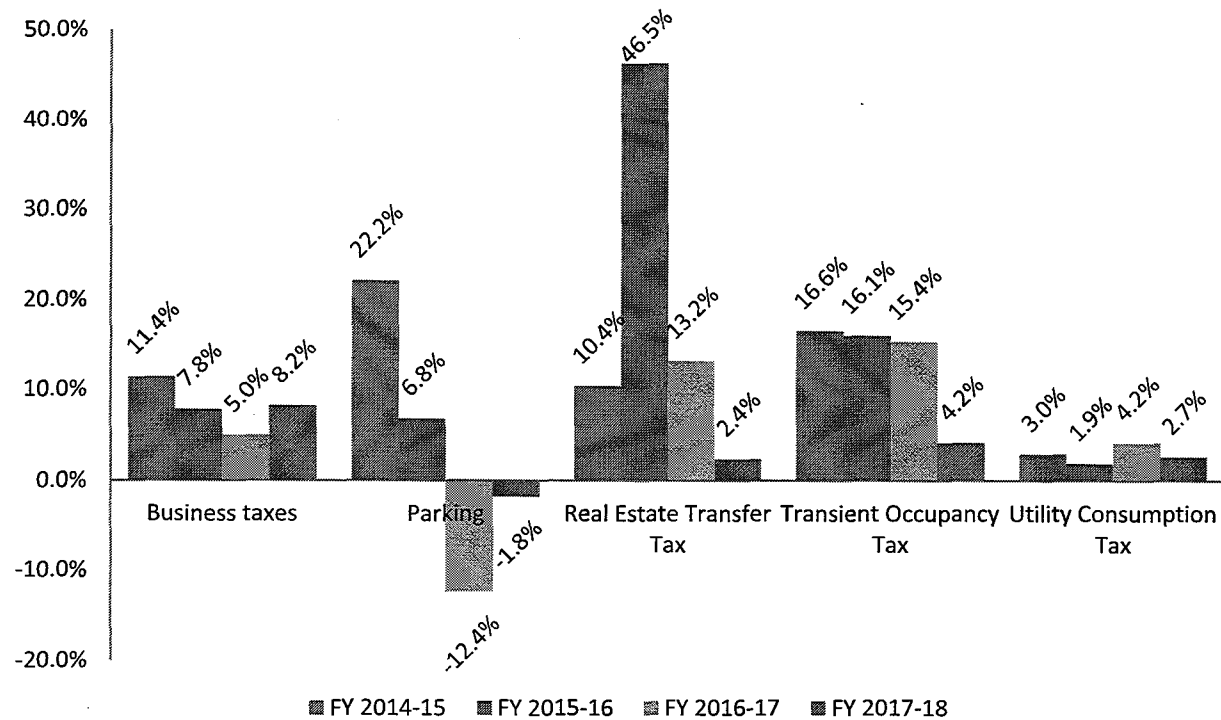
*Through March 2019

Local Tax Forecasting



- Finance Department tends to under-estimate local tax revenues.

Amount of Actual Revenues vs. Projected Revenues as a Percentage of Projection, FY 2014-15 to FY 2017-18



Business License Tax



- Oakland's Business License Tax differentiates rates by industry, but not by business/revenue size
- Cities of San Francisco and Riverside have more progressive tax structures for gross receipts
- Rate differences between San Francisco and Oakland vary based on industry type

Fiscal Accountability



- Existing controls tend to address overspending once it has already occurred.

- Controls include:
 - Quarterly Reporting
 - Overspending Action Plans
 - Reserve Policy Action Plan

- 3 of 8 peer cities surveyed have independent budget analysts
 - Sacramento
 - San Diego
 - Los Angeles

Questions and comments



Independent Analysis of Proposed FY 2019-21 Budget City of Oakland

FILED
OFFICE OF THE CITY CLERK
OAKLAND

19 JUN -6 AM 9:55

**Analysis of the
Proposed FY 2019-21 Budget
of the City of Oakland**

**Prepared for:
Oakland City Council**

By:



**Harvey M. Rose Associates, LLC
1390 Market Street, Suite 1150
San Francisco, CA 94102**

June 5, 2019

Table of Contents

Section	Page
Introduction	1
Scope	1
I. Overview of Proposed Budget.....	3
Areas of Major Increases in the Proposed General Purpose Fund Budget .3	
Major Changes in Full Time Equivalent Positions.....	6
II. Overview of Historic Expenditures	11
Areas of Historic Over and Under Expenditure	11
III. Positions, Vacancies, and Salary Savings	15
Historical Overspending on Personnel Services	15
Vacancy Credit in the Proposed Budget	16
Actual City Vacancy Rates	18
Salary Savings Offset by Overtime Over Expenditures	19
IV. Police Overtime	22
Backfill of Vacancies and Absences	25
Special Events/Enforcement	26
Extension of Shift	26
V. Fund Balances over \$1 Million	29
Development Services Fund	29
General Purpose Fund	30
Measure Z Violence Prevention Fund	31
Vital Services Stabilization Fund	32
VI. Contracts and Projects	34
VII. Local Tax Forecasting and the Business License Tax Structure	38
Forecasting Gross Receipts and Other Local Tax Revenue	38
Business License Tax Structure.....	41

VIII.	Review of DOT and DPW.....	46
	Budgeted and Actual Expenditures.....	46
	Major Changes in Authorized Full Time Equivalent Positions.....	48
IX.	Fiscal Accountability.....	53
	Existing Fiscal Accountability	53
	Survey of Peer Cities' Fiscal Accountability	54
	Appendix: Matrix of Recommendations	A-1

Attachments

1. General Purpose Fund Revised Budget, Expenditures, and Year-End Balance, FY 2016-17 through FY 2018-19
2. General Purpose Fund Personnel Services Expenditures Over- or Under-Spending; General Purpose Fund Overtime Over-Expenditures
3. List of Funds with Balances Over \$1 Million (excluding trust funds)

Introduction

Harvey M. Rose Associates, LLC was retained by the Oakland City Council to provide budget and fiscal analytic services, independent of the City's executive branch. This analysis was conducted to support the City Council as a whole in their process of crafting and approving the two-year budget.

Section 801 of the City of Oakland Charter requires that all City departments, offices, and agencies provide information required by the Mayor and City Administrator to allow them to develop a budget. The Charter also requires City departments, offices and agencies to provide specific information that may be required by the Council. Under the direction of the Mayor and City Council, the City Administrator is required to provide budget recommendations for the ensuing year which the Mayor presents to the Council for review and, subsequent to public hearings, approval by resolution.

Scope

The City Council requested that our budget review and analysis cover the following topics:

1. Multi-year budget-to-actual analysis of all General Purpose Fund departments, including an analysis of budgeted and actual revenues over the last three years with a review of revenue projection methodology.
2. Analysis of major budget year increases, including increases in the number of FTEs over the past three years.
3. Review of the Non-Departmental budget.
4. Analysis of Police Department overtime expenditures, by type, to assess patterns and analyze controls in place to minimize unnecessary overtime.
5. Analysis of gross receipts tax revenues to determine how many brackets are in place, the rationale for each, and if there are opportunities to change the number of brackets to establish more equitable tax bases.
6. Review fund balances over \$1 million to determine how the funds are being used, how funds accumulated to an amount greater than \$1 million, and if some of those funds could be used to address City Council goals and/or reduce General Purpose Fund expenses.
7. Analysis of positions, vacancies, and salary savings to determine variances between budgeted and actual vacancy savings and reasons for such differences.
8. Identification of costs that could potentially be reduced by merging the Department of Transportation with the Department of Public Works.
9. Analysis of contract contingencies, administrative projects, other unspecified accounts, and encumbrances.
10. Informal survey of peer jurisdictions regarding the establishment and reporting structure of an independent budget analyst function.

This review was conducted between May 2, 2019 and the City Council budget hearing on June 10, 2019.

Limitations to the Analysis

Due to the short time frame for this budget review, our review was limited to areas that we could obtain sufficient data. Available data was not always sufficiently detailed to allow for in-depth analysis. Further,

a draft copy of this report was provided to the Finance Director for review and feedback, but no feedback was received prior to the time that this report was finalized and made public.

I. Overview of Proposed Budget

The proposed FY 2019-20 revenue and expenditure budget for all funds is \$1,613,900,740, an increase of \$204.4 million, or 14.5 percent, over the originally adopted budget for FY 2017-18. Compared to the FY 2018-19 Mid-cycle approved budget, the proposed All Funds budget represents a \$129.8 million increase, or an increase of 8.7 percent. Exhibit 1 presents this information below.

Exhibit 1: All Funds Budgeted and Proposed Revenues and Expenditures (in 000s)

	FY 2017-18 Adopted	FY 2017-18 Actual	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (adopted v. proposed)	% Change (adopted v. proposed)
Revenues	\$1,409,510	\$1,742,860	\$1,484,149	\$1,613,900	\$204,390	14.5%
Expenditures	\$1,409,510	\$1,485,957	\$1,484,149	\$1,613,900	\$204,390	14.5%

Sources: City of Oakland FY 2017-19 Adopted Budget and FY 2019-21 Proposed Budget

The proposed FY 2019-20 revenue and expenditure budget for the General Purpose Fund is \$650,782,385, an increase of \$66.7 million, or 11.4 percent, over the originally adopted budget for FY 2017-18. Compared to the FY 2018-19 Mid-cycle approved budget, the proposed All Funds budget represents a \$48.3 million increase, or 8.0 percent. Exhibit 2 presents this information below.

Exhibit 2: General Purpose Fund Budgeted and Proposed Revenues and Expenditures (in 000s)

	FY 2017-18 Adopted	FY 2017-18 Actual	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (adopted v. proposed)	% Change (adopted v. proposed)
Revenues	\$584,072	\$590,677	\$602,453	\$650,782	\$66,710	11.4%
Expenditures	\$584,072	\$582,739	\$602,453	\$650,782	\$66,710	11.4%

Sources: City of Oakland FY 2017-19 Adopted Budget and FY 2019-21 Proposed Budget

The distribution of the budgeted and proposed expenditures in Exhibits 1 and 2 is presented, by department and budget line item, as an attachment to this report.

Areas of Major Increases in the Proposed General Purpose Fund FY 2019-20 Budget

As shown in Exhibit 3 below, the vast majority of General Purpose Fund increases from the FY 2018-19 Mid-cycle adopted budget to the FY 2019-20 proposed budget are in the Police and Fire Departments. The Police Department proposed General Purpose Fund budget is \$29.7 million, or 11.4 percent, more than the FY 2018-19 Mid-cycle adopted budget of \$261,401,320. The Fire Department proposed General Purpose Fund budget is \$20,538,524, or 14.4 percent, more than the FY 2018-19 Mid-cycle adopted budget of \$142,551,384.

Exhibit 3: General Purpose Fund Adopted vs Proposed Budgets by Department (in 000s)

	FY 2018-19 Mid-cycle Adopted	FY 2019-20 Proposed	Change	Percent Change	Percent of GPF Change
Police	261,401,320	291,108,438	29,707,118	11.4%	61.5%
Fire	142,551,384	163,089,908	20,538,524	14.4%	42.5%
City Administrator	13,250,773	14,390,135	1,139,362	8.6%	2.4%
Police Commission	2,963,773	4,101,998	1,138,225	38.4%	2.4%
City Attorney	12,741,085	13,513,360	772,275	6.1%	1.6%
Mayor	3,105,972	3,733,891	627,919	20.2%	1.3%
Finance	24,685,303	25,098,702	413,399	1.7%	0.9%
Information Technology	10,403,625	10,682,344	278,719	2.7%	0.6%
Violence Prevention	415,990	634,639	218,649	52.6%	0.5%
Human Resources	6,326,561	6,542,490	215,929	3.4%	0.4%
City Council	5,522,030	5,732,149	210,119	3.8%	0.4%
City Auditor	2,064,905	2,259,876	194,971	9.4%	0.4%
Public Ethics Commission	1,031,110	1,160,831	129,721	12.6%	0.3%
Race and Equity	562,175	637,915	75,740	13.5%	0.2%
Capital Improvements	524,380	531,730	7,350	1.4%	0.0%
Housing and Community Development	0	0	0	N/A	0.0%
Planning and Building	21,446	16,000	(5,446)	-25.4%	0.0%
City Clerk	3,010,544	2,888,154	(122,390)	-4.1%	-0.3%
Public Library	13,172,387	13,000,000	(172,387)	-1.3%	-0.4%
Human Services	15,442,258	15,193,198	(249,060)	-1.6%	-0.5%
Transportation	11,197,961	10,897,193	(300,768)	-2.7%	-0.6%
Public Works	3,849,828	3,388,634	(461,194)	-12.0%	-1.0%
Economic and Workforce Development	4,889,574	4,267,592	(621,982)	-12.7%	-1.3%
Parks and Recreation	15,096,167	13,416,216	(1,679,951)	-11.1%	-3.5%
Non Departmental & Port	48,222,056	44,496,992	(3,725,064)	-7.7%	-7.7%
Total General Purpose Fund	3,010,544	2,888,154	(122,390)	8.0%	100.0%

Sources: FY 2018-19 Mid-cycle Adopted Budget and FY 2019-21 Proposed Budget

Approximately 75 percent of the General Purpose Fund increases in the proposed FY 2019-20 Police and Fire Department budgets stem from pay and benefit costs as shown in Exhibits 4 and 5 below.

Exhibit 4: Major Changes in Police Department General Purpose Fund Budget

	FY 2018-19 Mid-cycle Adopted	FY 2019-20 Proposed	Change	Percent Change	Percent of GPF Change
Sworn Retirement Accrual	38,150,267	46,609,444	8,459,177	22.2%	28.5%
Sworn Fringe Benefit Accrual	29,845,723	34,577,962	4,732,239	15.9%	15.9%
Sworn Overtime	9,786,510	13,672,960	3,886,450	13.1%	13.1%
Sworn Regular Pay	68,470,247	71,006,423	2,536,176	3.7%	8.5%
Civilian Regular Pay	18,669,913	19,632,617	962,704	5.2%	3.2%
Civilian Fringe Benefit Accrual	8,303,883	9,204,689	900,806	10.8%	3.0%
Sworn Paid Leave	21,824,206	22,632,464	808,258	3.7%	2.7%
Subtotal of Major Changes¹ Related to Pay and Benefits	195,050,749	217,336,559	22,285,810	11.4%	75.0%
Other Cost Accounts with Large Contributions to Change (Adopted vs. Proposed)²					
Special Setups ³	3,768,982	5,978,884	2,209,902	58.6%	7.4%
Sworn Education ⁴	2,661,841	4,705,678	2,043,837	76.8%	6.9%
City Vehicle Rentals ⁵	9,277,892	11,087,690	1,809,798	19.5%	6.1%
Subtotal	15,708,715	21,772,252	6,063,537	38.6%	20.4%
All Other Accounts ⁶	50,641,856	51,999,627	1,357,771	2.7%	4.6%
Total Police General Purpose Fund	261,401,320	291,108,438	29,707,118	11.4%	100.0%

Sources: FY 2018-19 Mid-cycle Adopted Budget and FY 2019-21 Proposed Budget

¹ Defined by HMR as the cost account change being more than \$750,000 or more than 2.5% of the total change in the Department's General Purpose Fund budget.

² Defined as the account change being more than \$750,000 (or more than 2.5% of the total change in the Department's budget) other than the seven accounts listed above.

³ Special Setups is an Internal Service Fund account for ITD costs (e.g. licenses/subscriptions) charged citywide.

⁴ This is a personnel account for education premiums sworn staff is entitled to per the MOU.

⁵ This is an Internal Service Fund account for monthly vehicle maintenance and fuel charged citywide based on assigned vehicles and equipment in each Department.

⁶ All Other Accounts include 140 different cost accounts with change that range from a \$2,938,120 decrease to a \$746,791 increase.

Exhibit 5: Major Changes in Fire Department General Purpose Fund Budget

	FY 2018-19 Mid-cycle Adopted	FY 2019-20 Proposed	Change	Percent Change	Percent of GPF Change
Sworn Retirement Accrual	26,805,524	32,546,476	5,740,952	21.4%	28.0%
Sworn Fringe Benefit Accrual	23,205,213	26,855,382	3,650,169	15.7%	17.8%
Sworn Regular Pay	47,101,784	49,487,547	2,385,763	5.1%	11.6%
Miscellaneous Payroll Adjustments	0	1,916,377	1,916,377	N/A	9.3%
Civilian Regular Pay	4,566,770	5,437,931	871,161	19.1%	4.2%
Sworn Paid Leave	14,614,475	15,249,486	635,011	4.3%	3.1%
Subtotal of Major Changes⁷ Related to Pay and Benefits	116,293,766	131,493,199	15,199,433	13.1%	74.0%
Other Cost Accounts with Large Contributions to Change (Adopted vs. Proposed)⁸					
Special Setups ⁹	2,076,705	3,288,100	1,211,395	58.3%	5.9%
City Vehicle Rentals	3,772,632	4,643,730	871,098	23.1%	4.2%
Miscellaneous Educational Expenditures	11,910	598,568	586,658	4,925.8%	2.9%
Subtotal	5,861,247	8,530,398	2,669,151	45.5%	13.0%
All Other Accounts ¹⁰	20,396,371	23,066,311	2,669,940	13.1%	13.0%
Total Fire General Purpose Fund	142,551,384	163,089,908	20,538,524	14.4%	100.0%

Sources: FY 2018-19 Mid-cycle Adopted Budget and FY 2019-21 Proposed Budget

Major FTE Changes

The proposed budget increases total full time equivalent positions (FTEs) by 235.36 from 4,271.40 in the FY 2017-18 adopted budget to 4,506.76 in the FY 2019-20 proposed budget, an increase of 5.5 percent in FTEs as shown in Exhibit 6 below. Of this increase, only 39.13, or 16.6 percent of the increase in FTEs are General Purpose Fund supported. The remainder, 196.23 FTEs, or 83.4 percent of the increase in

⁷ Defined by HMR as the cost account change being more than \$750,000 or more than 2.5% of the total change in the Department's General Purpose Fund budget.

⁸ Defined as the account change being more than \$750,000 (or more than 2.5% of the total change in the Department's budget) other than the six accounts listed above.

⁹ Special Setups is an Internal Service Fund account for ITD costs (e.g. licenses/subscriptions) charged citywide.

¹⁰ All Other Accounts include 107 different cost accounts with change that range from a \$154,297 decrease to a \$519,504 increase.

positions, are supported by other funds, including restricted funds and capital funds. Notably, General Purpose Fund supported positions are *decreasing* from the current year to the budget year by 7.56 FTEs.

Exhibit 6: Citywide and General Purpose Fund Budgeted and Proposed Full Time Equivalent Positions, FY 2017-18 to FY 2019-20

	FY 2017-18 Adopted	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (adopted v. proposed)	% Change (adopted v. proposed)
General Purpose Funded FTEs	2,443.46	2,490.15	2,482.59	39.13	1.6%
All Other Funds FTEs	1,827.94	1,956.04	2,024.17	196.23	10.7%
Total FTEs- All Funds	4,271.40	4,446.19	4,506.76	235.36	5.5%

Sources: Proposed City of Oakland budgets, FYs 2017-19 and 2019-21

A breakdown of current year (FY 2018-19) and budgeted (FY 2019-20) positions by department is shown in Exhibit 7 below for all positions (regardless of fund) and Exhibit 8 for General Purpose Fund supported positions. As shown in Exhibit 7, the Fire Department, Planning and Building Department, City Administrator, and Finance Department are each seeing increases in budgeted FTEs in FY 2019-20 compared to FY 2018-19. Major changes in budgeted positions include:

Fire Department (Increase of 40.68 FTEs; 44.0 net increase in GPF supported FTEs): Increases in the Fire Department FY 2019-20 budget include 11 new positions in the Fire Prevention Bureau, which provides overall fire code regulatory compliance functions for the City; and 30 new positions in Field Operations, which is responsible for emergency medical response, fire suppression, mitigation of disasters, and rescue activities. The net increase in General Purpose Fund positions is largely due to positions for prevention that are reimbursed by fee revenues.

