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October 16, 2008

Honorable President and Members of the City Council
City of Oakland, California

Supplemental Documents Related to the Fiscal Year 2008-09 Budget Revisions, including Responses to City Council members' Questions, Amendments to the Mayor's Budget Proposal, and Legislation to Implement Recommended Financial Policies, Amend Certain Fees and Fines, and Adopt the Revised Fiscal Year 2008-09 Budget

City Council President and Council members –

Since my budget proposal was released on September 26th and formally presented on September 30th, we received and responded to questions from individual Council members. At the October 10th budget workshop, additional questions were raised that require clarification or follow up. On a parallel track, discussions with employee unions, department directors and staff led to several insignificant amendments to my budget proposal. Lastly, draft legislation necessary for budget-related actions (including fee and fine increases, adoption of financial policies and approval of budget changes) has been prepared for the City Council review. Staff also scheduled public hearings on the proposed fee and fine changes for October 16th, followed by the anticipated first reading of related ordinances.

1) Follow up on Matters from the October 10th Budget Workshop

I find it necessary to follow up on a number of matters discussed at the October 10th budget workshop. While responses to many other questions raised at that meeting are provided in Attachment "A", these items require special attention.

a. Early Retirements / "Golden Handshake" offers

In general, a "golden handshake" provides additional service credits to employees who choose to retire early. As a result, the City may realize salary savings if the retired incumbent's position is left vacant or eliminated, but also bears the cost of paying for the additional retirement credits into the PERS system. Staff is researching the exact costs and benefits, and this option will be considered for the FY 2009-11 budget cycle. In the short term, given the uncertainty of who would retire and when, and whether the vacated positions could be frozen or eliminated, no immediate savings could be assumed.

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b. Overtime management

Responding to questions and comments on overtime management, I find it necessary to share with you that over the past couple of weeks, my administration has been working on a citywide overtime control and approval policy, which will be distributed to all departments – including Police and Fire – shortly. The policy establishes overtime approval layers, from the immediate supervisor to the department director to the City Administrator, and provides flexibility for overtime related to emergencies, legally mandated duties, public health and safety matters, and the delivery of a contractual agreement. I would gladly provide a copy of the overtime directive to the City Council for information.

c. No closure of parks under LLAD proposal

I carefully listened to all comments from the residents and Council members regarding the possible closure of selected parks resulting from the proposed cuts in the Landscaping & Lighting Assessment District (LLAD) fund. Based on these comments, I directed Public Works staff to redesign the proposed park maintenance schedule in a way that would **not** lead to the closure of parks.

The magnitude of the LLAD cuts is dramatic but necessary to keep the fund solvent and avoid the accumulation of additional negatives over time. The dollar amount and the positions proposed for reductions will remain (with a few budget-neutral exceptions, as discussed under “Amendments” below). However, **no parks will be closed**. Instead, maintenance schedule will be revised to provide only minimal maintenance on most parks, and encouraging residents and organizations to “adopt” parks. Please see a more detailed discussion below, under “Amendments”.

d. Alternative Scenarios to Bridge the Last \$10 million in GPF shortfall

My budget proposal contains a citywide weekly business shutdown (every Friday) as a preferred option to address the “last” \$10 million in the General Purpose Fund shortfall. In my view, this is the only option that avoids unmanageable impacts on the essential services and public safety, and is also within immediate management control.

At the October 10th budget workshop, the City Council requested costing for three specific scenarios as alternatives to the weekly business shutdown. We are responding by providing costing for these alternatives below.

1. A one-day shutdown per month starting in November (8 total days) would save **\$2.37 million** in the GPF. In order to reach the \$10 million savings target, at least an additional **105 positions** would be eliminated.
2. A one-day shutdown per month starting in November (8 days), AND a shutdown from December 26th to January 2nd (5 days) for a total of 13 days, would save **\$3.86 million** in the GPF. In order to reach the \$10 million savings target, an additional **85 positions** would be eliminated.
3. A twice per month shutdown starting in November (16 total days) would save **\$4.75 million** in the GPF. In order to reach the \$10 million savings target, at least an additional **72 positions** would be eliminated.

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My overall budget proposal is based on several essential guiding principals, several of which call for **minimizing impacts on public safety and essential services**. Elimination of 72 to 105 positions would break this promise.

I must re-emphasize that there is only \$110 million in discretionary income available in the General Purpose Fund, after discounting for mandates such as Measure Y, Measure Q and Kids First, and debt service payments. In addition, as the table on the following page demonstrates, there are only 1,216 non-sworn positions currently funded by the General Purpose Fund. (The 803 sworn Police positions, funded by several sources including the GPF, are mandated by the voter-approved Measure Y. The level of Fire's sworn personnel is established through a city/union agreement.)

The elimination of 72 to 105 positions would decimate our organization, reducing or eliminating:

- Essential programs under the City Administrator's umbrella, such as Equal Access and Equal Opportunity;
- Necessary legal and audit support;
- Essential support, repair and maintenance of the City's major information technology systems, including public safety systems;
- Revenue-generating programs in Finance and CEDA;
- Essential audit, financial reporting and personnel classification staff in Finance & Management;
- Civilian staff in the Police and Fire departments, including dispatchers, technicians and Neighborhood Services Coordinators;
- Key staff in the Libraries, Park & Recreation Facilities and Senior Centers, leading to closure of many of these facilities;
- City staff support for the Museum, significantly impacting the successful fund-raising campaign.

