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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Sarah Schlenk
Acting Budget Director

SUBJECT: Budget Advisory Commission (BAC)
Budget Process Recommendations

DATE: August 22, 2016

City Administrator Approval

Date:

8/31/16

RECOMMENDATION

Staff Recommends That The City Council Receive A Report From City Administrator's Office, Budget Department Regarding The Budget Advisory Commission's (BAC) Recommendations For Continual Improvement Of The Budget Process, And The City Administration's Response To Those Recommendations.

EXECUTIVE SUMMARY

The City Administration is generally in agreement with the recommendations of the Budget Advisory Commission regarding improvements to the budget process and associated documents. The only disagreements exist in the areas of translation of the budget source documents and transition to program based budgeting. No further action is requested of the Council by staff.

BACKGROUND / LEGISLATIVE HISTORY

Section 3, Item 11 of the City's Consolidated Fiscal Policy (Ordinance 13279 C.M.S.) requires the Budget Advisory Commission (BAC) submit a report on process feedback and continual improvement of the City's budget process to the Finance & Management Committee. That report is included as **Attachment A**. The fiscal year 2015-17 Adopted Biennial Budget's policy directives, approved on June 30, 2015, require the City Administrator to "follow up on Transparency & Accountability recommendations from the Budget Advisory Committee" (now Budget Advisory Commission) and to report on whether such recommendations will be implemented or staff's rationale for not implementing recommendations.

Item: _____
Finance & Management Committee
September 13, 2016

ANALYSIS AND POLICY ALTERNATIVES

No.	BAC Recommendation	Staff Response
1	<p>Expanded Professional Survey of Public Priorities. During this FY 2015-17 budget process, the City conducted a professional public opinion poll (also known as the community survey). This was an item that was promoted and developed by the BAC and was included in the City's Consolidated Fiscal Policy. Feedback from the Council and the public has been favorable on the integrity and completeness of the survey. The most often heard feedback is that, in the future, all Oakland residents should be included in the survey, rather than just registered voters. We support such an expansion. The City should also consider whether the survey was offered in enough languages and whether this should be expanded. We believe the inclusion in the budget of modest funding \$90,000 for a more inclusive survey will help to accomplish this result.</p>	<p>Staff Agrees, no further Council Action is Requested. The City Council has already budgeted additional funds for the polling process, which will be used to expand the survey's participants to all Oakland Residents.</p>
2	<p>Continued Variety of Format and Location of Budget Forums, including educational, town hall, and "straight talk" formats, among others.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will continue to help facilitate a variety of Budget forums.</p>
3	<p>More Outreach and Communication on the Budget Forums, involving extensive social media outreach and a network of partner organizations with bases, to help spread the word about the range of opportunities to participate.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will publicize forums via social media and will outreach to community partners in advance of forums.</p>
4	<p>Continued Support for Translation of Public Documents and Interpreters at Public Events. We are pleased that the public summary documents were translated into Chinese and Spanish -- namely, the Budget Fact Sheet, 5 Year Forecast, and Town Hall flyers - and recommend that additional languages (and, per below, budget documents) be provided in future years. We also request shorter RSVP time for interpreters at public events, whenever possible.</p>	<p>Staff Partially Agrees, no further Council Action is Requested. Staff agrees that translated fact sheets and flyers should be translated into additional languages spoken in the City such as: Arabic, Vietnamese, Khmer, and Tagalog. Staff advises that shorter RSVP times may not be logistically possible; however, staff recommends continuing the proactive provision of translation at certain town halls such as those in Fruitvale and Chinatown.</p>
5	<p>Continued Commitment to Open Data. The Mayor's budget was posted online in an open-data format and has been accessed by the members of the public to have a more informed budget debate. More guidance is needed to decipher raw budget data and the open data portal data oaklandnet.com will need continuous improvement each budget cycle.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will continue to post Budget data on the City's open data portal and will continue to look at enhancements to that platform and alternative methods of communicating budgetary information.</p>