Planning and Building (Increase of 24.00 FTEs; none are GPF supported): Increases in the Planning and Building Department FY 2019-20 budget include 21.5 additional FTEs in Operations and Administration, which provides oversight and support services for the Department; 8.0 additional FTEs in Zoning and Development Planning, which provides information to the public on zoning regulations and reviews development applications; 5.0 additional FTEs in Development Permit Inspections, which assures conformance with State and local codes related to construction of residential and non-residential buildings and structures, private infrastructure, and earthwork. These increases are offset in part by decreases in FTEs in Development Permitting (5.0 less FTEs), Engineering and Architectural Plan Approval (4.0 less FTEs), and General Plan and Strategic Analysis (1.5 less FTEs).

City Administrator (Increase of 13.00 FTEs; 2.76 FTEs net increase in GPF supported positions): Increases in the City Administrator budget include 9.0 additional FTEs in Administration/Operations (4.77 FTEs in Grant Clearing, 1.00 FTE each supported by the State Gas Tax, Sewer Service Fund, and Capital Project Fund, 0.95 FTEs supported by the Development Service Fund, and 0.50 supported by Measure Z funds, which are somewhat offset by other adjustments); 3.0 additional FTEs (2.0 FTEs of

which are GPF supported) in Contract and Compliance, which supports and oversees citywide decentralized contracting for professional services, provides quality control for construction contracts, and monitors and enforces social equity policies; and, 1.0 additional FTE, which is GPF supported under Equal Employment Investigations and Compliance, which investigates complaints of discrimination, harassment, and retaliation based on state and federally protected categories (e.g., gender, disability, race).

Finance Department (Increase of 7.8 FTEs; net decrease of 1.44 in GPF supported FTEs): Increases in the Finance Department FY 2019-20 budget include 6.0 additional FTEs in the Revenue Management Bureau, which collects, records, and reports on City revenues; 1.0 additional FTEs in Administration, which provides leadership, oversight, and administrative support for the five Bureaus in the Department; and, 0.80 additional FTEs under the Controller, which is responsible for financial reporting, audits, and safeguarding the assets of the City.

Police Department (Decrease of 41.3 FTEs; net decrease of 25.09 in GPF supported FTEs): The proposed FY 2019-20 Police Department budget includes 41.30 less FTEs versus the FY 2018-19 Mid-cycle adopted budget. These changes reflect a mix of positions supported by the General Purpose Fund and other funds, resulting in a net decrease of 25.09 General Fund supported FTEs. Of the changes in FTEs in FY 2019-20, there were 35.00 less FTEs represented by the Oakland Police Officers Association (sworn officers) with 9.50 less FTEs from unrepresented civilian staff.

Exhibit 7: All Funds Proposed Full Time Equivalent Positions by Department, FY 2018-19 to FY 2019-20

Department	FY 2018-19 Mid Cycle		FY 2019-20 Proposed		Increase/ (Decrease) FY	
	FTEs	Amount	FTEs	Amount	2018-19 to FY 2019-20	
Fire Department	612.10	\$134,558,957	652.78	\$148,876,450	40.68	\$14,317,493
Planning & Building	171.50	28,904,825	195.50	34,533,391	24.00	5,628,566
City Administrator	79.10	12,398,767	92.10	14,810,826	13.00	2,412,059
Finance Department	160.01	23,623,844	167.81	26,317,325	7.80	2,693,481
Housing & Community Development	68.50	13,450,898	74.54	13,784,199	6.04	333,301
Transportation	317.04	58,550,726	322.04	62,789,943	5.00	4,239,217
Human Services	236.94	28,584,597	241.14	30,314,307	4.20	1,729,710
Oakland Parks & Recreation	228.14	17,400,591	231.69	18,316,353	3.55	915,762
City Attorney	78.00	16,715,426	81.00	18,313,623	3.00	1,598,197
Police Commission	14.00	2,182,013	17.00	3,040,270	3.00	858,257
Human Resources Management	49.00	7,556,077	50.00	8,187,514	1.00	631,437
City Auditor	10.00	1,739,926	10.00	1,920,377	0.00	180,451
City Clerk	17.50	2,876,876	17.50	2,939,266	0.00	62,390
City Council	30.92	4,924,589	30.92	5,108,692	0.00	184,103
Violence Prevention	3.00	638,486	3.00	748,835	0.00	110,349
Information Technology	81.00	14,884,422	81.00	16,002,867	0.00	1,118,445
Mayor	13.00	3,478,163	13.00	3,730,585	0.00	252,422
Public Ethics Commission	6.00	955,340	6.00	1,080,340	0.00	125,000
Race & Equity	3.00	519,036	3.00	591,148	0.00	72,112
Economic & Workforce Development	50.60	10,253,123	49.20	10,634,497	(1.40)	381,374
Oakland Public Works	630.07	101,454,757	628.16	103,847,985	(1.91)	2,393,228
Oakland Public Library	275.27	27,468,222	269.18	29,324,265	(6.09)	1,856,043
Police Department	1,311.50	229,278,152	1,270.20	249,253,981	(41.30)	19,975,829
Total	4,446.19	\$742,397,813	4,506.76	\$804,467,039	60.57	\$62,069,226

Sources: Proposed City of Oakland budgets, FYs 2017-19 and 2019-21

As shown in Exhibit 8 below, there is a net decrease in General Purpose Fund supported positions of 7.56 FTEs from 2,490.15 FTEs in the FY 2018-19 Mid-cycle adopted budget to 2,482.59 FTEs in the FY 2019-20 proposed budget. Although the City's budget system shows an increase of 44.0 FTEs supported by the General Purpose Fund, these FTEs are actually supported by additional fee revenue.

Exhibit 8: General Purpose Fund Proposed Full Time Equivalent Positions by Department, FY 2018-19 to FY 2019-20

Department	FY 2018-19 Mid Cycle		FY 2019-20 Proposed		Increase/ (Decrease) FY 2018-19 to FY 2019-20	
	FTEs	Amount	FTEs	Amount		
Fire Department	578.85	\$128,587,956	622.85	\$143,111,275	44.00	\$14,523,319
Police Commission	14.00	2,182,013	17.00	3,040,270	3.00	858,257
City Administrator	72.44	10,915,272	75.20	11,624,535	2.76	709,263
Violence Prevention	1.50	404,224	2.00	602,515	0.50	198,291
City Clerk	8.03	1,328,360	8.36	1,392,350	0.33	63,990
Mayor	10.44	2,831,769	10.75	3,169,360	0.31	337,591
City Council	30.92	4,924,589	30.92	5,108,692	0.00	184,103
City Attorney	55.12	11,394,111	55.12	12,082,249	0.00	688,138
City Auditor	10.00	1,739,926	10.00	1,920,377	0.00	180,451
Public Ethics Commission	6.00	955,340	6.00	1,080,340	0.00	125,000
Race & Equity	3.00	519,036	3.00	591,148	0.00	72,112
Transportation	75.04	8,270,902	75.04	8,371,237	0.00	100,335
Oakland Public Works	24.28	2,894,322	23.55	2,877,518	(0.73)	(16,804)
Human Resources Management	34.90	5,276,553	33.90	5,527,082	(1.00)	250,529
Planning & Building	1.00	71,152	0.00	0	(1.00)	(71,152)
Finance Department	122.30	17,876,017	120.86	18,573,756	(1.44)	697,739
Economic & Workforce Development	17.19	3,081,362	15.57	2,810,094	(1.62)	(271,268)
Human Services	37.24	4,020,659	35.48	3,869,548	(1.76)	(151,111)
Information Technology	49.10	9,391,097	46.42	9,567,813	(2.68)	176,716
Oakland Parks & Recreation	82.04	8,470,464	72.76	7,967,430	(9.28)	(503,034)
Oakland Public Library	68.26	8,282,548	54.40	7,679,028	(13.86)	(603,520)
Police Department	1,188.50	209,521,601	1,163.41	230,141,745	(25.09)	20,620,144
	2,490.15	\$442,939,273	2,482.59	\$481,108,362	(7.56)	\$38,169,089

Sources: Proposed City of Oakland budgets, FYs 2017-19 and 2019-21

II. Overview of Historic Expenditures

As part of our budget review, we requested and analyzed historical budgeted versus actual revenues and expenditures from FY 2016-17 through FY 2018-19 to date (provided through March 31, 2019). The analysis presented below is based on reports provided by Finance Department staff directly from the City's financial system. In some cases, these numbers may differ from expenditure data presented by Finance Department staff. For instance, the FY 2018-19 Q3 projections provided by the Finance Department to the City Council in May 2019 differ from the projections as provided by the Finance Department from the City's financial system. We believe these differences are mostly the result of the use of project carryforward funds (i.e. previous surpluses rolled over year to year) and excess revenues, but we are unable to reconcile the difference between the data provided by the Finance Department and the information presented by the Finance Director in the Q3 R&E Report without further details.

Areas of Historic Over and Underspending

The City of Oakland original adopted budget for FY 2016-17 (adopted in June 2015) appropriated \$530,689,270 in the General Purpose Fund. The final adjusted FY 2016-17 budget for the General Purpose Fund was \$604,750,369, which is \$74,061,099 more than the original adopted budget. As shown in Exhibit 9 below the City under spent this adjusted budget by \$10,693,442. Overspending primarily by the Police Department, Fire Department, and Department of Transportation was about \$10 million less than the amount of underspending by most other City departments. *Note that the total expenditures for all funds in FY 2016-17 were about \$63 million more than the original budget adopted in June 2015.*

Exhibit 9: FY 2016-17 General Purpose Fund Budgeted vs. Actual Expenditures Citywide

Department	FY 2016-17 Adopted Budget	FY 2016-17 Adjusted Budget	FY 2016-17 Total Expenditures	Over/(Under) Spent vs. Adjusted Budget
Police Department	\$218,529,408	\$246,321,921	\$257,136,777	\$10,814,856
Fire Department	128,688,435	129,189,302	132,951,761	3,762,459
Department of Transportation	0	0	218,231	218,231
Default / Clearing Organization	0	0	29,353	29,353
Public Ethics Commission	870,223	940,561	940,266	(295)
City Auditor	1,826,542	1,952,342	1,843,015	(109,328)
Planning and Building Department	41,648	278,496	146,912	(131,584)
Oakland Public Library	11,746,848	12,230,577	12,078,091	(152,485)
Race and Equity Department	312,566	402,062	219,923	(182,139)
City Clerk	1,860,152	3,530,779	3,244,846	(285,933)
Mayor	2,567,901	2,803,610	2,514,544	(289,066)
Housing and Community Development	0	1,588,915	1,298,757	(290,158)
City Council	4,491,097	4,940,518	4,621,846	(318,673)
Oakland Parks and Recreation	15,547,529	16,728,792	15,878,615	(850,178)
Human Resources Management	4,597,188	5,674,190	4,543,095	(1,131,096)
Information Technology	10,335,651	12,831,044	11,640,885	(1,190,159)
Economic and Workforce Development	4,814,541	6,478,804	4,985,162	(1,493,641)
City Attorney	5,378,125	7,564,147	5,862,869	(1,701,278)
Human Services Department	5,978,003	10,021,018	7,938,407	(2,082,611)
City Administrator	15,267,590	18,351,436	16,087,353	(2,264,083)
Non Departmental	72,798,414	84,324,402	82,042,085	(2,282,316)
Capital Improvement Projects	252,000	5,224,736	1,901,138	(3,323,599)
Oakland Public Works	2,897,432	6,533,479	2,849,456	(3,684,023)
Finance Department	21,887,977	26,839,237	23,083,540	(3,755,696)
Total	\$530,689,270	\$604,750,369	\$594,056,927	(\$10,693,442)

Sources: City of Oakland FY 2017-19 Adopted Budget and FY 2016-17 Actual Expenditure data from Finance Dept

The City of Oakland original adopted budget for FY 2017-18 (adopted in June 2017) appropriated \$584,072,049 in the General Purpose Fund. The final adjusted FY 2017-18 budget for the General Purpose Fund was \$606,633,666, which is \$22,561,617 more than the original adopted budget. As shown in Exhibit 10 below the City under spent this adjusted budget by \$23,894,938. Overspending primarily by the Police Department, Fire Department, and Information Technology Department was about \$23 million less than the amount of underspending by most other City departments. *Note that the*

total expenditures for all funds in FY 2017-18 were only about \$1.3 million less than the original budget adopted in June 2017.

Exhibit 10: FY 2017-18 General Purpose Fund Budgeted vs. Actual Expenditures Citywide

Department	FY 2017-18 Adopted Budget	FY 2017-18 Adjusted Budget	FY 2017-18 Total Expenditures	Over/(Under) Spent vs. Adjusted Budget
Non Departmental	\$64,990,347	\$57,079,803	\$49,352,845	(\$7,726,958)
Human Services	13,098,056	14,866,993	10,404,604	(4,462,389)
City Administrator	15,445,923	16,923,857	12,697,106	(4,226,751)
Finance Department	25,940,849	27,580,328	23,702,485	(3,877,843)
Department of Transportation	10,384,192	11,547,535	8,114,308	(3,433,227)
Oakland Public Works	2,469,461	4,586,542	2,940,096	(1,646,446)
Capital Improvement Projects	516,450	3,356,654	1,939,093	(1,417,561)
Housing and Community Development	0	1,115,000	190,000	(925,000)
City Clerk	2,445,491	2,611,118	1,751,033	(860,084)
Economic and Workforce Development	4,063,435	4,835,580	4,093,897	(741,683)
Oakland Parks and Recreation	16,529,223	16,802,628	16,179,485	(623,143)
City Council	5,167,989	5,299,372	4,699,996	(599,375)
Human Resources Management	5,858,658	6,391,191	5,910,004	(481,187)
Planning and Building	15,687	215,687	4,398	(211,289)
Police Commission	2,341,733	2,353,576	2,173,723	(179,853)
Mayor	2,882,056	2,941,631	2,884,112	(57,520)
Violence Prevention	261,985	261,985	216,131	(45,854)
Race and Equity Department	432,393	497,357	467,567	(29,789)
Oakland Public Library	12,992,267	13,204,352	13,191,707	(12,645)
City Auditor	1,956,928	2,019,715	2,031,640	11,925
City Attorney	11,999,009	12,357,046	12,428,888	71,842
Public Ethics Commission	934,746	972,504	1,057,838	85,334
Information Technology	9,803,374	10,485,576	10,729,893	244,316
Default / Clearing Organization	0	0	351,143	351,143
Fire Department	128,946,736	132,765,929	136,110,108	3,344,178
Police Department	244,595,061	255,561,708	259,116,627	3,554,920
Total	\$584,072,049	\$606,633,666	\$582,738,727	(\$23,894,939)

Sources: City of Oakland FY 2017-19 Adopted Budget and FY 2017-18 Actual Expenditure data from Finance Dept

The City of Oakland original adopted budget for FY 2018-19 (adopted in June 2017) appropriated \$595,954,802 in the General Purpose Fund. The final adjusted FY 2018-19 budget for the General Purpose Fund was \$636,368,228, which is \$40,413,426 more than the original adopted budget. As shown in Exhibit 11 below the Finance Department projected that the City will over spend this adjusted budget by \$14,380,698, primarily in the Police Department and Non Departmental budgets.

Exhibit 11: FY 2018-19 General Purpose Fund Budgeted vs. Actual Expenditures Citywide

Department	FY 2018-19 Adopted Budget	FY 2018-19 Adjusted Budget	Finance Department Projection as of March 2019	Projected Over/(Under) Spent vs. Adjusted Budget
Police Department	\$258,290,831	\$267,012,744	\$285,224,957	\$18,212,213
Non Departmental	53,702,715	56,179,465	60,058,235	3,878,769
City Clerk	2,748,279	3,832,516	3,914,716	82,201
Fire Department	136,152,080	144,275,185	144,305,137	29,952
Violence Prevention	392,614	461,844	485,574	23,731
Housing and Community Development	300,000	925,000	925,000	0
Capital Improvement Projects	524,380	2,065,825	2,056,677	(9,148)
Public Ethics Commission	966,466	1,054,877	1,012,470	(42,407)
Race and Equity Department	446,555	605,441	557,641	(47,800)
City Auditor	2,022,192	2,065,893	2,005,730	(60,163)
Information Technology	9,950,781	10,495,975	10,421,076	(74,899)
Human Services	14,316,564	18,631,885	18,519,472	(112,413)
Planning and Building	15,844	216,069	8,321	(207,748)
Economic and Workforce Development	4,674,260	5,398,875	5,176,259	(222,616)
Human Resources Management	6,045,741	6,859,321	6,635,628	(223,693)
Mayor	2,977,409	3,163,277	2,932,707	(230,570)
City Attorney	12,399,925	12,745,226	12,482,864	(262,362)
Police Commission	2,723,724	3,146,248	2,801,469	(344,780)
Oakland Public Works	2,131,688	5,069,553	4,659,525	(410,028)
City Council	5,343,238	5,586,851	5,151,985	(434,866)
Oakland Public Library	13,386,003	13,202,294	12,667,037	(535,257)
City Administrator	12,460,134	17,413,342	16,806,717	(606,625)
Finance Department	26,607,931	27,181,524	26,367,804	(813,720)
Oakland Parks and Recreation	16,833,108	15,404,549	13,974,855	(1,429,694)
Department of Transportation	10,542,340	13,374,449	11,597,070	(1,777,379)
Total	\$595,954,802	\$636,368,228	\$650,748,926	\$14,380,698

Sources: City of Oakland FY 2017-19 Adopted Budget and FY 2018-19 Actual Expenditure data as of March 2019 from Finance Dept

III. Positions, Vacancies, and Salary Savings

The City of Oakland typically under-spends on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments in the General Purpose Fund. The City-wide vacancy credit accounts for a 2.4 percent vacancy rate, which is much lower than the actual City-wide vacancy rate even after accounting for positions that are encumbered. However, because the City significantly over-spends on overtime and as a result over-spends its personnel services budget overall, we do not make recommendations for specific areas where it has historically underspent.

Historical Overspending on Personnel Services

In the past four fiscal years (FY 2014-15 through FY 2017-18), the City has overspent its General Purpose Fund personnel services expenditures budget by between \$5.6 and \$20.2 million annually, as shown in Exhibit 12 below.

Exhibit 12: General Purpose Fund Personnel Services Expenditures Over- or Under-Spending

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
	(Under) and Over Spending			
Salary	(5,906,987)	5,256,757	(3,542,026)	(2,596,649)
Fringe Benefits and Retirement	(8,055,651)	53,913	(7,017,617)	(4,512,671)
Overtime	32,759,406	31,407,189	31,136,486	27,873,841
Paid and Unpaid Leaves	(10,562,352)	(8,800,372)	(12,191,264)	(12,677,404)
Premiums	(662,769)	2,029,734	2,979,110	1,721,720
Miscellaneous Payroll Adjustments	(1,280,667)	(10,457,695)	4,339,754	(5,735,264)
Allowances/Buybacks	615,140	695,432	845,440	1,194,471
Workers' Compensation/Disability	2,995	1,121	157,633	334,046
Total	6,909,115	20,186,078	16,707,515	5,602,091

Sources: FY 2014-15 Expenditures, FY 2015-16 Expenditures, FY 2016-17 Expenditures, FY 2017-18 Expenditures

Note: A full table including the amounts appropriated and spent annually is included as an attachment to this report.

