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CITY OF OAKLAND

## MEMORANDUM

**TO:** HONORABLE MAYOR &  
CITY COUNCIL

**FROM:** The Budget Advisory  
Commission

**SUBJECT:** Recommendations to the Finance and  
Public Works Committees on Development of an  
Infrastructure Bond for the November 2016 Ballot

**DATE:** May 18, 2016

### PURPOSE

The purpose of this memorandum is to transmit to the City Council, Mayor and public the Budget Advisory Commission's (BAC) recommendations on the proposed infrastructure bond for the November 2016 ballot. The recommendations were informed by conversations with key Mayoral and City Administrator staff, which provided BAC members with a better understanding of infrastructure needs, existing constraints in meeting them and the opportunities afforded by an infrastructure bond.

### OVERVIEW AND KEY CONSIDERATIONS

The Budget Advisory Commission (BAC) supports the city's proposal to place an infrastructure bond before the voters this November. Oakland's streets, pavements and facilities have been poorly maintained, resulting in unsafe conditions, outmoded facilities, inefficient service delivery, rising maintenance costs and lost productivity. Additionally, Oakland faces a housing affordability challenge that is driving many long-time residents out of the city.

The proposed infrastructure bond would go far in addressing these issues. If approved, the bond will decrease the city's capital backlog, bring streets and facilities into compliance with multimodal design and modern seismic, accessibility, energy efficiency and environmental health codes and decrease reliance on short-term and emergency repairs.

In considering the proposed bond and developing its recommendations, the BAC sought to ensure that the city: 1) is positioned to meet its capital needs now and in the future; 2) can successfully deliver on a large-scale voter-approved bond; and 3) can resource the ongoing costs associated with maintaining its bond investments. Therefore our Recommendations include suggestions for both the Proposed Bond Act now under consideration as well as the subsequent implementation of the Bond Act and the city's ongoing capital planning process.

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## RECOMMENDATIONS

In order to maximize the city's ability to meet the above goals, and to ensure that any funds approved by the voters are spent wisely, the BAC recommends that the city:

### Submit an Infrastructure Bond to the Ballot

1. **Propose an infrastructure bond** for the consideration of Oakland voters in the General Election to be held in November 2016, which funds those projects identified as highest priority through the city's capital and other planning processes.
2. **Require a citizen oversight body** to actively monitor progress on bond projects and the expenditure of bond proceeds, and to keep the public informed of such through the publication of regular reports. *The proposed bond ballot language should include the phrase "subject to independent citizen oversight and regular audits."*
3. **Limit the specificity of project allocations** in the Bond Act submitted to voters, so as to give the city the ability to prioritize the expenditure of bond proceeds on the highest need projects as they evolve over time.
4. **Develop a bond report** to accompany the bond ordinance that shows graphical evidence of existing versus proposed City infrastructure (e.g., a low performing street versus one with improved pavement, bike lanes, crosswalks and bulbouts) and highlights the success of previous bond measures such as DD for Lake Merritt. It is also critical that the bond report communicate the city's intent to mitigate the bond's impact on property tax rates by drawing down voter-approved funds in several increments (tranches) spread over multiple years, that the drawdown schedule be set in the context of other City debt obligations, and that the report forecast the impact of the bond on property tax rates and the City's credit rating.

### Following Voter Approval Ensure Proper Implementation of the Bond

5. **Bring an equity perspective to bear on the selection of bond projects.** The BAC recommends that this be accomplished by:
  - a. Developing methods for analyzing which projects will supply the greatest benefit to under-served populations, and
  - b. Targeting bond investments to geographic areas of greatest need rather than emphasizing equal distribution of bond investments across the city. Examples of this approach might include GIS mapping the locations of the most pressing street repair projects and prioritizing areas of concentrated need first, prioritizing the creation of bike lanes in neighborhoods that lack access to public transit or prioritizing curb cuts in census tracts with the highest concentration of elderly and disabled residents.
6. **Prioritize projects that "Fix it First"** and reduce rather than increase the city's maintenance obligations. The projects selected for this and any future infrastructure bond funds through the city's capital planning processes should prioritize maintaining and improving what we already own and fixing core systems (streets, seismic safety, energy efficiency, environmental health, etc.) prior to investing in new buildings and/or systems that increase annual operating and maintenance needs.