6	<p>Consistent Use of Standardized Templates by Council. Council members have access to a standardized template to indicate priorities and amendments to the Mayor. Only five of eight council members submitted publicly available priorities and, to our disappointment, only two of those used the standardized template, neither of which was available except as a PDF. We urge all Council members to use the standardized template, in the interest of transparency and better public engagement.</p>	<p>Staff Agrees and encourages the City Council to use the standardized template. Staff will again provide standardized templates to the City Council for priorities and amendments and recommends their use to ensure ease of comparison by members of the public.</p>
7	<p>Improved revenue information. Often missed in the budget process is the fact that estimated revenues are as critical as estimated expenditures. Revenue presentations are often presented in summary charts with a limited discussion of the underlying basis for the estimates. We believe the budget process would be improved by much greater attention being paid to explaining and understanding the current and potential sources of City revenues.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will increase the depth and breadth of revenue information and methodological explanation provided in the Five-Year Forecast and Budget Book.</p>
8	<p>More Context. This budget states that it maintains service levels, but is that in comparison to the previous biennial budget or other benchmark? What were service levels before the great recession? A generation ago? The BAC would like comparative analytics to better understand what the historic service levels were - not just comparing money spent, but other metrics as well, perhaps full time equivalent employees, percent of budget, and more.</p>	<p>Staff Partially Agrees, no further Council Action is Requested. Budgetary comparisons are benchmarked against the most recently adopted prior budget. Staff agrees that historic comparisons of metrics are helpful and will work to incorporate those into Budget documents to the extent that historic service levels can be accurately compared to currently levels.</p>
9	<p>More Trend Data. While Revenue and Expenditure summary tables in the Financial Summaries (starting on page E-65 and E-91, respectively) show four years of data (prior year actuals, current year budget, and the two years of the proposed budget Department Summaries do not show prior year actual financial data. Consider showing this information at the Departmental level so the public can compare spending within departments to past trends,</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will incorporate prior year actuals into the Departmental summary pages.</p>
10	<p>More Percent Changes. Include year-over-year percent changes in charts. To enhance the value of the trend data presented in revenue and expenditure Financial Summaries, consider including the percentage increase or decrease for each line item and the totals from the current year budget to the first year of the proposed budget and from the first year of the proposed budget to the second year.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will incorporate percent changes into summary revenue and expenditure charts in the financial summaries section.</p>

<p>11</p>	<p>Detailed List of Vacant Positions Proposed for Elimination. The BAC recommends that this list should be made available, either in the proposed budget or as an additional resource. This cycle, the Mayor has provided this list, subsequent to the release of the proposed budget, in response to a Council request.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will include a list of positions proposed for elimination in the Proposed Budget.</p>
<p>12</p>	<p>More Definitions. Central terms like "structurally balanced budget," "balanced budget," and "negative funds" require clear, up-front explanations, in addition to the more detailed discussion in the complete budget documents.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will provide additional "in text" definitions of key phrases.</p>
<p>13</p>	<p>Easier Navigation. A budget document is a very large set of information to read and process. The public is greatly aided by a Table of Contents that is comprehensive and designed to help readers locate information. The use of a letter-number system for paginating the document hinders readers' ability to quickly assess how far into the document a particular section is as listed in the table of contents (example: how far into the document is page E-89?). Consider using a standard pagination format that starts with the number 1 and proceeds upwards from there until the end of the document. Especially as more of the public switches to reading documents on-line, being able to enter a page number from the Table of Contents into a page finder is helpful, and also helps readers who still use printed documents. PDF files should not be scanned documents that cannot be searched.</p>	<p>Staff Agrees, no further Council Action is Requested. Staff will explore alternate pagination schemes for the online Budget documents and the use of in-PDF linking. Staff will continue to use non-scanned documents whenever possible in the productions of the budget book.</p>
<p>14</p>	<p>Greater Accessibility of the Source Budget Documents: We recommend that the source budget documents be translated into in at least Spanish and Chinese and also made accessible for those with disabilities.</p>	<p>Staff Disagrees, no further Council Action is Requested. Staff does not recommend translation of the full budget document into other languages. The cost for this translation would be substantial and there would be a high likelihood of errors due the translation of highly technical terms. Due to the intensive nature of Budget book production, this would substantially increase the amount of staff time required to produce this document, and potentially require additional positions. Staff agrees that summary information, fact sheets, flyers, etc. should continue to be presented in multiple languages.</p>