The City has historically underspent on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments.¹¹ However, these savings are offset each year by over-expenditures in overtime, which range from \$28 to \$33 million over budget each year. The majority of the overspending in overtime occurs in the Police and Fire Departments: each department overspent its overtime budget by \$12 to \$18 million in each of the past four fiscal years, as shown in Exhibit 13 below.

¹¹ We sent an inquiry to the Finance Department requesting a description of "miscellaneous payroll adjustments," but as of the time this report was written, we had not received a response to that inquiry.

Exhibit 13: General Purpose Fund Overtime Over-Expenditures

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
	Overspending			
Police Department	14,547,081	12,425,801	13,591,560	13,757,731
Fire Department	17,938,236	18,444,077	16,803,645	13,406,623
All Other Departments	274,089	537,312	741,280	709,487
Total	32,759,406	31,407,189	31,136,486	27,873,841

Sources: Oakland Finance Department (FY 2014-15 Expenditures, FY 2015-16 Expenditures, FY 2016-17 Expenditures, FY 2017-18 Expenditures)

Note: A full table including the amounts appropriated and spent annually is included at the end of this section.

Vacancy Credit in the Proposed Budget

Vacancy savings, also referred to as salary savings or attrition savings, occur when a department does not spend the total amount budgeted for a position's salary and benefits in a fiscal year. Vacancy savings result when a position remains open for a period of time, usually due to retirements, turnover in a position, or delays in hiring. During the time that the position is vacant, the expenditure that has been budgeted for that position's salary and benefits is unspent, resulting in vacancy savings.

Vacancy savings are included in the City's budget as a negative number in the Vacancy Credit pay element line, which reduces the total amount budgeted for position expenditures. As shown in Exhibit 14 below, the proposed FY 2019-20 budget includes a decrease in vacancy savings; in other words, the proposed budget anticipates that the City will have fewer vacancy savings in FY 2019-20 than in FY 2018-19. Vacancy savings are proposed to increase slightly between FY 2019-20 and FY 2020-21.

Exhibit 14: Adopted and Proposed Vacancy Savings

Vacancy Savings	FY 2018-19 Adopted	FY 2019-20 Proposed	Change from Prior Year	FY 2020-21 Proposed	Change from Prior Year
General Purpose	4,028,516	3,846,567	(181,949)	3,940,617	94,050
All Other Funds	6,245,349	6,121,873	(123,476)	6,249,857	127,984
Total – All Funds	10,273,865	9,968,440	(305,425)	10,190,474	222,034

Source: FY18-19 Mid-cycle Adopted Position Report and FY19-21 Biennial Proposed Position Report.

Note: The Vacancy Credit pay element appears in the budget as a negative number, to represent the savings that are subtracted out of the total amount budgeted for position expenditures.

According to the Controller, each department's vacancy credit is calculated as a percentage that is applied to the base salary amount plus the cost of living adjustment. Budgeted vacancy rates vary by department and type of employee, and are shown in Exhibit 15 below for FY 2019-21.

Exhibit 15: Proposed Vacancy Rates, FY 2019-20 and FY 2020-21

Department or Type of Employee	Vacancy Rate
Sworn Police and Fire employees	0%
Elected officials	0%
City Clerk	0%
Public Ethics Commission	0%
All other Departments/employees	4%

Source: City Controller

Some departments include elected officials, and the Police and Fire Departments contain a mix of sworn and non-sworn personnel, which results in a vacancy rate that varies by department between zero percent and four percent, as shown in Exhibit 16 below. The proposed City-wide vacancy rate is approximately 2.4 percent. We sent an inquiry to the Finance Department requesting clarification on why the Mayor’s Office has a budgeted vacancy rate of zero percent, but as of the time of the writing of this report, we had not received a response.

Exhibit 16: Proposed Vacancy Rates by Department, FY 2019-20 and FY 2020-21

Department	Proposed Vacancy Rate	
	FY 2019-20	FY 2020-21
Mayor	0.0%	0.0%
City Council	3.0%	3.0%
City Administrator	4.0%	4.0%
City Attorney	3.9%	3.9%
City Auditor	3.3%	3.4%
City Clerk	0.0%	0.0%
Police Commission	4.0%	4.0%
Public Ethics Commission	0.0%	0.0%
Finance Department	4.0%	4.0%
Information Technology	4.0%	4.0%
Race & Equity	4.0%	4.0%
Human Resources Management Department	4.0%	4.0%
Department of Violence Prevention	4.0%	4.0%
Police Department	1.0%	1.0%
Fire Department	0.5%	0.5%
Oakland Public Library	4.0%	4.0%
Oakland Parks, Recreation & Youth Development	4.0%	4.0%
Human Services	4.0%	4.0%
Economic & Workforce Development	4.0%	4.0%
Housing & Community Development	4.0%	4.0%
Planning & Building	4.0%	4.0%
Oakland Public Works	4.0%	4.0%
Transportation	4.0%	4.0%
City-wide	2.4%	2.4%

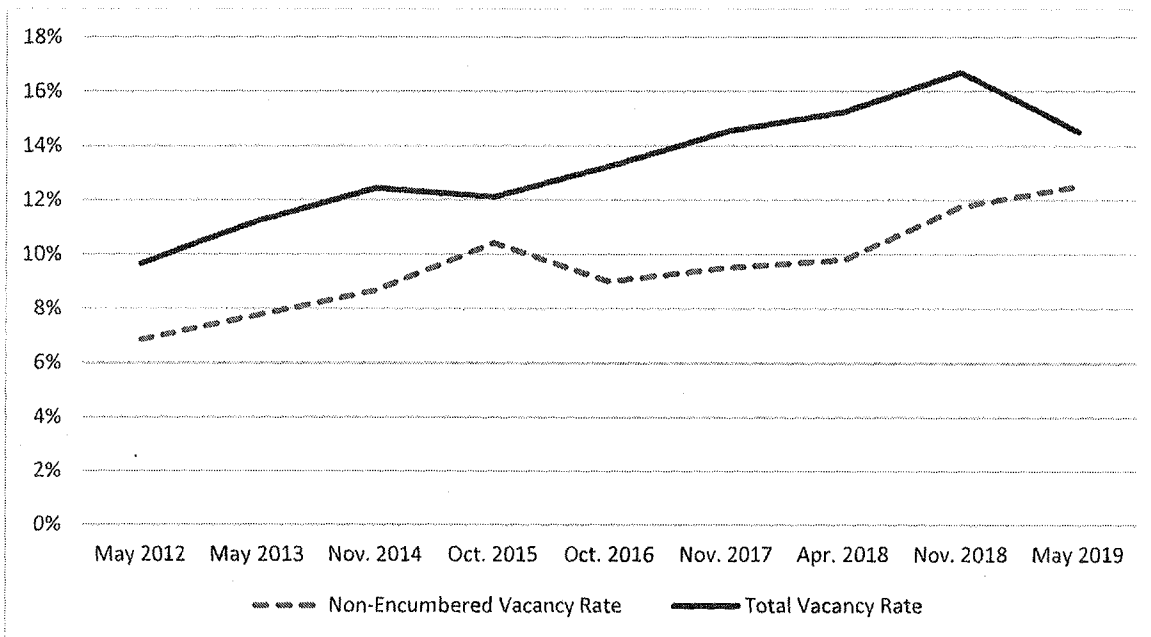
Source: FY 2019-21 Biennial Proposed Position Report.

Actual City Vacancy Rates

The Human Resources Department provides a semi-annual report to the Finance and Management Committee that presents vacancy data, as provided by City departments. The most recent vacancy report was presented on April 22, 2019, with vacancy data as of March 25, 2019.

Some vacancies are designated as encumbered for overtime, temporary staffing, or acting assignments. Exhibit 17 below displays historic vacancy rates for all vacancies and for non-encumbered vacancies. As shown below, the City-wide vacancy rate increased from approximately 9.6 percent in May 2012 to approximately 14.5 percent in May 2019. The non-encumbered City-wide vacancy rate increased from approximately 6.9 percent in May 2012 to 12.5 percent in May 2019.

Exhibit 17: Historical Vacancy Rates



Source: Semi-annual informational report on City-wide staffing through March 25, 2019.

According to the most recent vacancy report, the City departments with the highest number of vacant positions are the Police Department, the Department of Public Works, the Fire Department, and the Department of Transportation. These vacancy numbers, as of March 2019, are presented in Exhibit 18 below.

Exhibit 18: City Departments with Highest Number of Vacancies, March 2019

	Authorized Positions (FTE)	Vacant Positions (FTE)	Vacancy Rate, March 2019	FY 2019-20 Proposed Vacancy Credit
Police Department	1,312.50	139.00	10.6%	1.0%
Fire Department	612.10	83.20	13.6%	0.5%
Department of Public Works	634.57	118.02	18.6%	4.0%
Department of Transportation	317.04	73.75	23.26%	4.0%

Source: Semi-annual informational report on City-wide staffing through March 25, 2019.

Of these four departments, only the Department of Transportation has reduced the number of vacant positions since November 2017, as shown in Exhibit 19 below. Of particular note, between November 2017 and May 2019, the number of vacant positions at the Police Department grew by 190 percent. As previously noted, the proposed FY 2019-20 budget proposes eliminating 41.30 FTEs in the Police Department (approximately 30 percent of the total number of vacancies in the Police Department as of May 2019).

Exhibit 19: Number of Vacant Positions at Select Departments, November 2017 to May 2019

	Nov. 2017	Apr. 2018	Nov. 2018	May 2019	% Change
Police Department	48.00	57.00	189.50	139.00	190%
Department of Public Works	65.00	69.00	111.52	118.02	82%
Fire Department	50.60	59.60	85.55	83.20	64%
Department of Transportation	82.00	67.00	74.25	73.75	(10%)

Source: Semi-annual informational report on City-wide staffing: 5/14/19, 11/13/18, 4/24/18, 11/14/17.

Date of Vacancy

Prior to 2018, informational vacancy reports, which are periodically presented to the City Administrator from the Director of Human Resources Management, included the date each position became vacant, which allowed for analyses of how long the position had been vacant. Since 2018, the informational vacancy reports no longer include the date the position became vacant, and although we requested this information, the vacancy report provided by the Finance Department did not include the positions' dates of vacancy. As a result, we are unable to identify positions that have been vacant for an extended period.

Salary Savings Offset by Overtime Over-Expenditures

As mentioned earlier in this report, in the General Purpose Fund the City has historically underspent on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments. The proposed citywide vacancy rate of 2.4 percent is much lower than either the actual citywide vacancy rate of 14.5 percent or the citywide non-encumbered vacancy rate of 12.5. However, the City overspends on overtime by \$28 to \$33 million annually, which is which is partially offset by reimbursable Police overtime for special events (discussed in more detail below). As a result, despite the savings on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments that the City typically

realizes each year, the City has overspent its total General Purpose Fund personnel services expenditures budget by between \$5.6 and \$20.2 million in each of the past four fiscal years.

The City’s proposed FY 2019-20 and FY 2020-21 budget for personnel expenditures does not reflect Oakland’s historical spending patterns, vacancy rates, and the reality of how funds will be spent across personnel expenditure categories. As shown in Exhibit 20 below, while the City has spent between \$46 and \$50 million on overtime in each of the past four fiscal years, and has already spent \$40 million during the first 9 months of FY 2018-19, the City has only budgeted for \$17 million in the proposed FY 2019-20 and FY 2020-21 budget for overtime expenditures.

Exhibit 20: General Purpose Overtime Expenditures and Proposed Budget

	Actuals: FY 2014-15	Actuals: FY 2015-16	Actuals: FY 2016-17	Actuals: FY 2017-18	Partial: FY 2018-19	Proposed: FY 2019-20	Proposed: FY 2020-21
Overtime	50,285,475	49,132,790	48,158,024	46,323,209	39,701,795	17,023,438	17,403,417

Source: FY 2014-15 Expenditures, FY 2015-16 Expenditures, FY 2016-17 Expenditures, FY 2017-18 Expenditures, FY 2018-19 Perion 9 Actuals, and FY 2019-21 Proposed Financial Report Revenues and Expenditures

A proposed budget that does not reflect the reality of how funds will actually be spent cannot be used as an effective tool: it does not accurately communicate the uses of funds, it does not allow for planning, and it eliminates the budget as an accountability and evaluation measure. In order for the overtime budget to be a meaningful tool that holds departments accountable for overtime spending, and for a department to be evaluated on its progress on controlling overtime expenditures, the overtime budget needs to reflect what departments are realistically expected to, and budgeted to, spend. Oakland’s practice of dramatically under-budgeting overtime and offsetting over-expenditures with salary, fringe, and leave savings allows City departments to over-spend on overtime with no budgetary accountability.

The City should begin the process of adjusting its personnel budget to reflect actual spending and expectations. The City should increase its vacancy credit, particularly at Departments with high vacancy levels, and reduce the budget for paid and unpaid leave expenditures to conform to historical spending. At the same time, the City should increase its overtime budget to an amount that is feasible for City departments to achieve, and then hold Departments accountable to not spending over the budgeted amount.

#	Issue	Recommendation	Impact
1.	<p>Salary savings, leave expenditures, and overtime: The actual Citywide 12.5% vacancy rate for non-encumbered positions is substantially higher than the 2.4% percent rate budgeted for City-wide. The City has substantially over-budgeted paid and unpaid leave expenditures and substantially under-budgeted overtime expenditures in recent fiscal years.</p>	<p>The City Council should request the Finance Director to (a) increase the vacancy credit in departments with especially high vacancy rates, (b) reduce the City's budget for paid and unpaid leave, and (c) increase the City's budget for overtime to conform to historical spending.</p>	<p>The Finance Department and City departments would be able to better control overtime expenditures if the budget reflected actual expenditures. There would be no net fiscal impact if the reductions match the increases.</p>
2.	<p>Overtime controls: The Police Department and the Fire Department spend the majority of the City's General Purpose overtime expenditures. The overtime budgets for these departments are not realistic. As a result, the City's ability to use the budget to monitor and hold these departments accountable for overtime spending is impaired.</p>	<p>The City Council should request the Finance Director to monitor actual overtime spending against budgeted spending; and require notification to the City Council and approval of increases in overtime spending by the City Council prior to incurring overtime spending that is in excess of the budget.</p>	<p>Once realistic overtime budgets have been established for these departments, requiring the Departments to request approval from the City Council for excess overtime will allow the City Council to use the overtime budget to monitor and track expenditures and to hold departments accountable for overtime spending.</p>

IV. Police Overtime

The Police Department's proposed FY 2019-20 budget is an increase of 10.4 percent from the FY 2018-19 mid-cycle budget, and the proposed FY 2020-21 budget is an increase of 3.6 percent from the proposed FY 2019-20 budget, as shown in Exhibits 21 and 22 below.

Exhibit 21: FY 2017-18 through FY 2020-21 Actual Expenditures, Adopted Budget, and Proposed Budgets (All Funds)

Expenditure Budget	FY 2017-18 Actual Expenditures	FY 2018-19 Adopted Mid- cycle Budget	FY 2019-2020 Proposed Budget	FY 2020-21 Proposed Budget
Civilian Salaries, Overtime, Benefits	\$45,329,988	\$48,497,923	\$50,170,007	\$51,922,776
Sworn Salaries, Overtime, Benefits	185,156,199	183,521,411	203,324,381	213,175,556
Other Personnel	13,722,618	10,588,206	12,022,655	12,535,755
Other Operating Expenses	45,250,793	45,715,445	52,816,883	52,234,406
Total	\$289,459,598	\$288,322,985	\$318,333,926	\$329,868,493

Source: City of Oakland FY 2019-21 Proposed Financial Report

Exhibit 22: Percent Change FY 2017-18 through FY 2020-21 Actual Expenditures, Adopted Budget, and Proposed Budgets (All Funds)

Expenditure Budget	FY 2017-18 Actual to FY 2018-19 Adopted Mid-cycle	FY 2018-19 Adopted Mid-Cycle to FY 2019-20 Proposed	FY 2019-20 Proposed to FY 2020-21 Proposed
	Percent Increase/ (Decrease)		
Civilian Salaries, Overtime, Benefits	7.0%	3.4%	3.5%
Sworn Salaries, Overtime, Benefits	(0.9%)	10.8%	4.8%
Other Personnel	(22.8%)	13.5%	4.3%
Other Operating Expenses	1.0%	15.5%	(1.1%)
Total	(0.4%)	10.4%	3.6%

Source: City of Oakland FY 2019-21 Proposed Financial Report

Actual police overtime expenditures of \$26.9 million in FY 2017-18 are twice the proposed overtime budget of \$13.9 million in FY 2019-20, shown in Exhibit 23 below.

Exhibit 23: FY 2017-18 through FY 2020-21 Actual Overtime Expenditures, Adopted Overtime Budget, and Proposed Overtime Budgets (All Funds)

Police Overtime	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Actual	Mid-cycle	Proposed	Proposed
Holiday Overtime	\$1,538,434	\$591,320	\$236,010	\$241,920
Overtime	19,713,803	9,786,510	13,672,960	14,014,870
FLSA Premium	1,169,316			
Court Overtime	229,415			
Deferred Overtime	1,068,996			
Comp Time Earned	3,124,676			
Canine Handlers	35,530	56,780		
Comp Time Earned Holiday	50,396			
Total	\$26,930,566	\$10,434,610	\$13,908,970	\$14,256,790

Source: City of Oakland FY 2019-21 Proposed Financial Report

Total police overtime expenditures increased by 1.0 percent between FY 2015-16 and FY 2017-18, as shown in Exhibit 24 below. Because overtime for special events were offset by reimbursements, net police overtime expenditures decreased by 9.0 percent between FY 2015-16 and FY 2017-18.

Exhibit 24: Actual Police Overtime Expenditures FY 2015-16 to FY 2017-18 (General Purpose Fund)¹²

Type of Overtime	FY 2015-16	FY 2016-17	FY 2017-18	Increase/ (Decrease)	% Increase/ (Decrease)
Acting Higher Rank	674,884	566,280	462,998	(211,886)	(31.4%)
Administrative Investigation	854,033	937,207	996,670	142,637	16.7%
Backfill	6,444,600	5,567,456	5,169,624	(1,274,976)	(19.8%)
Callback	894,476	887,704	848,992	(45,485)	(5.1%)
Canine	21,092	13,764	0	(21,092)	(100.0%)
Community Meetings	71,734	40,316	6,492	(65,242)	(90.9%)
Comp Time Earned	192,104	222,573	262,749	70,645	36.8%
Court	529,700	491,668	297,668	(232,032)	(43.8%)
Extension of Shift	4,654,810	5,420,685	4,591,625	(63,185)	(1.4%)
Holiday	2,311,218	2,567,559	2,277,536	(33,682)	(1.5%)
Recruiting/Background	643,946	382,178	695,936	51,990	8.1%
Special Events/Enforcement	7,761,377	9,657,605	9,648,861	1,887,485	24.3%
Training	1,679,607	1,312,033	1,733,117	53,510	3.2%
Total	\$26,733,581	\$28,067,028	\$26,992,269	\$258,689	1.0%
Events Reimbursement	4,441,957	4,977,936	6,709,189	2,267,232	51.0%
Net Overtime Expenditures	\$22,291,624	\$23,089,092	\$20,283,080	(\$2,008,543)	(9.0%)

Source: City of Oakland Finance Department

¹² Actual overtime expenditures in FY 2017-18 differ in Exhibit 23 and Exhibit 24; Exhibit 23 is for all funds, as reported in the City of Oakland proposed financial report, and Exhibit 24 is for General Purpose Fund only as reported in the Finance Department's FM300 expenditure report.