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7. **Give additional consideration to projects that reduce energy needs, expand mobility or increase resiliency.** This can be done through integrating passive design, replacing inefficient systems, improving seismic performance or life safety needs and/or designing for complete streets.
8. **Develop bond implementation documents to provide transparency and accountability.** The City Administrator's Office should develop and present to the Council a multi-year projection of planning and implementation costs associated with the infrastructure bond projects, including the following considerations:
  - a. Proposed project management, engineering, design, finance, legal and administrative staffing increases and which positions are eligible for reimbursement from the bond;
  - b. Sequencing of projects to align with staff capacity and anticipated bond issuances as well as strategies to augment existing capacity through, for instance, acceptance of in-kind design services or streamlining of contracting procedures;
  - c. An analysis of bond eligible project costs and identification of project elements which will require support through the City's annual operating budget or other identified means as well as projected impacts to annual operations and maintenance costs and the prioritization of projects that minimize this impact;
  - d. Leveraging of other revenue sources and coordination with related efforts such as utility work in the right of way or Alameda County affordable housing efforts; and
  - e. Other non-budgetary challenges to timely and effective delivery of bond projects.

9. **Establish the required citizen oversight body**

- a. The recommended citizen oversight body for the infrastructure bond could be composed of the Budget Advisory Commission, a subset thereof, or a separate body altogether, with at least one member drawn from the Budget Advisory Commission.
- b. At least some members of the citizen body, like with Measure Z and San Francisco's GOBOC, should be explicitly reserved for individuals with expertise in project management and public finance.

**Examples of citizen bodies created by recent local ballot measures:**

*The 2004 Violence Prevention and Public Safety parcel tax and parking surcharge established an Oversight Committee to "review the annual audit, evaluate, inquire and review the administration, coordination and evaluations of the programs and make recommendations to the Mayor and the City Council for any new regulations, resolutions or ordinances for the administration of the programs to comply with the requirements and intent of this Ordinance." (sic).*

When it was continued in 2014 by *Measure Z*, the Oversight Committee became a nine-member Commission, which required that two members have experience working with service-eligible populations, two members reflect the service-eligible populations and two members have a professional law enforcement or criminal justice background, with the balance comprised of individuals with experience in criminal justice, public health, social services, research and evaluation, finance, audits, and/or public policy.

*San Francisco's Citizen's General Obligation Bond Oversight Committee (GOBOC) was adopted by voters in 2002 by Proposition F. It established a nine member committee to inform the public concerning the expenditure of general bond proceeds through active review and the publishing of regular reports. Some members must meet certain minimum qualifications, including expertise auditing governmental financial statements or expertise in public finance law or project management. In addition, some members are required to represent certain interests, such as: business, labor and the community. Members serve two year terms and may be re-appointed for a second term.*

## **Improve the City's Long-Range Capital Planning Process**

**10. Develop a more robust long-range capital improvement plan** that quantifies citywide capital needs, identifies existing and potential revenues to meet those needs and establishes a process for prioritizing the allocation of limited resources to capital projects with formal input from City staff, the Mayor and the City Council.

- a. The capital improvement plan should be presented at a public hearing every two years to improve the transparency of the city's capital planning and prioritization process.
- b. The capital improvement plan should include a prioritization framework that evaluates equity outcomes.
- c. The capital improvement plan should identify any increase in operating costs associated with capital improvements.

**11. Consider a policy goal to minimize fluctuations in the city's share of the property tax rate from year to year.** Given the city's current debt obligations, the BAC recognizes and accepts that a near term increase in the tax rate will be necessary to fund the proposed November 2016 infrastructure bond. Over the long term however, the city should study how it might be able to provide a consistent property tax rate, relative to a prior peak year, when using bond funds for infrastructure. This could be achieved through strategic timing and sizing of bond issuances such that new debt issuances coincide with the retirement of existing debt and/or increases in citywide net assessed valuation wherever possible.

## **CONCLUSION**

The Budget Advisory Commission (BAC) supports City efforts to address its capital backlog and stabilize affordable housing in Oakland. The recommendations contained in this memorandum are based on Commission member experience in other jurisdictions and reviews of best practices. The BAC offers these recommendations with the goal of improving the City's ability to plan for and deliver projects funded by the bond, to increase the public's confidence that the City is spending funds wisely and to assist the City as it continues to increase its financial strength and public accountability.