<p>15</p>	<p>Long Term connect all spending to a clear set of priorities and shift the budget design to focus on programs: In its current format, the budget is difficult for a non-expert to follow. On a day-to-day level, citizens interact with specific governmental programs, rather than departments or funds. The BAC believes it be very beneficial if the City moved to a program based budget that was tied to clearly stated spending priorities. The BAC recommends that the Council consider the Priority-Based Budgeting model.</p>	<p>Staff Partially Agrees, no further Council Action is Requested. Staff does recommend that the City Council and Mayor adopt clearly articulated and ranked spending priorities based on the priority-based budgeting model. Such priorities should be consistent with the long-term strategic vision and equity concerns of the City's elected leadership. Staff recommends that these priorities be adopted after review and analysis of the 2017-19 Budget Priorities Public Poll.</p> <p>Staff does not recommend use of program-based budgeting. The fund and department centered budgeting approach mirrors the City's fiscal controls, chain of command, and internal accounting processes. The reimplementation of the City's Oracle financial systems is based upon the current budgeting model, and changes could affect the utility of that system.</p>
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FISCAL IMPACT

There are no direct fiscal impacts in the acceptance of this report. There are no substantial fiscal impacts to the City of Adopting staff's recommendations. However, should the Council direct staff to translate the full Budget and Five-Year Forecast documents into additional languages, there would be an anticipated cost in excess of \$50,000 per translated language, and a likely need for an additional staff support during the proposed and adopted budget document development.

PUBLIC OUTREACH / INTEREST

No public outreach was necessary in the preparation of this staff report. The Budget Advisory Commission discussed their recommended changes to the Budget process at numerous public and noticed meetings of that body, prior to adoption.

COORDINATION

The Controller's Bureau, Revenue Management Bureau, and the City Administrator's Office were consulted in preparation of this report.

SUSTAINABLE OPPORTUNITIES

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

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

Social Equity: The implementation of these recommendations should improve the accessibility of Budget information and decision making to disadvantaged groups and the general public.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council receive a report from City Administrator's Office, Budget Department regarding the Budget Advisory Commission's (BAC) recommendations for continual improvement of the budget process, and the City Administration's response to those recommendations.

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

Respectfully submitted,



SARAH T. SCHLENK
Acting Budget Director

Reviewed By:

Kirsten LaCasse, Controller
Finance Department

Margaret O'Brien, Revenue & Tax Administrator
Finance Department

Prepared By:

Bradley Johnson, Assistant to the City Administrator
CAO - Budget Department

Annual Budget Process Evaluation

For the FY 2015-17 Policy Budget Passed on June 30, 2015

September 2015

On May 12, 2013 the Oakland City Council passed a resolution establishing the City of Oakland's Budget Transparency and Public participation Policy that requires the Budget Advisory Commission (BAC) to submit an annual budget process evaluation to the Finance and Management Committee. The purpose of this report is to evaluate the budget process on transparency, engagement and clarity.

Following are BAC's comments and recommendations:

Increasing Public Engagement in the Budget Process

Efforts to engage the public with the budget process this year significantly improved. WE suggest the following be considered in future budgets to increase public knowledge and participation:

- Expanded Professional Survey of Public Priorities. During this FY 2015-17 budget process, the City conducted a professional public opinion poll (also known as the community survey). This was an item that was promoted and developed by the BAC and was included in the City's Consolidated Fiscal Policy. Feedback from the Council and the public has been favorable on the integrity and completeness of the survey. The most often heard feedback is that, in the future, all Oakland residents should be included in the survey, rather than just registered voters. We support such an expansion. The City should also consider whether the survey was offered in enough languages and whether this should be expanded. We believe the inclusion in the budget of modest funding \$90,000 for a more inclusive survey will help to accomplish this result.
- Continued Variety of Format and Location of Budget Forums, including educational, town hall, and "straight talk" formats, among others.
- More Outreach and Communication on the Budget Forums, involving extensive social media outreach and a network of partner organizations with bases, to help spread the word about the range of opportunities to participate.
- Continued Support for Translation of Public Documents and Interpreters at Public Events. We are pleased that the public summary documents were translated into Chinese and Spanish -- namely, the Budget Fact Sheet, 5 Year Forecast, and Town Hall flyers - and recommend that additional languages (and, per below, budget documents) be provided in future years. We also request shorter RSVP time for interpreters at public events, whenever possible.