Based on actual police overtime expenditures through April 5, 2019, overtime spending in FY 2018-19 will likely exceed FY 2017-18. Police overtime expenditures through April 5, 2019 (76 percent of the fiscal year) were \$18.2 million, equal to approximately 90 percent of FY 2017-18 expenditures.¹³

Most categories of overtime hour decreased between FY 2015-16 and FY 2017-18, except for special events/enforcement and recruiting/background. Total overtime hours decreased by nearly 9 percent between FY 2015-16 and FY 2017-18, as shown in Exhibit 25 below.

Exhibit 25: Decrease in Actual Police Overtime Hours FY 2015-16 to FY 2017-18 (General Purpose Fund)

Type of Overtime	FY 2015-16	FY 2016-17	FY 2017-18	Increase/ (Decrease)	Percent Increase/ (Decrease)
Acting Higher Rank	7,003	5,379	4,130	(2,872)	(41.0%)
Administrative Investigation	10,683	11,980	12,257	1,574	14.7%
Backfill	97,950	80,588	72,333	(25,617)	(26.2%)
Callback	12,015	11,525	10,492	(1,523)	(12.7%)
Canine	1,345	731	0	(1,345)	(100.0%)
Community Meetings	1,134	539	54	(1,080)	(95.2%)
Comp Time Earned	3,939	4,422	4,122	183	4.6%
Court	7,960	6,988	3,527	(4,432)	(55.7%)
Extension of Shift	66,112	73,478	58,690	(7,422)	(11.2%)
Holiday	36,810	39,666	32,794	(4,017)	(10.9%)
Recruiting/Background	7,975	4,760	8,384	410	5.1%
Special Events/ Enforcement	105,460	125,836	119,649	14,189	13.5%
Training	21,997	16,503	20,594	(1,404)	(6.4%)
Total	380,383	382,394	347,026	(33,357)	(8.8%)

Source: City of Oakland Finance Department

Based on actual police overtime hours through April 5, 2019, overtime hours in FY 2018-19 may exceed FY 2017-18. Actual hours through April 5, 2019 (76 percent of the fiscal year) were 309,518, equal to 89 percent of FY 2017-18 hours of 347,026.

¹³ Total expenditures in FY 2018-19 through April 5 were \$25.8 million, less \$7.6 million in reimbursements.

Backfilling absences and vacancies, extended shifts, and enforcements and special events make up more than 71 percent of all overtime hours in FY 2018-19 through April 5, 2019, as shown in Exhibit 26 below.

Exhibit 26: Actual Overtime Hours by Type of Overtime in FY 2018-19 through April 5, 2019 (General Purpose Fund Only)

	FY 2018-19 Amount	FY 2018-19 Hours	% Total Hours
Acting Higher Rank	\$424,570	3,846	1.2%
Administrative Investigation	1,086,837	12,471	4.0%
Backfill	5,071,408	66,527	21.3%
Callback	793,915	9,566	3.1%
Canine	0	0	0.0%
Community Meetings	2,098	26	0.0%
Comp Time Earned	278,345	2,967	0.9%
Court	266,157	1,884	0.6%
Extension of Shift	4,037,633	48,309	15.5%
Holiday	2,567,181	31,891	10.2%
Recruiting/Background	485,304	5,591	1.8%
Special Events/Enforcement	9,209,442	109,329	35.0%
Training	1,522,534	17,173	6.4%
Total	\$25,745,425	309,581	100.0%

Source: City of Oakland Finance Department

Backfill of Vacancies and Absences

The Police Department uses overtime to backfill vacancies and absences and to meet minimum staffing levels in Patrol. In FY 2018-19, the overtime hours used to backfill vacancies and absences was equal to approximately 50 full time positions. As of May 2019, the Department had 36 vacant sworn positions, and 38 sworn positions on long term leave, totaling 74 positions or approximately 8 percent of budgeted sworn positions.

The use of overtime to backfill vacancies in FY 2018-19 will equal or possibly exceed the use of overtime for backfilling vacancies in FY 2017-18. The average cost per hour of overtime is less than the average cost per hour of a permanent position, when benefits and time off are factored into the cost. However, the City incurs other costs when the Department has to use overtime to backfill for vacancies and for long term leave, including the additional costs to the City for administrative, workers compensation, or disability leave. Of the positions that were backfilled through overtime in FY 2018-19, approximately 4.5 percent were due to long term leave.

Special Events/ Enforcement

The Police Department tracks overtime hours for special events and enforcement together. Based on information provided by the Department, approximately one-third of the overtime hours and expenditures for special events/enforcement are for enforcement activities. In FY 2018-19 from July through May, the Department incurred approximately \$11.2 million in overtime expenditures for special events/enforcement, of which \$3.6 million was for enforcement activities and \$7.6 million was for special events for which the Department was reimbursed.

Overall, the Department has increased reimbursement for overtime associated with special events/enforcement from 57 percent in FY 2015-16 to 70 percent in FY 2017-18.

Extension of Shift

Police Department policies require advanced approval of overtime by a commander or manager before working the overtime. However, a sworn member of the Police Department may incur overtime without advanced approval in specific circumstances detailed in the Department's General Orders, including to:

- Complete a radio-dispatched assignment;
- Follow up on an assignment (as assigned by a supervisor) that cannot wait until the next shift;
- Respond to an emergency that requires an immediate response;
- Complete an assignment that requires a continuous police action;
- Attend a court session in response to a subpoena or order of a superior officer; and
- Fill an unplanned vacancy in the Patrol, Communications, or Records Division.

This overtime is generally recorded as extension of shift.

Most sworn staff used overtime to extend their shift during the year. On average, sworn police officers used approximately 72 hours of overtime during the year to extend their shift. According to the Chief of Police report to the City Council, due to the dynamic nature of police work, requiring prior high-level approval of overtime would be time consuming and could hinder an ongoing police response.

The Police Department's report to the City Council does not state how the Department monitors for patterns of excessive overtime use. In FY 2017-18, 12 police officers worked 500 hours or more of overtime due to extension of their shift, as shown in Exhibit 27 below.

Exhibit 27: High Users of Extension of Shift Overtime

Employee	FY 2017-18 Extension of Shift Overtime			FY 2015-16 to FY 2017-18 Extension of Shift Overtime	
	Hours	Pay	Number of Days	Average Hours per Year	Total Pay
1	1,248.50	\$104,588	244	1,325.80	\$316,779
2	901.50	\$87,322	239	972.17	\$268,130
3	887.00	\$74,247	272	612.67	\$149,586
4	837.00	\$70,148	272	766.33	\$184,625
5	806.50	\$77,663	179	911.33	\$249,913
6	794.25	\$66,383	211	516.92	\$126,149
7	735.50	\$71,022	206	428.33	\$116,307
8	701.00	\$67,683	177	736.50	\$202,934
9	679.00	\$56,598	201	446.08	\$108,582
10	639.00	\$53,777	102	501.42	\$122,056
11	608.50	\$50,925	121	525.75	\$125,926
12	534.50	\$51,643	164	681.83	\$187,393

Source: City of Oakland Finance Department

The overtime shown in Exhibit 27 above is for extension of shift overtime only; these 12 police officers worked additional hours of overtime related to special events/enforcement, court, and other overtime uses.

To ensure appropriate and necessary use of overtime hours to meet operational needs, the City Council should request (1) the City Administrator to implement a 500 hour limit on overtime use by an individual employee, including criteria and procedures for when 500-hour limit may be increased; and (2) the Chief of Police to implement procedures to monitor high use of overtime by sworn members of the Department.

#	Issue	Recommendation	Impact
3.	<p>Police overtime budget: The Police Department overtime budget for sworn members has not historically reflected actual overtime use, which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures.</p> <p>Actual overtime hours for sworn police officers decreased by nearly 9 percent between FY 2015-16 and FY 2017-18, although overtime hours in FY 2018-19 will likely exceed FY 2017-18 hours.</p> <p>According to the Chief of Police’s report to the City Council, the Oakland Police Department does not generally make a request of Council for additional budgetary approval when exceeding the overtime budget.</p>	<p>The City Council should request the City Administrator to (1) increase the Police Department overtime budget to accurately reflect overtime hours necessary to meet the Department’s operational needs, including (a) setting a goal to reduce overtime hours (except for special event overtime that is reimbursed) by at least 9 percent per year, and (b) providing for adjustments corresponding to collective bargaining increases; and (2) identify reductions in the City’s budget to offset the increase in budgeted overtime.</p> <p>The City Council should require Council approval for any increase in overtime above the budgeted amount.</p>	<p>There would be no net fiscal impact if the reductions match the increases. The increase would be offset by reduced transfers from other sources to the Police Department’s overtime budget.</p>
4.	<p>Monitoring of overtime: In order to meet the goal to reduce overtime hours by 9 percent, the Police Department needs to monitor unnecessary use of overtime. This should include a 500-hour limit on overtime use by individual employees.</p>	<p>The City Council should request the City Administrator to implement a 500 hour limit on overtime use by an individual employee, including criteria and procedures for when 500-hour limit may be increased.</p>	<p>No direct budget impact.</p>

V. Fund Balances Over \$1 million

We were asked to review funds with balances over \$1 million and to focus on four particular funds and whether these funds could be used to address Oakland City Council goals or reduce the reliance on general purpose funds. These funds include:

1. The Development Service Fund
2. The General Purpose Fund
3. The Measure Z Violence Prevention Fund
4. The Vital Services Stabilization Fund

Of these funds, we believe the Development Service Fund and General Purpose Fund have monies available to be programmed, although state law limits the use of special use funds (i.e. all funds other than the General Purpose Fund). A list of all funds with balances of \$1 million or more is included as an attachment to this report. Trust funds were excluded from this list as Finance Department staff did not provide details on the balance of these funds.

2415 Development Service Fund

Development service funds are generated from licenses, fees, and permits from housing and commercial planning and construction related activities. These funds can be used for planning and zoning services, construction inspections, construction permit approvals, building code enforcement, plan checks, and engineering services. The purpose of separating these monies from general fund monies (prior to FY 2006-07, they were included in the General Purpose Fund) was to allow for a clearer monitoring of these revenues and their related expenditures, as required by state law.

For FY 2019-20, the City Administrator's Office estimates that the fund will take in \$58.51 million in revenues and spend approximately the same amount with a similar pattern for FY 2020-21. This means that the fund balance would remain relatively steady at approximately \$94 to \$95 million dollars, as shown in Exhibit 28 below. It may be possible to use these funds to enhance code enforcement activities within the City of Oakland, however if the City wishes to make changes officials should ensure that new expenditures comply with state law.

Exhibit 28: Ending Fund Balance for 2415 Development Service Fund, FY 2016-17 through FY 2018-19 (estimate)

Fiscal Year	Fund Balance
FY 2016-17	\$73,409,498
FY 2017-18	\$123,816,826
FY 2018-19 (estimated)	\$94,935,619
FY 2020-21 (estimated ending balance)	\$93,935,620

Source: Oakland City Administrator's Office (FY 2019-21 Proposed Budget)

The City of San Francisco has developed several programs that use the equivalent of development service funds to offer grants to non-profits to perform tenant and landlord education related to code enforcement and emergency preparedness. All programs were developed in close consultation with the San Francisco City Attorney and these programs are briefly described below.

Code Enforcement Outreach Program: San Francisco's Department of Building Inspection works with five non-profit organizations which represent rental property owners and tenants throughout San Francisco. The purpose of this program is to expedite the code enforcement process by setting out tenant and property owner's respective rights and responsibilities, mediate, and improve communication between the parties. Building Inspection aims to seek out individuals of limited or non-English speaking skills who may have trouble accessing housing assistance. The goal of this program is to achieve the abatement of code violations. San Francisco reports that working with non-profit organizations helps build trust in the community and allows the city to gain access to inspect properties.

Single Room Occupancy Collaborative Program: The San Francisco Department of Building Inspection (DBI) coordinates the Single Room Occupancy (SRO) Collaborative Program in order to improve living conditions and safety for residents in low-income SRO hotels. Much like the code enforcement outreach program, Building Inspection works with four-nonprofits to do tenant outreach and education in SRO hotels.

Earthquake Safety Fair: San Francisco puts on an annual earthquake safety fair that anyone is allowed to attend. The fair features breakout sessions about topics of interest such as seismic safety and home improvement, and Building Inspection invites vendors who sell products related to earthquake safety.

Soft Story Loan Fund: The San Francisco Department of Building Inspection is partnering with the Mayor's Office of Housing and Community Development to offer loans for soft story retrofitting. This fund will offer loans to property owners who are in violation of soft story upgrade requirements. This program is still in development and no loans have been given out to date.

San Francisco's programs allow the City to address the needs of tenants while also ensuring that they appropriately address code enforcement concerns and comply with state laws. Oakland may have the opportunity to use their funds in a similar fashion.

1010 General Purpose Fund

The General Purpose Fund is comprised of the City's taxes, fees, and service charges and can be used at the discretion of the City Council. Most City departments receive general purpose fund support. This fund is required to maintain a 7.5 percent reserve level, which, according to the Finance Director, is currently equivalent to approximately \$45.5 million. The fund balance of \$52.27 million in FY 2018-19 is \$7.27 million more than the 7.5 percent reserve level, most of which will be used as a source of funds for the FY 2019-20 budget. The Finance Director estimates approximately \$720,000 is available for appropriation. The ending fund balance for FYs 2016-17, 2017-18, 2018-19 (estimated), and 2020-21 (estimated) are shown in Exhibit 29 below.

Exhibit 29: Ending Fund Balance for Fund 1010 the General Purpose Fund, FY 2016-17 through FY 2020-21 (estimate)

Fiscal Year	Fund Balance
FY 2016-17	\$78,218,885
FY 2017-18	\$86,157,123
FY 2018-19	\$52,273,623
FY 2020-21	\$46,327,811

Source: Oakland City Administrator's Office (FY 2019-21 Proposed Budget)

2250 Measure Z- Violence Prevention Fund

Measure Z Violence Prevention Fund revenues are generated through a special parcel tax and a tax on commercial parking lots. The measure was passed in November 2014 and provides approximately \$24 million every year for 10 years to fund violence prevention and intervention programs, additional police officers, and fire services. The aim of these services is to: (1) reduce homicides, robberies, burglaries and gun-related violence; (2) improve police and fire emergency 911 response times and other police services; and, (3) invest in violence intervention and prevention strategies that provide support for at-risk youth and young adults to interrupt the cycle of violence and recidivism. Annual allocations of the funds as required by the ballot measure are as follows:

- 3 percent of funds are set aside for audit and evaluation purposes;
- \$2 million are set aside for fire safety;
- 60 percent of the remaining Measure Z revenues are for maintenance of sworn police personnel and geographic policing;
- 40 percent of the remaining Measure Z revenues re used for investment in collaborative strategies that focus on youth and young adults at the highest risk of violence.

Over the past three years, the Measure Z Fund has had an ending fund balance of between \$9.5 million in FY 2016-17 and \$3.8 million in FY 2018-19 as shown in Exhibit 30 below. According to the Human Services Department staff, several factors contributed to the remaining fund balance of \$3.81 million in FY 2018-19. These factors included: (1) the transition from Measure Y funding to Measure Z funding, which led to under spending in FY 2015-16; (2) revenues often come in above estimates late in the budget cycle after grants have been awarded, which results in surpluses; and, (3) in some cases, grantees are unable to fully expend funds or have position vacancies which generate savings. In December 2018, the City Council approved a spending plan for these funds, which will be included in a grant award package to be expended in FY 2019-21. \$1 million of these funds are held as a reserve to support emerging needs related to the Department of Violence Prevention, and estimated ending fund balances do not fully account for the spending plan which is being finalized by the City Council.

Exhibit 30: Ending Fund Balance for Fund 2250 Measure Z- Violence Prevention, FY 2016-17 through FY 2020-21 (estimate)

Fiscal Year	Fund Balance
FY 2016-17	\$9,524,500
FY 2017-18	\$8,043,428
FY 2018-19	\$3,806,503

Source: Oakland City Administrator's Office (FY 2019-21 Proposed Budget)

1020 Vital Services Stabilization Fund

The Vital Services Stabilization Fund is comprised of 25 percent of the excess real estate transfer tax revenues per ordinance 13487 until the Vital Services Stabilization Fund is projected to equal 15 percent of total General Purpose Fund revenues in the coming year. The fund operates as a rainy day fund such that in years when General Fund revenues may require service reductions, the Vital Services Stabilization Fund can minimize the potential impact. The current fund balance of the Vital Services Stabilization Fund is equivalent to 2.5 percent of General Purpose Fund revenues. Fund Balance by fiscal year is included below in Exhibit 31.

Exhibit 31: Ending Fund Balance for Fund 1020 Vital Services Stabilization Fund, FY 2016-17 through FY 2020-21 (estimate)

Fiscal Year	Fund Balance
FY 2016-17	\$8,804,697
FY 2017-18	\$14,322,728
FY 2018-19	\$14,322,728
FY 2020-21	\$14,423,168

Source: Oakland City Administrator's Office (FY 2019-21 Proposed Budget)

#	Issue	Recommendation	Impact
5.	Large Fund Balance on Fund 2415 Development Service Fund: Fund 2415 has accrued a large balance and some of these monies can be used to address certain housing concerns in Oakland through tenant and landlord education related to code violations, or providing information to property owners regarding building codes.	The City Council should consider requesting the Director of Planning and Building to work with the City Attorney's Office to develop tenant and landlord education programs, consistent with state law, aimed at allowing all parties to understand relevant codes and their rights.	Must be determined in consultation with City Attorney staff, but likely several thousand dollars annually.
6.	General Purpose Fund Available Balance: According to the Finance Director (FY 2018-19 Q3 Revenue and Expenditure Report), the General Purpose Fund has an estimated ending available fund balance in the current year of \$720,000.	The City Council should consider appropriating a portion of these funds (\$575,000, or 80 percent, would be a conservative amount) to meet the City's critical needs.	Up to \$720,000 one-time

VI. Contracts and Projects

The City's original biennial budget in FY 2017-18 and FY 2018-19 included \$27.9 million and \$26.9 million in General Purpose Funds for contracts and projects. Since contracts and projects may not be completed or fully spent within the fiscal year, the City carries forward unspent funds into the next fiscal year. As a result, the monies available for spending on contracts and budgets exceed the amount approved by the City Council in the biennial budget. In FY 2017-18 and FY 2018-19, total available funds exceeded budgeted funds by approximately \$10 million, as shown in Exhibits 32 and 33 below.

Exhibit 32: Total Budgeted and Available Contract/ Project Funds and Expenditures by Department, FY 2017-18

Department	FY 2017-18 Appropriation	Total Funds Available	Total Expenditures	Unspent Funds
Capital Improvement Projects	\$252,000	1,771,122	844,750	926,372
City Administrator	798,857	1,268,029	910,904	357,126
City Attorney	21,943	31,416	20,983	10,434
City Auditor	11,900	286,943	270,282	16,661
City Clerk	195,916	260,022	65,651	194,372
City Council	48,253	198,660	50,321	148,339
Department of Transportation	1,029,411	1,029,090	315,112	713,978
Department of Violence Prevention		105,854	100,000	5,854
Economic & Workforce Development	265,229	833,594	423,162	410,432
Finance Department	6,539,310	8,674,367	6,570,256	2,104,111
Fire Department	687,768	1,447,067	1,144,159	302,908
Housing and Community Development	0	1,115,000	190,000	925,000
Human Resources Management	305,252	791,067	378,777	412,290
Human Services Department	2,275,908	4,197,842	2,619,653	1,578,189
Information Technology	169,840	443,660	334,765	108,895
Mayor		6,123	5,798	325
Non Departmental and Port	6,641,455	7,641,031	5,783,535	1,857,496
Oakland Parks and Recreation	1,297,228	1,111,104	896,112	214,993
Oakland Public Library Department		138,388	138,365	23
Oakland Public Works Department	0	455,768	446,500	9,268
Planning and Building Department	(118,345)	(87,869)	0	(87,869)
Police Commission	262,000	333,755	164,378	169,377
Police Department	7,255,304	5,033,249	3,620,145	1,413,104
Public Ethics Commission	5,000	20,450	20,425	25
Race and Equity Department	20,000	40,056	15,036	25,020
Total	\$27,964,229	37,145,787	25,329,068	11,816,719

Sources: City of Oakland budgets, FY 2017-18 and FY 2018-19, and Finance Department Documents

Exhibit 33: Total Budgeted and Available Contract/ Project Funds and Expenditures by Department FY 2018-19 (through March 2019)

Department	FY 2018-19 Appropriation	Total Funds Available	Total Expenditures	Remaining Unspent Funds
Capital Improvement Projects	\$252,000	\$1,475,178	\$203,482	\$1,271,696
City Administrator	398,857	748,892	623,919	124,974
City Attorney	21,943	17,945	15,792	2,154
City Auditor	11,900	113,449	98,291	15,158
City Clerk	197,526	524,757	257,668	267,089
City Council	48,253	104,416	32,684	71,732
Department of Transportation	1,029,411	1,535,260	838,631	696,629
Department of Violence Prevention	0	186,614	186,614	0
Economic & Workforce Development	265,229	856,069	170,939	685,130
Finance Department	6,654,310	6,679,231	4,477,836	2,201,395
Fire Department	687,768	2,241,785	1,158,884	1,082,901
Housing and Community Development	0	925,000	0	925,000
Human Resources Management	304,988	793,015	216,806	576,209
Human Services Department	2,275,908	5,288,455	3,394,692	1,893,763
Information Technology	169,840	241,591	93,200	148,390
Mayor	0	325	0	325
Non-Departmental and Port	6,001,084	8,589,601	5,414,341	3,175,260
Oakland Parks and Recreation	1,200,720	1,212,570	882,422	330,148
Oakland Public Library Department	0	48,667	45,579	3,088
Oakland Public Works Department	0	642,773	8,201	634,572
Planning and Building Department	(53,608)	(157,827)	0	(157,827)
Police Commission	262,000	445,862	0	445,862
Police Department	7,146,899	5,192,521	2,161,442	3,031,080
Public Ethics Commission	5,000	34,388	12,140	22,248
Race and Equity Department	20,000	38,296	10,051	28,245
Total	\$26,900,028	\$37,778,833	\$20,303,614	\$17,475,219

Sources: City of Oakland Budgets, FY 2017-18 and FY 2018-19, and Finance Department Documents

In FY 2018-19, the budget for contracts and projects was adjusted mid-cycle, increasing from \$26.9 million to \$29.3 million. Total available funds were \$37.8 million, as noted above, and spending through March 2019 was \$20.3 million, with remaining funds to be spent through the end of FY 2018-19 of \$17.5 million. The City will likely have available funds to carry forward into FY 2019-20.

The General Purpose Fund budgets for contracts and projects in FY 2019-20 and FY 2021-22 are \$24.1, reduced from actual expenditures of \$25.3 million in FY 2017-18 and budgeted expenditures of \$26.9 million in FY 2018-19, as shown in Exhibit 34 below.

Exhibit 34: Proposed General Purpose Fund Contract/Project Budget by Department FY 2018-19 (through March 2019)

Department	FY 2019-20 Proposed Budget	FY 2020-21 Proposed Budget
Capital Improvement Projects	\$252,000	\$252,000
City Administrator	558,857	508,857
City Attorney	21,943	21,943
City Auditor	14,950	14,950
City Clerk	197,526	197,526
City Council	44,306	44,306
Department of Transportation	1,057,411	1,057,411
Department of Violence Prevention	0	0
Economic & Workforce Development	502,170	502,170
Finance Department	4,204,073	4,304,073
Fire Department	2,583,566	2,583,566
Housing and Community Development	0	0
Human Resources Management	267,550	267,550
Human Services Department	2,990,313	1,645,415
Information Technology	139,000	139,000
Mayor	0	0
Non Departmental and Port	5,341,905	5,313,566
Oakland Parks and Recreation	1,147,561	1,148,069
Oakland Public Library Department	62,103	62,103
Oakland Public Works Department	221,951	221,951
Planning and Building Department	16,000	16,000
Police Commission	630,136	643,693
Police Department	3,910,829	5,122,829
Public Ethics Commission	9,323	9,323
Race and Equity Department	20,000	20,000
Total	\$24,193,473	\$24,096,301

Source: City of Oakland Proposed Budgets, FY 2019-20 and FY 2020-21

According to discussions with Finance staff, contracts and projects are budgeted at the project level. Because projects may not be completed or fully spent in the fiscal year, project funds are carried

forward into the next fiscal years. Funds that are no longer needed for the project are returned to the fund balance.

The proposed contract/project budgets of \$24.1 million in FY 2019-20 and FY 2020-21 include approximately \$6.5 million for contingencies. These amounts are for planned projects for which contracts and other expenditure details are not yet known. How contingencies are accounted for during the year is not clear; expenditure reports for FY 2016-17 through FY 2018-19 show no spending against contingency amounts, although these funds may be moved to specific projects.

The FY 2019-20 budget of \$24.1 million includes 75 contracts/projects. Of these 75 projects, 58 are existing contracts/projects with unspent funds of \$9.8 million as of March 2019. Although we do not have spending projections for these 58 projects through the end of FY 2018-19, based on spending and encumbrances for the first nine months of FY 2018-19, we estimate remaining available funds of at least \$5 million at the end of FY 2018-19.

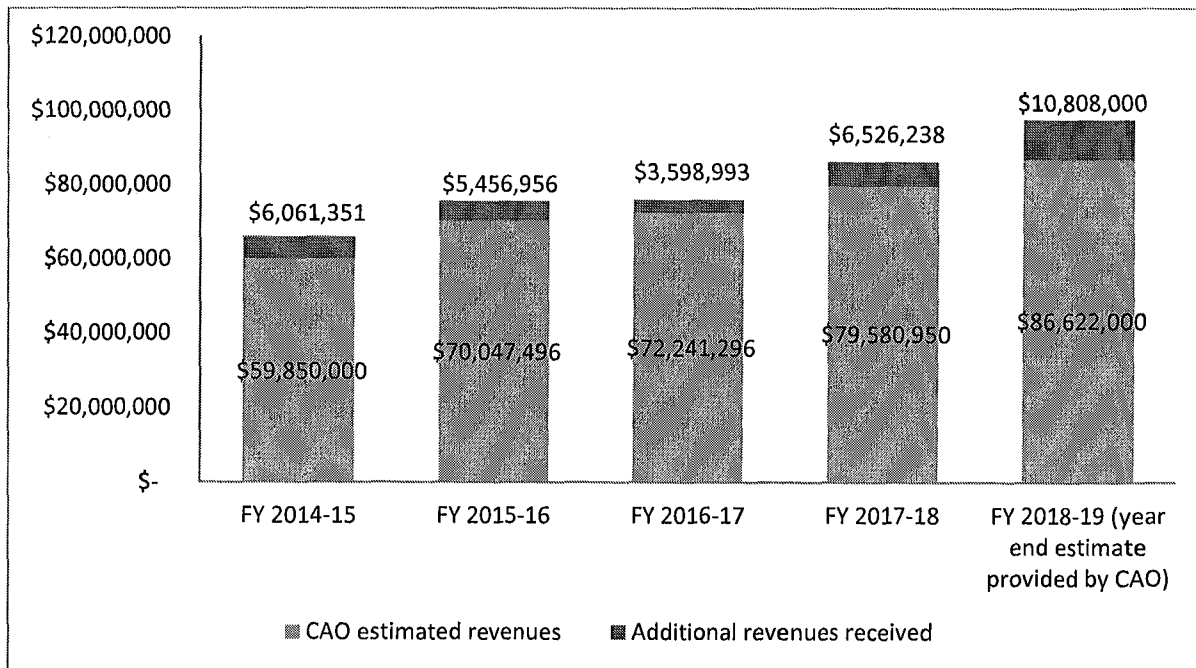
#	Issue	Recommendation	Impact
7.	<p>Estimated available contract/project funds: The City carried forward approximately \$10 million in contract/project funds in FY 2017-18 and FY 2018-19, resulting in available funds for contracts and projects that exceed the budget approved by the City Council.</p> <p>We estimate at least \$5 million in contract/project funds that will remain unspent at the end of FY 2018-19, for which new appropriations are recommended in the FY 2019-20 and FY 2020-21 budget. Because contracts and projects overall have not been fully spent in the fiscal year, we consider \$500,000 (10 percent of the available balance to be carried forward into FY 2019-20) to be available for re-allocation by the City Council.</p>	<p>The City Council should request the City Administrator to identify carry forward funds or new allocations in the FY 2019-20 budget for contracts/projects that can be re-allocated by the City Council for Council priorities.</p>	<p>\$500,000 annually</p>

VII. Local Tax Forecasting and the Business License Tax Structure

Forecasting Gross Receipts and Other Local Tax Revenue

When budgeting for future years, the Finance Department projects anticipated revenues, which come from a mix of local, state, and federal sources. One of the key sources of local revenue that tends to be fairly reliable for the General Purpose Fund is the business license tax (often referred to as the gross receipts tax). A review of Finance Department estimates compared to actual business license revenues found that the Department consistently under-estimated such revenue by \$3.6 million in FY 2016-17 to an estimated \$10.8 million for the current year. The Finance Department aims to be conservative when estimating gross receipts funding, as such revenues are impacted by economic conditions. Finance Department staff has noted that during FY 2018-19, the year when business license revenues are estimated to outpace the original projection by the greatest margin over the last five years, there were approximately \$7 million in one-time revenues derived from a clean-up of delinquent tax accounts. Excluding this amount would bring the under estimate to about \$3.8 million, which is more consistent with previous years. Exhibit 35, below, shows the Finance Department projection compared with the actual revenues generated in Oakland from FY 2014-15 through FY 2018-19.

Exhibit 35: Total business license revenue received in Oakland compared to Finance Department estimate by Fiscal Year, FY 2014-15 through FY 2018-19

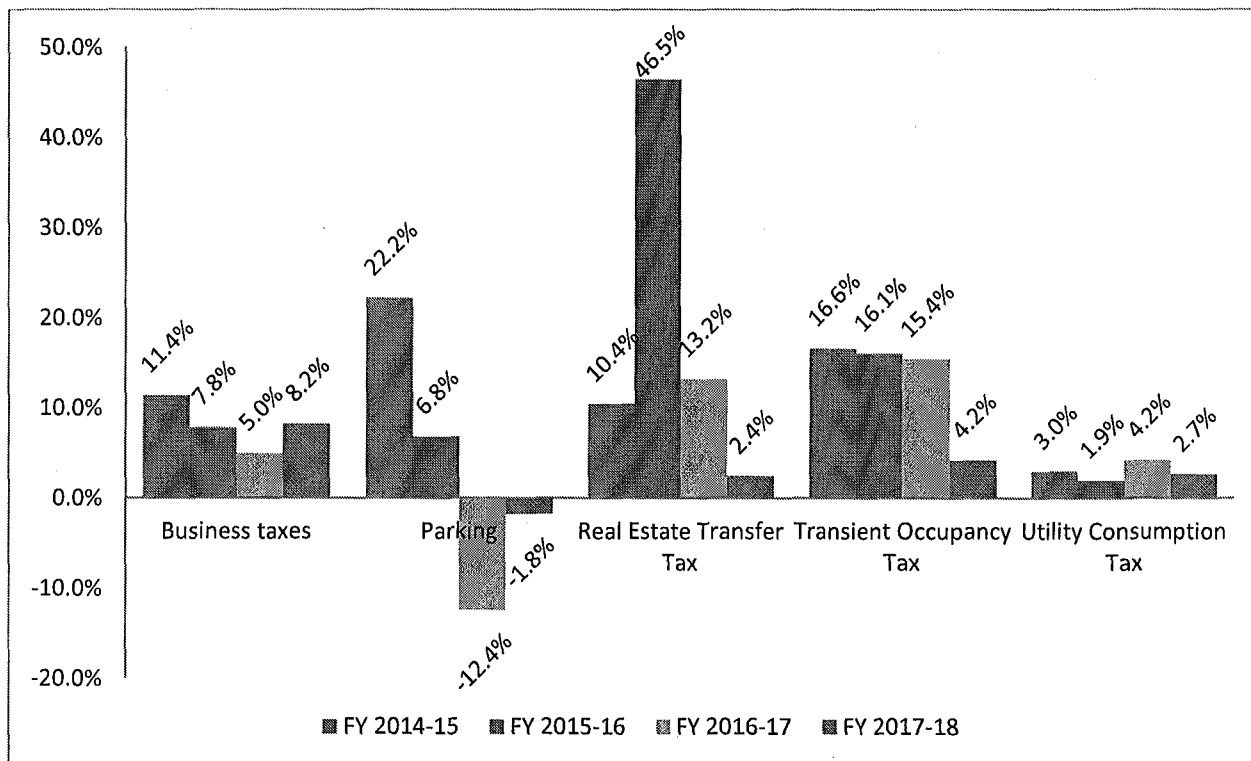


Source: Revenue reports provided by Finance Department

Similar to the forecasting of business license taxes, the Finance Department tends to make conservative projections when estimating revenues for other local taxes, some of which can have greater volatility. As shown in Exhibit 36 below, between FY 2014-15 and FY 2017-18, the Finance Department has underestimated business license revenue, the real estate transfer tax, the transient occupancy tax, and

the utility consumption tax each of those four years. The Department has projected the parking tax less consistently, with estimates ranging from 22.2 percent below actual revenues to 12.4 percent above actual revenues.

Exhibit 36: Amount of Actual Revenues vs. Projected Revenues as a Percentage of Projection by Fiscal Year, FY 2014-15 through FY 2017-18



Source: Oakland Tax Revenues Data provided by Finance Department staff

Revenue Forecast Assumptions

We requested that the Finance Department provide further details on the City’s methodology for forecasting revenues for evaluation as part of our budget review. However, Finance Department staff reported that work product regarding the FY 2016-17 and 2017-18 revenue forecast could not be located and that the data in the legacy system (the Revenue Management Bureau migrated to a new local tax software system in December 2016) was unstable and unreliable. We were therefore only provided with very high level information for FY 2017-18 and FY 2018-19. A summary description of the City’s revenue and expenditure forecast methodology, including forecasting techniques, is also presented by the City Administrator in the Proposed Policy Budget on pages E-1 and E-2.

Given the historical under-estimation of local tax revenue, particularly for the business license tax and the transient occupancy tax, the City Council could consider slightly more aggressive assumptions to appropriate such revenue for critical needs. We would not recommend more aggressive assumptions for the parking tax, real estate transfer tax, or utility consumption tax due to their more volatile nature. In

addition, the City Council should consider that, as the business license tax and the transient occupancy tax revenues are impacted by economic conditions, overly aggressive assumptions carry the risk of over estimating revenues should economic conditions shift dramatically.

Exhibit 37 below shows the assumed revenues from the business license tax and the transient occupancy tax and the share of each that is allocated to the General Purpose Fund for the proposed FY 2019-21 budget. The Transient Occupancy Tax is composed of an 11 percent tax and a three percent surcharge for a total charge of 14 percent of the rent rate charged for temporary stays (up to 30 days) in any hotel/motel, lodge, or bed and breakfast within the City of Oakland. Municipal Code Section 4.24 requires that the three percent surcharge only be used for specific purposes, such as the Convention and Visitors Bureau, the Oakland Zoo, and other cultural institutions and programs. The entirety of the 11 percent tax (approximately 78.57 percent of the total taxes collected) is allocated to the General Purpose Fund. The entirety of business license tax revenues are allocated to the General Purpose Fund.

Exhibit 37: Projected Business License Tax and Transient Occupancy Tax Revenue

Tax	FY 2019-20	FY 2019-20	FY 2020-21	FY 2020-21
	Proposed All Funds	Proposed General Purpose Fund	Proposed All Funds	Proposed General Purpose Fund
Business License Tax	\$99,673,792	\$99,673,792	\$103,221,291	\$103,221,291
Transient Occupancy Tax	33,712,664	26,488,522	35,061,171	27,548,063
Subtotal	\$133,386,456	\$126,162,314	\$138,282,462	\$130,769,354

Source: FY 2019-21 Proposed Policy Budget

Exhibit 38 below shows the impact of assuming one percent more revenues than proposed by the Finance Department for FY 2019-20 and FY 2020-21. This assumption includes a 7.5 percent set aside for the General Purpose Fund Emergency Reserve Policy. Although the adequacy of the 7.5 percent threshold is determined each year upon completion of the City’s financial audited statements by the City Administrator, it would be prudent to set aside an additional 7.5 percent of any change in the proposed budget, which results in more aggressive General Purpose Fund revenue assumptions.

Exhibit 38: Projected Business License Tax and Transient Occupancy Tax Revenue

Tax	Additional 1%	Additional 1%	Additional 1%	Additional 1%
	FY 2019-20 All Funds	FY 2019-20 General Purpose Fund	FY 2020-21 All Funds	FY 2020-21 General Purpose Fund
Business License Tax	\$996,738	\$996,738	\$1,032,213	\$1,032,213
Transient Occupancy Tax	337,127	264,885	350,612	275,481
Subtotal	\$1,333,865	\$1,261,623	\$1,382,825	\$1,307,694
7.5% Set Aside for GPF Reserve	N/A	94,622	N/A	98,077
Total Additional GPF Revenue for Appropriation	N/A	\$1,167,001	N/A	\$1,209,617

Source: FY 2019-21 Proposed Policy Budget and HMR analysis

Business License Tax Structure

All entities conducting business in the City of Oakland and all owners of rental property are required to file and pay an annual business license tax. Business license taxes are made up of taxes on gross receipts (approximately 60% of business license revenue) and rental income (approximately 40% of business license tax revenue). Tax rates for gross receipts vary by industry and business type, ranging from 60 cents per \$1,000 of sales after the first \$100,000 in sales for grocers, to \$50 per \$1,000 of sales after the first \$1,200 of sales for cannabis. Exhibit 39 below shows the tax rates for 16 different business types.¹⁴

¹⁴ In addition, taxicab companies are taxed based on the number of permits issued (\$180 per permit) with no minimum tax and ambulances and limousines are taxed based on the number of vehicles (\$75 per vehicle).

Exhibit 39: Oakland gross receipts tax rate by business type

Business Description	Minimum Tax	Gross Receipts Tax Rate
Cannabis	If under \$1,200: \$60	If over \$1,200: Gross Receipts x .05 (\$50 per \$1000)
Residential Rental Property Commercial Rental Property	If under \$1,000: \$60	If Over \$1,000: Gross Receipts x .01395 (\$13.95 per \$1,000)
Recreation/Entertainment	If under \$13,335: \$60	If over \$13,335: Gross receipts x .0036 (\$4.50 per \$1,000)
Professional/Semi-Professional Services	If under \$16,666: \$60	If over \$16,666: Gross receipts x .0036 (\$3.60 per \$1,000)
Business/Personal Services Contractors Hotel/Motel	If under \$33,335: \$60	If over \$33,335: Gross receipts x .0018 (\$1.80 per \$1,000)
Retail Sales Automobile Sales Wholesale Sales Media Firms Manufacturing (based on Oakland expenses) Miscellaneous (based on gross payroll)	If under \$50,000: \$60	If over \$50,000: Gross receipts x .0012 (\$1.20 per \$1,000)
Utilities Companies	If under \$60,000: \$60	If over \$60,000: Gross receipts x .001 (\$1.00 per \$1,000)
Grocers	If under \$100,000: \$60	If over \$100,000: Gross receipts x .0006 (\$0.60 per \$1,000)

Source: City of Oakland Finance and Management Agency

Finance Department staff noted that the Department does not have any historical documents or knowledge regarding how the gross receipts tax structure was developed, other than the cannabis tax, which was developed after Proposition 218 was passed. All other gross receipts tax rates were developed prior to the passage of Proposition 218 in November 1996 and Finance Department staff note that they can't speak to the process of how tax rates were established prior to Proposition 218.