Improving Fiscal Transparency & Accountability

Overall, the proposed budget and the accompanying process -to date- represent a significant improvement. As more people become interested in the budget process and accessing materials on-line, it is important to continue this trajectory. To accomplish this we recommend that future budgets include the following:

- Continued Commitment to Open Data. The Mayor's budget was posted online in an open-data format and has been accessed by the members of the public to have a more informed budget debate. More guidance is needed to decipher raw budget data and the open data portal data oaklandnet.com will need continuous improvement each budget cycle.
- Consistent Use of Standardized Templates by Council. Council members have access to a standardized template to indicate priorities and amendments to the Mayor. Only five of eight council members submitted publicly available priorities and, to our disappointment, only two of those used the standardized template, neither of which was available except as a PDF. We urge all Council members to use the standardized template, in the interest of transparency and better public engagement.
- Improved revenue information. Often missed in the budget process is the fact that estimated revenues are as critical as estimated expenditures. Revenue presentations are often presented in summary charts with a limited discussion of the underlying basis for the estimates. We believe the budget process would be improved by much greater attention being paid to explaining and understanding the current and potential sources of City revenues.
- More Context. This budget states that it maintains service levels, but is that in comparison to the previous biennial budget or other benchmark? What were service levels before the great recession? A generation ago? The BAC would like comparative analytics to better understand what the historic service levels were - not just comparing money spent, but other metrics as well, perhaps full time equivalent employees, percent of budget, and more.

- More Trend Data*. While Revenue and Expenditure summary tables in the Financial Summaries (starting on page E-65 and E-91, respectively) show four years of data (prior year actuals, current year budget, and the two years of the proposed budget Department Summaries do not show prior year actual financial data. Consider showing this information at the Departmental level so the public can compare spending within departments to past trends,
- More Percent Changes*. Include year-over-year percent changes in charts. To enhance the value of the trend data presented in revenue and expenditure Financial Summaries, consider including the percentage increase or decrease for each line item and the totals from the current year budget to the first year of the proposed budget and from the first year of the proposed budget to the second year.
- Detailed List of Vacant Positions Proposed for Elimination. The BAC recommends that this list should be made available, either in the proposed budget or as an additional resource. This cycle, the Mayor has provided this list, subsequent to the release of the proposed budget, in response to a Council request.
- More Definitions*. Central terms like "structurally balanced budget," "balanced budget," and "negative funds" require clear, up-front explanations, in addition to the more detailed discussion in the complete budget documents.
- Easier Navigation.* A budget document is a very large set of information to read and process. The public is greatly aided by a Table of Contents that is comprehensive and designed to help readers locate information. The use of a letter-number system for paginating the document hinders readers' ability to quickly assess how far into the document a particular section is as listed in the table of contents (example: how far into the document is page E-89?). Consider using a standard pagination format that starts with the number 1 and proceeds upwards from there until the end of the document. Especially as more of the public switches to reading documents on-line, being able to enter a page number from the Table of Contents into a page finder is helpful, and also helps readers who still use printed documents. PDF files should not be scanned documents that cannot be searched.

- Greater Accessibility of the Source Budget Documents: We recommend that the source budget documents be translated into in at least Spanish and Chinese and also made accessible for those with disabilities.
- Long Term connect all spending to a clear set of priorities and shift the budget design to focus on programs: In its current forma, the budget is difficult for a non-expert to follow On a day-to-day level, citizens interact with specific governmental programs, rather than departments or funds. The BAC believes it be very beneficial if the City moved to a program based budget that was tied to clearly stated spending priorities.. The BAC recommends that the Council consider the Priority-Based Budgeting model.

Several of these recommendations (*) are included in the Government Finance Officers Association recommendations for building a better budget document for all public agency budget documents.

Draft 8/12/15 erg