Opportunities to Create a More Progressive Tax Structure

Cities in California employ a variety of methods to collect business taxes, including a gross receipts tax, a payroll tax, or a flat business tax rate. Local officials' decisions on how to tax businesses likely stem from a number of factors, including: (1) their desire to attract businesses to the area; (2) their need to

generate the revenues necessary to provide services; and, (3) a desire to create a system that officials and the general public deem fair to those paying business taxes, as well as other factors.

While Oakland's current business license tax structure differentiates rates by industry, within an industry all businesses are treated equally regardless of business size. The cities of San Francisco and Riverside have created a more progressive business tax structure for gross receipts in which the tax rate paid depends on total sales. For example, in San Francisco there are four different tax rates: one for the first \$1 million in annual sales, a second for businesses with between \$1 and \$2.5 million in annual sales, a third for businesses with between \$2.5 and \$25 million dollars in annual sales, and a top tax rate for businesses with over \$25 million dollars in annual sales. Much like federal income tax, businesses are allowed to pay the taxes at a graduated rate such that they pay a lower rate on the first dollar earned than the 26th million dollar earned. Applying a structure like the one employed in San Francisco is considered more progressive than the more limited structure employed by Oakland, as businesses that earn less gross revenues within the same business type pay lower tax rates under the San Francisco structure. Exhibit 40, below, compares Oakland and San Francisco's tax rates across different business types.

Exhibit 40: Business Gross Receipts Tax rates in Oakland and San Francisco

	Oakland tax rates		San Francisco tax rates			
	Threshold for tax application ¹⁵	Oakland tax rate	<\$1 million	\$1-\$2.5 million	\$2.5-\$25 million	over \$25 million
Cannabis	\$1,200	0.05	Not listed			
Residential Rental	\$1,000	0.01395	0.00285	0.0028	0.003	0.003
Commercial Rental	\$1,000	0.01395	0.00285	0.0028	0.003	0.003
Recreation/ Entertainment	\$13,335	0.0036	0.003	0.00325	0.00325	0.004
Professional/Semi-Professional Services	\$16,666	0.0036	0.004	0.0046	0.0051	0.0056
	\$33,335	0.0018	0.00525	0.0055	0.006	0.0065
Contractors	\$33,335	0.0018	0.003	0.0035	0.004	0.0045
Hotel/Motel	\$33,335	0.0018	0.003	0.00325	0.00325	0.004
Retail Sales	\$50,000	0.0012	0.00075	0.001	0.00135	0.0016
Automobile Sales	\$50,000	0.0012	0.00075	0.001	0.00135	0.0016
Wholesale Sales	\$50,000	0.0012	0.00125	0.00205	0.0037	0.00475
Media Firms	\$50,000	0.0012	0.003	0.00325	0.00325	0.004
Utility Companies	\$60,000	0.001	0.003	0.00325	0.00325	0.004
Grocers	\$100,000	0.0006	0.00075	0.001	0.00135	0.0016

Source: City of Oakland Finance and Management Agency and San Francisco Treasurer and Tax Collector

In Oakland, if a business' sales total below the threshold for tax application, they are only required to pay \$60 in taxes for most businesses, or \$13.95 for rental property. After surpassing the applicable threshold, a business will pay the gross receipts tax based on the tax rate for their industry. Similarly,

¹⁵ If a business' gross receipts are below this threshold the owner would typically owe a flat amount (typically \$13.95 for rental property or \$60 for other business types).

in San Francisco small businesses with \$1,120,000 million or less of gross receipts are generally exempt from the gross receipts tax.

When comparing the tax rates in Oakland and San Francisco, it is clear that tax rates vary greatly by industry across the two cities. For example, if you owned a residential or commercial rental business, it would be preferable to operate in San Francisco, where a company would be likely to pay \$2.80 per \$1,000 in gross revenues compared to \$13.95 per \$1,000 in Oakland. Alternatively, if one owned a business/personal services firm, it would be preferable to operate in Oakland, where you would pay \$1.80 per \$1,000 compared to \$3.00 per \$1,000 in sales in San Francisco. It is possible that each city chose their rates based in part on the composition of their cities' economies.

We are unable to provide an analysis of additional revenue opportunities that could be available if the City were to institute a more progressive business license tax structure due to a lack of available data. Finance Department staff has indicated that financial information of individuals and businesses provided to the Finance Department's Revenue Management Bureau is considered confidential and cannot be disclosed per Oakland Municipal Code Section 5.04.140. We have followed up with multiple inquiries to Finance Department staff to determine if aggregated data could be provided (for instance by rate category or by business revenue size), but we have not received responses to these inquiries as of the time of the writing of this report. The City Council should request that the Finance Director model progressive tax structures with higher tax rates for businesses with higher gross receipts and should consider revising the municipal code to ensure that studies can be conducted to determine the impact of such policy proposals.

#	Issue	Recommendation	Impact
8.	Under-estimation to tax revenues: A review of Finance Department estimates compared to actual business license revenues found that the Department consistently under-estimated such revenue by \$3.6 million in FY 2016-17 to an estimated \$10.8 million for FY 2018-19.	The City Council could consider more aggressive revenue assumptions for the Business License Tax and Transient Occupancy Tax.	A one percent increase in the assumed revenues from these taxes (including a 7.5 percent set aside) would result in an additional \$1,167,001 in General Purpose Fund Revenue in FY 2019-20 and \$1,209,617 in FY 2020-21.
9.	Adjusting business tax rates by size of business: While Oakland's current business license tax structure differentiates rates by industry, within an industry all businesses are treated equally regardless of business size.	The City Council should request that the Finance Director model and present different opportunities for graduated business tax rates, which more equitably distributes the tax burden across businesses in Oakland.	The City Council would have more useful information when considering changes to the business license tax structure. Changes to the tax structure could result in a more progressive structure such that larger businesses pay a larger marginal tax rate. Changes could also result in greater revenues for the City.
10.	Limited Information Available on Business Tax Revenues: Finance Department staff state that they are unable to disclose how much individual businesses pay in taxes based on current municipal code. This creates a system that lacks transparency and flexibility.	The City Council should consider, in consultation with the City Attorney, amending City Code Section 5.04.140 to allow for the study of the business tax revenues by allowing the release of aggregated information.	Amending City Code Section 5.04.140 would allow for aggregated information to be provided to analysts and policy makers in order to make informed decisions regarding the structure of the business license tax.

VIII. Review of Department of Transportation and Department of Public Works

In April 2015, the Mayor proposed the formation of a new Department of Transportation (DOT) for the City of Oakland as part of the FY 2015-17 Proposed Policy Budget. Given Oakland's role as a hub of the region's transportation systems, the new department was proposed to improve the City's ability to meet Oakland's transportation needs. The Department was established in order to carry out new initiatives, including the following:

- Ensure Oakland competes aggressively and receives its fair share of new transportation sales tax funding (Measure BB) and other grant funds by developing competitive projects and grant applications;
- Improve the City's capacity to plan, design, fund and deliver capital projects and mobility programs;
- Accelerate the repaving of our streets and repair our sidewalks to serve all residents;
- Use data, asset management tools and performance metrics to improve efficiency, responsiveness, and transparency;
- Work with the community to improve pedestrian safety, conditions for transit riders, access for people with disabilities, and safety for bicyclists and drivers; and,
- Provide training opportunities to all staff to implement best practices that serve the evolving needs of residents.

Many of the functions previously assigned to the Department of Public Works (DPW), such as Transportation Planning and Transportation Services, were moved to the newly established DOT. The Mayor's Office coordinated with the City's Budget Office and Human Resources Management to ensure fiscal and policy alignment for the new department.

Budgeted and Actual Expenditures

Exhibit 41 below shows the historical budgets for both departments. As shown, the combined total budgeted expenditures have increased over the last five years, particularly in FY 2017-18. These are budgets as adopted and exclude any funds carried forward for multi-year projects.

Exhibit 41: Budgeted Expenditures, FY 2014-15 through FY 2020-21

Fiscal Year	Public Works	Annual Change	Transportation	Annual Change	Total	Total Annual Change	Total Annual % Change
FY 15 16	\$161,919,550	\$0	\$0	\$0	\$161,919,550	\$0	n/a
FY 16 17	\$161,487,326	(\$432,224)	\$1,000,000	\$1,000,000	\$162,487,326	\$567,776	0.4%
FY 17 18	\$138,674,152	(\$22,813,174)	\$47,106,153	\$46,106,153	\$185,780,305	\$23,292,979	14.3%
FY 18 19	\$140,361,782	\$1,687,630	\$50,396,189	\$3,290,036	\$190,757,971	\$4,977,666	2.7%
FY 18 19 Mid-cycle	\$149,179,748	\$8,817,966	\$60,225,341	\$9,829,152	\$209,405,089	\$18,647,118	9.8%
FY 19 20	\$156,942,700	\$7,762,952	\$63,510,855	\$3,285,514	\$220,453,555	\$11,048,466	5.3%
FY 20 21	\$160,197,933	\$3,255,233	\$61,397,527	(\$2,113,328)	\$221,595,460	\$1,141,905	0.5%

Source: Adopted Budget 2017-19 and Proposed Budget 2019-21

In FY 17-18, when the departments' combined budgeted expenditures increased by 14.3%, DPW's budgeted expenditures decreased by \$22 million while the new Department of Transportation's budget increased by \$46 million, for a net budgeted increase of \$23 million.

Exhibit 42 below shows actual expenditures by the two departments between FY 2015-16 and FY 2018-19. Finance Department staff asserts that actual expenditures displayed in Exhibit 42 below cannot be compared to the budgeted amounts in Exhibit 41 above because the actual expenditures include carry forwards for multi-year projects, operating transfers, and overhead recoveries. Some of these expenditures appear as negative expenditures. According to Finance Department staff, DPW actual expenditures appear negative in FY 2017-18 due to Proprietary Budgetary Offsets and Operating Transfers, primarily in the General Fixed Assets Account Group Fund and the Sewer Service Fund. Accounting for these, actual FY 2017-18 expenditures would amount to a positive \$155,119,008. Similarly, DOT actual expenditures appear negative in FY 2017-18 due to Proprietary Budgetary Offsets and Operating Transfers in the General Fixed Assets Account Group Fund. If these are omitted, actual expenditures total \$52,510,083. A more accurate and comprehensive comparison of budgeted versus actual expenditures was not possible to obtain from the Finance Department within the time frame of this budget review.

Exhibit 42: Actual Expenditures, FY 2014-15 though FY 2018-19

Fiscal Year	DPW Actual Expenditures	DPW Remaining Balance	DOT Actual Expenditures	DOT Remaining Balance	Total Actual Expenditures	Total Remaining Balance	Remaining Balance as % Budgeted
FY 15 16	\$186,757,766	\$28,633,181	0-	\$0	\$186,757,766	\$28,633,181	18%
FY 16 17	\$181,475,359	\$24,611,391	\$253,163	\$2,740,067	\$181,728,521	\$27,351,459	17%
FY 17 18	(\$55,339,440)	\$224,835,287	(\$21,607,937)	\$94,756,197	(\$76,947,377)	\$319,591,484	123%
FY 18 19 YTD	\$100,751,395	\$68,734,214	\$36,426,458	\$46,437,853	\$137,177,853	\$115,172,066	55%

Source: General Ledger FM Reports

General Purpose Fund as share of Total Department Budget

For both departments, the majority of expenditures are outside of the General Purpose Fund, with General Fund expenditures constituting approximately 15 percent of DOT spending and only 2-3 percent of DPW spending as shown in Exhibit 43 below.

Exhibit 43: General Purpose Fund Funding

Fiscal Year	Department of Public Works			Department of Transportation		
	General Purpose Fund	Total	% General Fund	General Purpose Fund	Total	% General Fund
FY 15 16	\$2,863,827	\$161,919,550	2%	\$0	\$0	n/a
FY 16 17	\$2,897,432	\$161,487,326	2%	\$0	\$1,000,000	n/a
FY 17 18	\$2,469,461	\$138,674,152	2%	\$10,384,192	\$47,106,153	22%
FY 18 19	\$2,131,688	\$140,361,782	2%	\$10,542,340	\$50,396,189	21%
FY 18 19 Mid-cycle	\$3,849,828	\$149,179,748	3%	\$11,197,961	\$60,225,341	19%
FY 19 20	\$3,388,634	\$156,942,700	2%	\$10,897,193	\$63,510,855	17%
FY 20 21	\$3,664,900	\$160,197,933	2%	\$11,110,059	\$61,397,527	18%

Source: Adopted Budget 2017-19 and Proposed Budget 2019-20

Major Changes in Authorized Full Time Equivalent Positions

In FY 2017-18 when DOT was effectively established, DPW had a budgeted reduction in its workforce of 179.5 FTE and the DOT had an authorized 316.04 FTEs, for a net FTE increase of 136.54 FTEs across both departments. Since that time DPW added an additional 16.10 FTEs and DOT has added an additional 6.0 FTEs for a total net increase of 158.60 since FY 2016-17 as shown in Exhibit 44 below.

Exhibit 44: DPW and DOT Full Time Equivalent Staff change, FY 2016-17 through FY 2020-21

Fiscal Year	Public Works	Annual Change	Transportation	Annual Change	Total	Total Annual Change	Total Annual % Change
FY 16 17	791.57	-	-	-	791.57	-	-
FY 17 18	612.07	(179.50)	316.04	316.00	928.11	136.50	15%
FY 18 19	612.07	0.00	315.04	(1.00)	927.11	(1.00)	0%
FY 18 19 Mid-cycle	630.07	18.00	317.04	2.00	947.11	20.00	2%
FY 19 20	628.16	(1.90)	322.04	5.00	950.20	3.10	>1%
FY 20 21	628.16	0.00	322.04	0.00	950.20	0.0	0%

Source: Adopted Budget 2017-19 and Proposed Budget 2019-21

Areas of Potential Duplication

Exhibit 45 below details non-supervisory job classifications that are found in both departments by bargaining unit and program name.

Exhibit 45: FY 2018-19 Comparable Job Classifications in DPW and DOT, Non-Supervisory

Department of Public Works		Department of Transportation	
Local 1021	FTE	Local 1021	FTE
Construction Inspector (Field).IS106	7	Construction Inspector (Field).IS106	10
IN05 - ENGINEERING PLANNING & DESIGN	3	IN05 - ENGINEERING PLANNING & DESIGN	9
IN06 - PROJECT DELIVERY	4	IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	1
Public Works Maintenance Worker.TR174	51	Public Works Maintenance Worker.TR174	34
IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	2	IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	29.02
IN14 - STORM DRAIN MANAGEMENT & MAINT	12	NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	1.98
NB35 - KEEP OAKLAND CLEAN & BEAUTIFUL	37	NB40 - TRAFFIC SIGNS AND MARKINGS MANAGEMENT & MAINT	3
Street Maintenance Leader.TR180	24	Street Maintenance Leader.TR180	18
IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	1	IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	15.02
IN14 - STORM DRAIN MANAGEMENT & MAINT	8	NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	2.98
NB35 - KEEP OAKLAND CLEAN & BEAUTIFUL	15		
Subtotal	82	Subtotal	62
Local 21		Local 21	
Engineer, Assistant II (Office).ET113	15	Engineer, Assistant II (Field).ET112	1
NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	0.1	NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	1
IN05 - ENGINEERING PLANNING & DESIGN	3.3		
IN06 - PROJECT DELIVERY	11.6		
Engineer, Civil (Office).ET116	9	Engineer, Civil (Office).ET116	10
IN05 - ENGINEERING PLANNING & DESIGN	3.3	IN05 - ENGINEERING PLANNING & DESIGN	5.6
IN06 - PROJECT DELIVERY	4.7	IN06 - PROJECT DELIVERY	1.4
IN14 - STORM DRAIN MANAGEMENT & MAINT	1	IN13 - SANITARY SEWER MANAGEMENT & MAINT	1
		IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	2

Program Analyst II.AP293	4	Program Analyst II.AP293	10
IN13 - SANITARY SEWER MANAGEMENT & MAINT	2	IN04 - STREETS & SIDEWALKS MGMT & DEVELOPMENT	2
SC17 - RECYCLING & SOLID WASTE	0.47	IN05 - ENGINEERING PLANNING & DESIGN	1
SC26 - SUSTAINABLE OAKLAND PROGRAM	1.53	IN17 - TRANSPORTATION PLANNING AND FUNDING	4
		NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	3
Program Analyst III.SC204	6	Program Analyst III.SC204	5
IN14 - STORM DRAIN MANAGEMENT & MAINT	4	IN06 - PROJECT DELIVERY	2
SC26 - SUSTAINABLE OAKLAND PROGRAM	2	IN17 - TRANSPORTATION PLANNING AND FUNDING	1
Subtotal	44	Subtotal	30
		NB33 - TRANSPORTATION & PEDESTRIAN SAFETY	2
Grand Total	126	Grand Total	92

Source: FY 18-19 Mid-cycle Adopted Position Report

Without a position specific analysis of hours by function for each role, it is not possible to identify with certainty any duplication across departments in the non-supervisory roles. Exhibit 46 below details managerial or supervisory job classifications that are found in both departments by bargaining unit and program name. Five positions are likely duplicated due to the creation of DOT: the Director, the Assistant Director, the Assistant to the Director, the Executive Assistant to the Director, and the Agency Administrative Manager.

Exhibit 46: FY 2018-19 Comparable Job Classifications in DPW and DOT, Supervisory

Department of Public Works		Department of Transportation	
Unrepresented		Unrepresented	
Director	1	Director	1
CMEA		CMEA	
Assist Director	3	Assist Director	1
Local 21		Local 21	
Manager, Agency Administrative.EM171	1	Manager, Agency Administrative.EM171	1
Manager, Building Services.EM173	1	Manager, Capital Improvement Pgrm.MA107	1
Manager, Environmental Services.EM182	1	Manager, Electrical Services.EM180	3
Manager, Equipment Services.EM183	1	Administrative Services Manager I.MA103	1
Manager, Park Services.EM196	1	Electrical Supervisor.SC135	4
Manager, Support Services.MA140	2	Engineer, Civil Supv (Office).ET119	4
Manager, Sustainability Pgm.EM253	1	Engineer, Transportation Supv.ET121	5
Manager, Technology Pgm.EM257	2	Parking Enforcement Supervisor I.TR165	4
Administrative Services Manager I.MA103	1	Public Works Supervisor I.SC206	10
Administrative Services Manager II.EM100	3	Public Works Supervisor II.SC207	3
Clean Community Supervisor.SC116	1	Support Services Supervisor.SC225	1
Construction & Maintenance Supv I.SC124	4	Assistant to the Director.EM118	3
Construction Inspector Sup (Field).SC125	1	Exec Asst to the Director.SS124	1
Construction Inspector, Sup II.SC244	2		
Custodial Services Supervisor I.SC130	4		
Custodian Supervisor.SC132	1		
Engineer, Civil Supv (Office).ET119	4		
Environmental Program Supervisor.SC144	3		
Equipment Supervisor.SC146	3		
Facilities Complex Manager.MA110	2		
Heavy Equipment Supervisor.SC162	2		
Park Supervisor I.SC193	5		
Park Supervisor II.SC194	1		
Support Services Supervisor.SC225	3		
Tree Supervisor I.SC229	2		
Tree Supervisor II.SC230	1		
Watershed Program Supervisor.SC243	2		
Assistant to the Director.EM118	1		
Exec Asst to the Director.SS124	1		
Public Works Supervisor I.SC206	12		
Public Works Supervisor II.SC207	5		
Total	78		43

Source: FY 18-19 Mid-cycle Adopted Position Report

Exhibit 47 below presents the salary and benefit costs for a selection of positions that are found in both departments.

Exhibit 47: Salary and Benefit Costs for Positions Found in DOT and DPW, FY 2018-19

Position Title	Public Works	Transportation
Department Director	\$469,754	\$358,949
Assistant Director, Public Works Agency	\$374,629	\$376,437
Assistant to the Director	\$259,212	\$280,557
Exec Assistant to the Director	\$163,681	\$146,507
Manager, Agency Administrative	\$328,327	\$301,780

Source: FY 2018-19 Mid-Cycle Adopted Budget

Given the small share of each department's budget that is funded through the General Purpose Fund and the small number of duplicated positions, it is unlikely that large General Purpose Fund cost efficiencies would be gained by merging the two departments.

IX. Fiscal Accountability

We were asked to review and provide an overview of fiscal accountability in the City and provide an informal survey of independent budget analysis conducted in peer cities.

Existing Fiscal Accountability

Following budget adoption, the City Administrator is responsible for implementing and overseeing the budget. In practice, the City Administrator delegates the responsibility to the Finance Department's Budget Bureau. According to Finance Department staff, the Budget Bureau performs all technical budget work, elevating an approval to the City Administrator only for decisions that must be made by the City Council. The budget is controlled at the fund level, so departments may overspend their adopted budget within a given fund. As outlined in the City's Consolidated Fiscal Policy,¹⁶ the Budget Bureau has the authority to move up to five percent of expenditures between personnel and non-personnel accounts within a department. However, funds cannot be transferred between departments except by resolution of the City Council.

Budget Controls

We have generally observed that the controls in place address overspending once it has already occurred and do not provide the City Council with systemic budget oversight. As outlined in the Consolidated Fiscal Policy, the budget is monitored through the following controls:

Quarterly reporting: For all funds, the primary budget control preventing overspending at the department level is quarterly reporting of revenues and expenditures to the City Council by the City Administrator, particularly the second quarter report, which is typically released in February, when the City Administrator produces a mid-year plan to address any overspending.

Overspending action plan: For the General Purpose Fund, following the second quarter Revenue and Expenditure Report to the City Council, any department that is projected to overspend by more than one percent must provide an action plan to the City Administrator. The City Administrator then presents an informational report to the City Council listing the actions the Administration is taking to bring the expenditures into alignment with the budget. The City Administrator presents this report in within 60 days of the second quarter report. This is a new requirement, as of April 2018.

Reserve policy action plan: Similarly, if the General Purpose Fund has less than the required 7.5% reserve level following the audit of the fiscal year's financial statements (typically released in December or January), the City Administrator develops and presents a strategy to meet the Reserve policy to the City council.

¹⁶ As updated in April 2018.

Survey of Peer Cities’ Fiscal Accountability

In most large cities the executive branch prepares and administers the city budget and the budget is approved by the legislative branch. In order to increase understanding and influence over their budget, some city councils establish independent budget offices that report directly and exclusively to the city council. Three of eight large cities in California that we surveyed have such an office for budget analysis as shown in Exhibit 48 below. The City of San Francisco also has an independent budget analyst, but San Francisco is a City and County and was therefore left out of our survey.

Exhibit 48: Survey of Peer Jurisdiction City Councils

Municipality	Independent Analyst	Name	Reports to
City of Sacramento	Yes	Independent Budget Analyst	City Council
City of San Diego	Yes	Independent Budget Analyst	City Council
City of Los Angeles	Yes	Chief Legislative Analyst	City Council
City of San Jose	No		NA
City of Long Beach	No		NA
City of Berkeley	No		NA
City of Bakersfield	No		NA
City of Anaheim	No		NA

Sources: Municipality website review

City of Sacramento Office of the Independent Budget Analyst

The Office of the Independent Budget Analyst, created in 2015, is appointed by, and reports directly to, the City Council. The Independent Budget Analyst primarily serves the Budget Audit Committee and its designated function is to assist the City Council in the conduct of budgetary inquiries and in the making of budgetary decisions. The Independent Budget Analyst analyzes data and information relative to budgetary issues, engages in fiscal forecasting and planning, analyzes the City's past, current, and proposed revenues and expenditures, and prepares such other reports relating to budgetary and legislative policy concerns as directed by the City Council.

City of San Diego Office of the Independent Budget Analyst

The San Diego Office of the Independent Budget Analyst (IBA) was established in 2006 and reports to the City Council. The primary responsibility of the IBA is to annually review and analyze the Mayor's Proposed Budget, and to publish a detailed report reviewing policy issues and revenue estimates citywide as well as for individual departments. The IBA makes final recommendations for changes to the Mayor's Proposed Budget to the City Council. During the budget year, following the adoption of the budget, the IBA reviews and analyzes monthly revenue and expenditure reports by the City Comptroller and quarterly financial monitoring and projection reports prepared by the Financial Management Department. Budgetary adjustments are also reviewed throughout the year to evaluate the need, timing, and justification of requests.

Throughout the year, the IBA reviews all items docketed for consideration by the City Council to determine and evaluate policy and fiscal impacts of the proposed legislative actions. Finally, the IBA often initiates proactive reports on key topics deserving special attention, or to track and report progress to the City Council and the public on important initiatives. Examples include reports on pension issues and the structural budget deficit.

City of Los Angeles Chief Legislative Analyst

The Los Angeles Chief Legislative Analyst (CLA) was established in 1949 and reports to the City Council as a body and operates as a confidential office. The CLA analyzes and advises the City Council on federal and state legislation impacting city operations and performs policy research as requested. Unlike the Independent Budget Analysts of Sacramento and San Diego, the CLA does not review City legislation for fiscal impact on an ongoing basis throughout the budget year; however, the CLA does review the Mayor’s proposed budget every year and makes recommendations for adjustments to the City Council.

#	Issue	Recommendation	Impact
11.	Budget Oversight: The City Council does not have sufficient information or authority to approve reallocation of funds once the Council has approved the budget.	The City Council should consider adopting practices to increase budgetary control, including adopting the two-year budgets through an ordinance (which is a legislative act) rather than by resolution (which is a policy statement). Such a change would require a Charter amendment.	No fiscal impact.
12.	Budget Oversight: The City Council has insufficient analytical resources to fully exercise oversight over the budget.	Consider speaking with peer cities that have implemented other models for reviewing proposed budgets.	Potential fiscal impact depending on the Council’s choice of action.

APPENDIX: Matrix of Recommendations

Rec #	Issue	Recommendation	Impact
1	<p>Salary savings, leave expenditures, and overtime: The actual Citywide 12.5% vacancy rate for non-encumbered positions is substantially higher than the 2.4% percent rate budgeted for City-wide. The City has substantially over-budgeted paid and unpaid leave expenditures and substantially under-budgeted overtime expenditures in recent fiscal years.</p>	<p>The City Council should request the Finance Director to (a) increase the vacancy credit in departments with especially high vacancy rates, (b) reduce the City's budget for paid and unpaid leave, and (c) increase the City's budget for overtime to conform to historical spending.</p>	<p>The Finance Department and City departments would be able to better control overtime expenditures if the budget reflected actual expenditures. There would be no net fiscal impact if the reductions match the increases.</p>
2	<p>Overtime controls: The Police Department and the Fire Department spend the majority of the City's General Purpose overtime expenditures. The overtime budgets for these departments are not realistic. As a result, the City's ability to use the budget to monitor and hold these departments accountable for overtime spending is impaired.</p>	<p>The City Council should request the Finance Director to monitor actual overtime spending against budgeted spending; and require notification to the City Council and approval of increases in overtime spending by the City Council prior to incurring overtime spending that is in excess of the budget.</p>	<p>Once realistic overtime budgets have been established for these departments, requiring the Departments to request approval from the City Council for excess overtime will allow the City Council to use the overtime budget to monitor and track expenditures and to hold departments accountable for overtime spending.</p>
3	<p>Police overtime budget: The Police Department overtime budget for sworn members has not historically reflected actual overtime use, which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures. Actual overtime hours for sworn police officers decreased by nearly 9 percent between FY 2015-16 and FY 2017-18, although overtime hours in FY 2018-19 will likely exceed FY 2017-18 hours.</p> <p>According to the Chief of Police's report to the City Council, the Oakland Police Department does not generally make a request of Council for additional budgetary approval when exceeding the overtime budget. Police overtime budget: The Police Department overtime budget for sworn members has not historically reflected actual overtime use, which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures. Actual overtime hours for sworn police officers decreased by nearly 9 percent between FY 2015-16 and FY 2017-18, although overtime hours in FY 2018-19 will likely exceed FY 2017-18 hours.</p> <p>According to the Chief of Police's report to the City Council, the Oakland Police Department does not generally make a request of Council for additional budgetary approval when exceeding the overtime budget.</p>	<p>The City Council should request the City Administrator to (1) increase the Police Department overtime budget to accurately reflect overtime hours necessary to meet the Department's operational needs, including (a) setting a goal to reduce overtime hours (except for special event overtime that is reimbursed) by at least 9 percent per year, and (b) providing for adjustments corresponding to collective bargaining increases; and (2) identify reductions in the City's budget to offset the increase in budgeted overtime. The City Council should require Council approval for any increase in overtime above the budgeted amount.</p>	<p>There would be no net fiscal impact if the reductions match the increases. The increase would be offset by reduced transfers from other sources to the Police Department's overtime budget.</p>
4	<p>Monitoring of overtime: In order to meet the goal to reduce overtime hours by 9 percent, the Police Department needs to monitor unnecessary use of overtime. This should include a 500-hour limit on overtime use by individual employees.</p>	<p>The City Council should request the City Administrator to implement a 500 hour limit on overtime use by an individual employee, including criteria and procedures for when 500-hour limit may be increased.</p>	<p>No direct budget impact.</p>

Rec #	Issue	Recommendation	Impact
5	Large Fund Balance on Fund 2415 Development Service Fund: Fund 2415 has accrued a large balance and some of these monies can be used to address certain housing concerns in Oakland through tenant and landlord education related to code violations, or providing information to property owners regarding building codes.	The City Council should consider requesting the Director of Planning and Building to work with the City Attorney's Office to develop tenant and landlord education programs, consistent with state law, aimed at allowing all parties to understand relevant codes and their rights.	Must be determined in consultation with City Attorney staff, but likely several thousand dollars annually.
6	General Purpose Fund Available Balance: According to the Finance Director (FY 2018-19 Q3 Revenue and Expenditure Report), the General Purpose Fund has an estimated ending available fund balance in the current year of \$720,000.	The City Council should consider appropriating a portion of these funds (\$575,000, or 80 percent, would be a conservative amount) to meet the City's critical needs.	Up to \$720,000 one-time
7	Estimated available contract/project funds: The City carried forward approximately \$10 million in contract/project funds in FY 2017-18 and FY 2018-19, resulting in available funds for contracts and projects that exceed the budget approved by the City Council. We estimate at least \$5 million in contract/project funds that will remain unspent at the end of FY 2018-19, for which new appropriations are recommended in the FY 2019-20 and FY 2020-21 budget. Because contracts and projects overall have not been fully spent in the fiscal year, we consider \$500,000 (10 percent of the available balance to be carried forward into FY 2019-20) to be available for re-allocation by the City Council.	The City Council should request the City Administrator to identify carry forward funds or new allocations in the FY 2019-20 budget for contracts/projects that can be re-allocated by the City Council for Council priorities.	\$500,000 annually
8	Under-estimation to tax revenues: A review of Finance Department estimates compared to actual business license revenues found that the Department consistently under-estimated such revenue by \$3.6 million in FY 2016-17 to an estimated \$10.8 million for FY 2018-19.	The City Council could consider more aggressive revenue assumptions for the Business License Tax and Transient Occupancy Tax.	A one percent increase in the assumed revenues from these taxes (including a 7.5 percent set aside) would result in an additional \$1,167,001 in General Purpose Fund Revenue in FY 2019-20 and \$1,209,617 in FY 2020-21.
9	Adjusting business tax rates by size of business: While Oakland's current business license tax structure differentiates rates by industry, within an industry all businesses are treated equally regardless of business size.	The City Council should request that the Finance Director model and present different opportunities for graduated business tax rates, which more equitably distributes the tax burden across businesses in Oakland.	The City Council would have more useful information when considering changes to the business license tax structure. Changes to the tax structure could result in a more progressive structure such that larger businesses pay a larger marginal tax rate. Changes could also result in greater revenues for the City.
10	Limited Information Available on Business Tax Revenues: Finance Department staff state that they are unable to disclose how much individual businesses pay in taxes based on current municipal code. This creates a system that lacks transparency and flexibility.	The City Council should consider, in consultation with the City Attorney, amending City Code Section 5.04.140 to allow for the study of the business tax revenues by allowing the release of aggregated information	Amending City Code Section 5.04.140 would allow for aggregated information to be provided to analysts and policy makers in order to make informed decisions regarding the structure of the business license tax.

ATTACHMENTS

- 1. General Purpose Fund Revised Budget, Expenditures, and Year-End Balance, FY 2016-17 through FY 2018-19**
- 2. General Purpose Fund Personnel Services Expenditures Over- or Under-Spending; General Purpose Fund Overtime Over-Expenditures**
- 3. List of Funds with Balances Over \$1 Million (excluding trust funds)**

Attachment 1: General Purpose Fund Revised Budget, Expenditures, and Year-End Balance, FY 2016-17 through FY 2018-19 (projected)

Department	FY 2016-17			FY 2017-18			FY 2018-19		
	Revised Budget	Total Spending	Available Year End Balance	Revised Budget	Total Spending	Available Year End Balance	Revised Budget	HMR Projected Spending	Available Year End Balance
Capital Improvement	5,224,736	2,259,779	2,964,957	3,356,654	2,211,985	1,144,669	2,065,825	359,484	1,706,341
City Administrator	18,351,436	16,309,284	2,042,152	16,923,857	13,175,103	3,748,753	17,413,342	14,155,767	3,257,575
City Attorney	7,564,147	5,913,851	1,650,296	12,357,046	12,459,183	(102,137)	12,745,226	12,448,080	297,147
City Auditor	1,952,342	1,857,716	94,627	2,019,715	2,038,758	(19,043)	2,065,893	2,035,768	30,125
City Clerk	3,530,779	3,265,286	265,493	2,611,118	1,760,523	850,595	3,832,516	4,107,425	(274,910)
City Council	4,940,518	4,577,042	363,476	5,299,372	4,734,512	564,859	5,586,851	5,060,772	526,079
Other	0	29,353	(29,353)	0	351,143	(351,143)		0	0
Transportation	0	218,231	(218,231)	11,547,535	8,641,691	2,905,845	13,374,449	11,848,863	1,525,585
Violence Prevention				261,985			461,844	549,100	(87,257)
Economic & Workforce	6,478,804	5,030,878	1,447,926	4,835,580	4,130,947	704,632	5,398,875	4,427,272	971,603
Finance Department	26,839,237	23,811,745	3,027,492	27,580,328	25,425,294	2,155,034	27,181,524	24,679,527	2,501,998
Fire Department	129,189,302	133,618,361	(4,429,059)	132,765,929	136,903,432	(4,137,503)	144,275,185	143,296,308	978,877
Housing/Community Development	1,588,915	1,298,757	290,158	1,115,000	190,000	925,000	925,000	0	925,000
Human Resources	5,674,190	4,570,285	1,103,906	6,391,191	5,938,300	452,891	6,859,321	5,970,375	888,946
Human Services	10,021,018	8,582,867	1,438,150	14,866,993	10,904,139	3,962,854	18,631,885	15,927,778	2,704,107
Information Technology	12,831,044	11,766,980	1,064,064	10,485,576	10,740,356	(254,780)	10,495,975	10,201,984	293,990
Mayor	2,803,610	2,516,377	287,233	2,941,631	2,886,031	55,600	3,163,277	2,864,458	298,819
Non Departmental & Port	84,324,402	82,384,031	1,940,370	57,079,803	49,503,773	7,576,030	56,179,465	58,909,081	(2,729,616)
Parks and Recreation	16,728,792	16,021,091	707,702	16,802,628	16,285,635	516,994	15,404,549	14,156,889	1,247,661
Public Library	12,230,577	12,078,091	152,485	13,204,352	13,219,942	(15,590)	13,202,294	12,728,844	473,450
Public Works	6,533,479	3,257,026	3,276,453	4,586,542	3,263,163	1,323,379	5,069,553	3,207,039	1,862,514
Planning & Building	278,496	146,912	131,584	215,687	4,398	211,289	216,069	211,291	4,778
Police Commission				2,353,576			3,146,248	2,161,303	984,945
Police Department	246,321,921	258,344,531	(12,022,610)	255,561,708	260,507,303	(4,945,595)	267,012,744	279,946,293	(12,933,550)
Public Ethics Commission	940,561	940,352	209	972,504	1,070,234	(97,729)	1,054,877	985,673	69,204
Race and Equity	402,062	233,413	168,650	497,357	479,806	17,550	605,441	504,434	101,007
Total	604,750,369	599,032,239	5,718,130	606,633,666	586,825,651	17,192,454	636,368,228	630,743,810	5,624,418

Source: Finance Department

Appendix 2: General Purpose Fund Personnel Services Over- or Under-Spending and Overtime Over- or Under-Spending

The following tables present the budgeted and actual expenditures on personnel services and overtime in the General Purpose Fund for FY 2014-15, FY 2015-16, FY 2016-17, and FY 2017-18.

General Purpose Fund Personnel Services Expenditures Over- or Under-Spending

General Purpose Fund	FY 2014-15			FY 2015-16			FY 2016-17			FY 2017-18		
	Budget	Actual	Over/ (Under)	Budget	Actual	Over/ (Under)	Budget	Actual	Over/ (Under)	Budget	Actual	Over/ (Under)
Salary	151,270,868	145,363,881	(5,906,987)	154,934,065	160,190,822	5,256,757	169,099,872	165,557,845	(3,542,026)	177,237,277	174,640,627	(2,596,649)
Fringe Benefits & Retirement	132,916,351	124,860,701	(8,055,651)	145,568,896	145,622,808	53,913	160,663,446	153,645,829	(7,017,617)	164,111,122	159,598,452	(4,512,671)
Overtime	17,526,069	50,285,475	32,759,406	17,725,601	49,132,790	31,407,189	17,021,538	48,158,024	31,136,486	18,449,368	46,323,209	27,873,841
Paid and Unpaid Leaves	39,095,686	28,532,853	(10,562,832)	45,501,428	36,701,056	(8,800,372)	50,602,925	38,411,661	(12,191,264)	53,672,403	40,994,999	(12,677,404)
Premiums	11,702,483	11,039,714	(662,769)	11,318,307	13,348,040	2,029,734	10,193,096	13,172,206	2,979,110	12,150,566	13,872,286	1,721,720
Misc. Payroll Adjustments	2,871,979	1,591,312	(1,280,667)	16,565,163	6,107,468	(10,457,695)	(2,140,203)	2,199,551	4,339,754	8,767,509	3,032,245	(5,735,264)
Allowances/ Buybacks	1,073,136	1,688,276	615,140	1,147,756	1,843,188	695,432	1,153,297	1,998,737	845,440	1,333,701	2,528,171	1,194,471
Workers' Comp.	0	2,995	2,995	0	1,121	1,121	0	157,633	157,633	(820)	333,227	334,046
Grand Total	356,456,571	363,365,206	6,909,115	392,761,216	412,947,294	20,186,078	406,593,971	423,301,486	16,707,515	435,721,126	441,323,216	5,602,091

Sources: Oakland Finance Department (FY 2014-15 Expenditures, FY 2015-16 Expenditures, FY 2016-17 Expenditures, FY 2017-18 Expenditures)

General Purpose Fund Overtime Over-Expenditures

General Purpose Fund	FY 2014-15			FY 2015-16			FY 2016-17			FY 2017-18		
	Budget	Actual	Overspend	Budget	Actual	Overspend	Budget	Actual	Overspend	Budget	Actual	Overspend
Police	16,711,334	31,258,415	14,547,081	15,353,845	27,779,646	12,425,801	14,673,479	28,265,038	13,591,560	14,757,671	28,515,402	13,757,731
Fire	411,874	18,350,110	17,938,236	2,216,317	20,660,394	18,444,077	2,207,715	19,011,360	16,803,645	3,539,128	16,945,752	13,406,623
All Other	402,862	676,950	274,089	155,439	692,751	537,312	140,345	881,625	741,280	152,568	862,055	709,487
Total	17,526,069	50,285,475	32,759,406	17,725,601	49,132,790	31,407,189	17,021,538	48,158,024	31,136,486	18,449,368	46,323,209	27,873,841

Sources: Oakland Finance Department (FY 2014-15 Expenditures, FY 2015-16 Expenditures, FY 2016-17 Expenditures, FY 2017-18 Expenditures)

Attachment 3: List of Funds with Balances over \$1 Million (excluding trust funds)

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
1010	General Fund: General Purpose Fund	78,218,886	86,157,124	52,273,623	46,327,811	The general fund is comprised of the City's taxes, fees, and service charges and can be used at the discretion of the city council. Most city departments receive general purpose fund support. This fund is required to maintain a 7.5% reserve level, which is equal to approximately 45.5 million dollars. This puts the current general purpose fund balance 7.27 million dollars above the required reserve level. Much of the reserve will be used to balance the budget during upcoming fiscal years, and the CAD estimates the ending fund balance for fund 1010 to be \$46.33 million at the end of FY 2020-21.
1020	Vital Services Stabilization Fund	8,804,697	14,322,728	14,322,728	14,423,168	The vital services stabilization fund (1020) is comprised of 25 percent of the excess real estate transfer tax revenues per ordinance 13487 until the vital stabilization fund is projected to equal 15 percent of total general purpose fund revenues in the coming year. The fund operates as a rainy day fund such that in years when general fund revenues may require service reductions, the vital service stabilization fund can minimize the potential impact. The current fund balance is approximately 2.5 percent of GFP revenues.
1200	Pension Override Tax Revenue	176,040,571	177,694,236	181,364,606	199,303,976	The Pension Override Tax Revenue fund is derived from a parcel tax. This fund is used to pay into the police and fire retirement system. The City has a dedicated property tax that pays for obligations related to the City's closed defined benefit pension plan for retired public safety employees. The Charter requires the plan to be fully funded on an actuarial basis by 2026. These resources are intended to achieve that full funding.
1710	Recycling Program	2,274,986	2,263,236	1,685,287	630,866	The Recycling program fund is derived from a surcharge on refuse collection bills. Funds can be used for the city's recycling program and related services, and much of the fund balance will be spent by the end of FY 20-21.
1750	Multipurpose Reserve	(609,263)	1,803,289	1,394,478	2,267,211	The multi-purpose reserve is funded through fees from city-owned street parking facilities, and other revenue sources. All fees derived from street parking must be used toward parking facility construction and operation; In FY 2017-18 there was a total of \$11.4 million in revenue. Off-street parking revenues were about \$10.25 million and \$1.14 million was from the Car Share grant program, meaning that most of these monies must be used for parking construction and maintenance. In FY 2019-20, the funds cover personnel and contract costs for parking operations and a small amount of funding goes to mobility programs including care share, bike share, and scooter. Approximately \$1.0 million of the estimated ending fund balance at the end of FY 2020-21 are restricted grant revenues from the car share program.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
1780	Kid's First Oakland Children's Fund	4,728,127	6,733,758	1,264,934	1,264,934	Fund 1780 Kids First Oakland Children's is a direct transfer from the general fund equal to 3% of unrestricted revenues. These funds must be directed to programs for Oakland children and youth and generally address four goals related to Measure D: 1) Supporting the healthy development of young children 2) Helping children and youth succeed in school 3) Preventing and reducing violence, crime, and gang involvement among children 4) Helping youth transition to a productive adulthood. OFCY grants are awarded every three years (a three year grant cycle). Staff plans to spend down the fund balance at the beginning of each three year cycle by setting the grant level higher than the annual revenue allocation, such that identified fund balance is spent down over the three years. Due to increasing revenues over the last several years and the appropriation of revenue adjustments ("true ups") as required to ensure 3% of actual revenues are set aside, the Kids First fund balance has increased. OFCY/HSD plans to spend down the fund balance over the next three year grant cycle. Funding recommendations for this fund are currently before the City Council, and the director of the Human Services Department reports that all or most of the current balance will be spent before the end of the FY 2020-21.
1870	Affordable Housing Trust Fund	3,494,016	13,794,712	4,132,011	1,132,011	Fund 1870 Affordable Housing trust fund is generated by penalties for blight authorized by ordinance 13139 and 25 percent of residual redevelopment Property Tax Trust Fund (RPTTF) (Chapter 15.62 Affordable Housing Trust Fund/OMC §15.62.030). In 2011 the state dissolved redevelopment agencies, and funds that previously went to these agencies were placed in a county-wide redevelopment property tax trust fund. Monies in the housing trust fund are used to increase, improve, and preserve the supply of affordable housing in the city. Preservation can mean to acquire, finance, refinance, or rehabilitate housing at imminent risk of loss to the affordable housing supply due to termination of use restrictions, non-renewal of subsidy contract, mortgage or tax default or foreclosure, rent increases, conversion to market rate housing or other uses, demolition, or other conditions that will result in vacation of the property. The City Administrator's Office administers these funds and the majority of these funds will be spent by the end of FY 2020-21. The proposed budget allocates 1.5 million dollars in up coming fiscal years for rehousing homeless residents, rapid rehousing grants, and associated services and activities.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
1885	2011A-T Subordinated Housing	26,560,697	38,873,704	21,364,864	3,099,864	Fund 1885 2011 A-T Subordinated Housing Set Aside Bonds are the proceeds from 2011 subordinated housing set aside bonds. The bonds were issued to (i) finance low and moderate income housing activities for the Redevelopment Agency's Project Areas, (ii) provide a debt service reserve account for the Series 2011 Bonds, and (iii) pay the costs of issuance of the Series 2011 Bonds. These funds are restricted for the Brooklyn Basin affordable housing development project pursuant to an agreement between the City of Oakland and the California Department of Finance related to the dissolution of redevelopment.
2125	Environmental Protection Agency	2,329,603	2,364,115	Not in proposed budget book	Not in proposed budget book	2125 Environmental Protection Agency funds are provided by the EPA for local environmental projects. Specifically the city received funds to support the revitalization of neglected urban lands. Grants assist recipients with the identification and characterization of contaminants at sites that are abandoned or under-utilized. This Fund is not included in the FY 2019-21 Proposed Budget as there are no existing grant/loan applications deemed eligible at this time. However, the City could use these resources consistent with the grant eligibility requirements in the future should the need arise.
2146	California State Emergency Services	1,701,007	1,841,759	Not in proposed budget book	Not in proposed budget book	2146 California State Emergency Services funds are provided by the State of California for the purpose of emergency related services. Seismic retrofitting of public buildings is an example of a project that can be paid for using these funds. Grants are given for specific purposes and often are used to complete multi-year capital projects.
2158	5th Year State COPS Grant, AB 1913, Statutes of 2000	2,373,502	3,168,937	Not in proposed budget book	Not in proposed budget book	COPS grants are given for law enforcement activities related to community policing efforts. The revenues are restricted in their use per State COPS grant guidelines and cannot be used for other purposes. Fund balance may exist due to the multi-year spending process of these funds. This grant is not budgeted in the FY 2019-21 Budget, rather it is allocated via standalone resolutions that go to the City Council.
2185	Oakland Redevelopment Agency Funds	2,453,446	2,463,943	Not in proposed budget book	Not in proposed budget book	2185 Oakland Redevelopment agency grants are funded through monies formerly allocated to the Oakland Redevelopment Agency. Funds can be loaned to qualified businesses in the Central District, which is bounded by Embarcadero, Grand avenue, Lake Merrit, and I-980, and businesses can use funds for facade and building improvement.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
2215	Measure F - Vehicle Registration	1,262,281	1,825,889	1,293,888	1,296,103	2215 Measure F Vehicle Registration Fund are generated through a \$10 vehicle registration fee for all vehicles registered in Alameda County. These funds are dedicated to maintain the County's transportation infrastructure through the following four categories: Local Road Improvement and Repair Program (60% of funds), Transit for Congestion Relief (25% of funds), Local Transportation Technology (10% of funds), and Pedestrian and Bicyclist Access and Safety Program (5% of funds). The city intends to use these funds for street maintenance.
2231	State Gas Tax-Prop 42 Replacement	2,040,068	1,898,508	1,604,125		2231 State Gas Tax Proposition 42 replacement funds are generated through a gasoline tax. The proposition requires that 20 percent of the funds go towards public transportation, 40 percent go towards transportation improvements funded in the state transportation improvement projects funded in the State Transportation Improvement Program, a five year transportation capital investment program, and 40 percent should go to local streets and road repairs (split between city and counties). These funds will be spent down by the beginning of FY 2020-21.
2250	Measure N: Fund	815,697	1,113,551	1,094,627	717,635	2250 Measure N Fund is generated by a \$120 parcel tax and is used to provide paramedic services on fire trucks. These funds are being spent because of the elimination of Alameda County support for Emergency Medical Services and the fund balance is expected to fall below \$1 million by the end of FY 2020-21.
2251	Measure Y: Public Safety Act 2	631,081	1,027,552	1,058,163		2251 Measure Y Public Safety Act 1 is a special parcel and parking tax which can be used for violence prevention through social services intervention, long-term crime prevention programs, police services, fire safety and paramedic support. 4 million dollars of this fund must be allocated to fire safety. Violence prevention programs should receive 40 percent of the remaining measure Y revenue administered through the Human Services Department designed to work with community policing to provide a continuum of support for youth and adults. The remaining 60 percent of funds are meant to enhance Oakland's community policing programs by adding additional problem solving police officers for truancy enforcement, domestic violence, and the special victims unit. The balance of just over \$1 million is the result of \$1 million in one-time funds made available due to the receipt of delinquent payments under the public safety act of 2004. Funds have been included in the grant award packages that are currently moving through the city council and will be expended during FY 19-21.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
2252	Measure Z - Violence Prevention	9,524,507	8,043,429	3,806,503	3,806,503	2252 Measure Z Violence Prevention Fund is generated through a special parcel tax and a tax on commercial parking lots. The measure was passed in November 2014 and provides approximately \$24 million every year for ten years to fund violence prevention and intervention programs, additional police officers, and fire services. The aim of these services is to reduce homicides, robberies, burglaries and gun-related violence; improve police and fire emergency 911 response times and other police services; and invest in violence intervention and prevention strategies that provide support for at-risk youth and young adults to interrupt the cycle of violence and recidivism. Annual allocations of the funds are as follows: 3% of funds are set aside for audit and evaluation purposes; 2 million are set aside for fire safety; 60 percent of the remaining measure Z revenues are for maintenance of sworn police personnel and geographic policing; remaining 40 percent are used for investment in collaborative strategies that focus on youth and young adults at the highest risk of violence. Funding recommendations for this fund are currently before the City Council, and the director of the Human Services Department reports that all or most of the current balance will be spent before the end of FY 2020-21.
2415	Development Service Fund	73,409,499	123,816,827	94,935,620	93,935,620	Development service funds are generated from licenses, fees and permits from housing and commercial planning and construction related activities, though before 2006-2007 these funds were housed in the General Purpose fund. They can be used for planning and zoning services, construction inspections, construction permit approvals, building code enforcement, plan checks, and engineering services. The purpose of the separation was to allow for a clearer monitoring of these revenues and their related expenditures, as required by state law.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
2420	Transportation Impact Fee		2,977,393	2,977,393	2,977,393	Transportation Impact fees are fees assessed on new construction, including new housing units, non-residential project, adding floor area to non-residential projects, and non-residential projects with a "change and intensification of use." These fees can be used for capital improvements within the public right-of-way for pedestrian, bicyclists, and vehicles. According to the City Administrator's Office collection for this fee began in 2017. The CAO also reports that "eligible projects are identified through private development environmental review. In the FY 19/20 period, DOT will begin work on identified transportation projects intended to mitigate congestion impacts from private development. The City and department have no official spending target, but the transportation impact fee fund is only now large enough to support both the design and development of projects simultaneously. Variability of transportation impact fee income is entirely dependent on the cyclical nature of private development. In order to project a reasonably constant level of spending, a healthy fund balance is required, because collections during recessions may drop to zero."
2421	Capital Improvements Impact Fee		1,705,410	1,705,410	1,705,410	2421 Capital Improvements Impact Fees are fees assessed on new construction and can be used for improvements for fire, police, libraries, parks/recreation, or storm drain services. The fund is only now reaching a level that would support the costs of design and new construction and/or capacity upgrades as required by the Municipal Code (cannot be used for rehabilitation of an existing facility, maintenance, or operations). Upon approval by City Council of the 2019-21 budget, the Office of Public Works will review the list of partially funded priority project(s) within the approved Capital Improvement Program to supplement with Fund 2421 and anticipate expending the current balance within the next two years by June 30, 2021.
2830	Low and Moderate Income Housing Fund	12,125,174	7,917,388	Not in proposed budget book	Not in proposed budget book	Prior to dissolution of the redevelopment agency, 20 percent of incremental tax revenues generated from certain redevelopment project areas were used to increase, improve, and preserve the affordable housing stock for very low, low, and moderate income families. In response to this former requirement, the City established its 20 percent Housing Program and an additional 5 percent of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing below market rate loans. When the redevelopment agency dissolved, the City assumed the housing activity function. Loans relating to the Low and Moderate Income Housing Program were transferred to this fund. This cannot be used to fund new activity.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
3150	Sewer Rate Stabilization Fund	3,030,917	3,579,884	4,079,884	4,079,884	The 3150 Sewer Rate Stabilization Fund is a transfer from the sewer service fund to build a required reserve.
4200	Radio / Telecommunications Fund	7,848,084*	7,972,742*	2,404,246	1,839,817	4200 Radio and telecommunications funds are funds from radio rental charges to operation departments and can be used for the maintenance and replacement of city radio and communications equipment. This fund operates as an internal service fund and cannot be used to advance council priorities. *These funds are reported as cash balances, rather than fund balances, because the fund balance includes non-spendable assets.
4450	City Facilities Energy Conservation loan	2,439,636	2,102,985	1,655,615	358,755	4450 City facilities energy conservation capital projects fund is made up of monies from the California Energy commission. These funds can be used for energy conservation capital projects in city facilities and will be largely spent by the end of FY 2020-21.
5330	Measure KK: Infrastructure and Affordable Housing		58,775,605	34,926,945	34,926,945	Measure KK funds are proceeds from a general obligation bond authorized in 2016 which can be used for infrastructure projects including transportation and public facilities projects. Funds have been used to acquire properties for housing (six properties), rehabilitate and preserve housing (three properties), and construct new properties for affordable rental and ownership housing (seven properties); To date measure KK projects are estimated to have created 915 units, excluding small site acquisition. Unspent funds will be carried forward to FY 2019-20.
5610	Central District Projects	16,533,324	17,970,767	9,861,908	9,861,908	All funds for Central District Projects come from a funding agreement from the former Oakland Redevelopment Agency and funds can be used for redevelopment in the Central District, which is bounded by Embarcadero, Grand avenue, Lake Merrit, and I-980.
5611	Central District: TA Bonds Series 2003	16,154,876	15,793,613	Not in proposed budget book	Not in proposed budget book	Bond proceeds from the Central District Tax Allocation Bond: Series 2003 to provide funding for Central District redevelopment projects.
5612	Central District: TA Bonds Series 2005	13,843,716	13,187,348	Not in proposed budget book	Not in proposed budget book	Bond proceeds from the Central District Tax Allocation Bond: Series 2005 to provide funding for Central District redevelopment projects.
5613	Central District: TA Bonds Series 2009T	6,768,973	6,606,984	1,985,662	1,985,662	Bond proceeds from the Central District Tax Allocation Bond: Series 2009 to provide funding for Central District redevelopment projects.
5643	Central City East TA Bonds Series 2006A-T (Taxable)	24,123,878	22,266,658	12,195,422	12,195,422	Bond proceeds from the Central City East Tax Allocation Bond: Series 2006A-T. These monies provide funding for Central City East Area redevelopment projects. Central City East is bounded by International boulevard, Lakeshore Avenue, Foothill Boulevard, MacArthur Boulevard, and the City of San Leandro.

Fund Number	Fund Title	AUDITED Ending Fund Balance FY 2016-17	AUDITED Ending Fund Balance FY 2017-18	Estimated Ending Fund Balance FY 2018-19 (Source: FY 19-21 Proposed Budget Book)	Estimated Ending Fund Balance FY 2020-21 (Source: FY 19-21 Proposed Budget Book)	Fund description, sources and uses
5650	Coliseum Projects	4,433,116	4,997,186	2,766,337	2,766,337	Funds for 5650 Coliseum Projects are generated from a funding agreement with the former Oakland Redevelopment Agency. These funds are for redevelopment in the Coliseum area which is bounded by Oakland International Airport/Estuary, International Boulevard, 22nd Avenue, and the City of San Leandro.
5656	Coliseum: TA Bonds Series 2006	60,890,027	49,307,568	39,630,725	39,630,725	Funds for 5656 Coliseum: TA bonds Series 2006 are proceeds from Coliseum Tax Allocation Bond: Series 2006B-T. These monies provide funding for Coliseum Area redevelopment projects.
5672	Joint Army Base Infrastructure	4,376,423	4,319,755	3,357,017	Not in proposed budget book	5672 Joint Army Base Infrastructure Funds are generated from a transfer from the former Oakland Redevelopment Agency and are used for Oakland Army Base infrastructure costs.
6036	JPFA Refunding Revenue Bonds: 2008 Series A-1 (Tax-Exempt)	5,511,596	5,894,363	5,894,363	5,894,363	Fund 6036 JPFA refunding revenue bonds are the proceeds from revenue bonds from 2008 series A. This is a process for refinancing an outstanding bond by issuing new bonds if interest rates have fallen since the bonds were originally issued, or if the bonds have restrictive covenants that local government wishes to remove or modify. Funds cannot be used to further city council goals.
6064	General Obligation Refunding Bonds, Series 2015A	5,322,017	4,215,147	4,215,147	4,215,147	General Obligation Bond: Series 2015A; Refunding General Obligation Bond series 2005, 2006 and 2009B. This is a process for refinancing an outstanding bond by issuing new bonds if interest rates have fallen since the bonds were originally issued, or if the bonds have restrictive covenants that local government wishes to remove or modify. Funds cannot be used to further city council goals.
6312	General Obligation Bond (GOB): 2012 Series	2,948,323	2,360,367	2,360,367	2,360,367	Voter-approved Measure DD and Measure G assessments. Debt Service payments of interest and principal for General Obligation Bond 2012.
6330	Measure KK: 2017A-1 (TE)Infrastructure and Affordable Housing	-	1,453,572	1,453,572	1,453,572	6330 Measure KK general obligation bonds are used to fund capital improvements including infrastructure and projects including transportation and public facilities. See fund 5330 for additional detail.