Elimination of 72-105 positions would call for **explicit policy direction from the City Council**. (For example, changes in public safety staffing levels, closing libraries and senior centers, major cuts in Police and Fire civilian staff, and significant reductions in IT support services.) Once such policy direction is provided, my administration can generate a list of specific positions for elimination.

POSITION FUNDED IN THE GENERAL PURPOSE FUND

Agency / Department	FY 2008-09 MIDCYCLE	SEPT 2008 Proposed Reductions / Transfers	FY 2008-09 MAYOR'S PROPOSED BUDGET
MAYOR	20.50	(3.00)	17.50
CITY COUNCIL	26.79	-	26.79
CITY ADMINISTRATOR	51.80	(3.75)	48.05
<i>Administration</i>	13.85	(1.00)	12.85
<i>Equal Access</i>	4.00	(0.50)	3.50
<i>Citizen's Police Review Board</i>	6.00	-	6.00
<i>Equal Opportunity</i>	6.00	-	6.00
<i>ADA Programs</i>	1.85	(0.20)	1.65
<i>Public Ethics</i>	2.00	-	2.00
<i>Budget Office</i>	11.10	(1.30)	9.80
<i>Public Art</i>	2.25	-	2.25
<i>Cultural Funding</i>	2.00	-	2.00
<i>Marketing/Film</i>	2.75	(0.75)	2.00
CITY ATTORNEY	57.45	(4.00)	53.45
CITY AUDITOR	8.83	-	8.83
CITY CLERK	11.70	(0.50)	11.20
CONTRACTING & PURCHASING	21.00	(4.00)	17.00
INFORMATION TECHNOLOGY	70.35	(9.75)	60.60
FINANCE & MANAGEMENT	229.19	(13.40)	215.79
<i>Personnel Admin</i>	5.54	(1.00)	4.54
<i>Employment & Classification</i>	31.00	(5.00)	26.00
<i>Employee Relations</i>	7.00	-	7.00
<i>Employee Assistance Program</i>	5.00	(1.00)	4.00
<i>Benefits</i>	5.15	-	5.15
<i>Finance Administration</i>	5.44	-	5.44
<i>Accounting</i>	44.41	(2.00)	42.41
<i>Revenue Collection</i>	14.10	(0.40)	13.70
<i>Treasury</i>	10.50	-	10.50
<i>Payroll</i>	12.50	-	12.50
<i>Parking</i>	88.55	(4.00)	84.55
POLICE SERVICES	1,094.95	(49.13)	1,045.82
<i>Sworn</i>	727.82		727.82
<i>Non-Sworn</i>	367.13	(49.13)	318.00
FIRE SERVICES	567.00	(8.50)	558.50
<i>Sworn</i>	505.00	(1.00)	504.00
<i>Non-Sworn</i>	62.00	(7.50)	54.50
MUSEUM	45.32	(3.50)	41.82
LIBRARY SERVICES	113.86	(15.55)	98.31
PARKS & RECREATION	193.89	(7.25)	186.64
HUMAN SERVICES	30.99	-	30.99
PUBLIC WORKS	29.08	(10.90)	18.18
COMM & ECON DEVELOPMENT	9.20	(0.69)	8.51
Total	2,581.90	(133.92)	2,447.98
Total excluding sworn			1,216.16

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2) Responses to Budget Questions

At the September 30, 2008 Special City Council Meeting, many of you had question regarding my budget proposal. Subsequently, you forwarded those questions to my staff in writing and we provided responses to you individually to the extent possible. Included in this report as Attachment A are all of the questions from Council members and responses provided to date.

- We also included in the attachment a revised position reduction table that provides the **hierarchical level** (i.e. management, support, or line staff) of each position proposed for elimination.
- Additionally, a summary of citywide authorized positions by department, by classification, clearly shows positions proposed for elimination and positions left after reductions. The document lists positions funded by the General Purpose Fund (GPF), the Landscape and Lighting Assessment District (LLAD) Fund and all other funds.

3) Amendments to the Proposed Budget

During my September 30th presentation, I said that we were still open to new ideas and adjustments to the budget proposal, given the short amount of time we had to develop balancing measures. A few departments came forward with such amendments, including Public Works, Parks & Recreation, and Human Services. Included in this report are Exhibit "A-1" and Exhibit "A-2", which provide a revised summary of balancing measures for the GPF and LLAD Fund. Exhibit "A-3" provides a summary of changes in all other funds that are necessary due to transfers from GPF and LLAD, or other related changes. The changes are marked with strike-outs (for deleted items) and underlines (for added items).

The budget amendments listed in the aforementioned exhibits are summarized below. All amendments are cost neutral.

Public Works: LLAD Changes

Changes to the LLAD reduction proposal are made in order to properly align the operational needs of the City and fiscal resources available for LLAD-funded activities.

No park closures

The LLAD revisions are cost-neutral and will allow avoiding closure of parks. Instead, maintenance schedules to parks will be revised. The Public Works Agency will take a three-pronged approach to managing the landscaped assets of the City (grounds at City facilities, parks, open space, street medians and parking lots), as follows:

1. A number of locations (30-40 acres) will no longer receive routine service. Instead, maintenance will be provided on an as-needed basis. Signage will be placed informing the public that the location will no longer receive routine services and asking for community commitment to adopt the given location.

2. All landscape assets will have decreased service levels. The current service levels divide the City into 32 Hubs, each are a defined geographic area that are the responsibility of the landscape staff. The number of Hubs will be decreased due to the decrease in staff, therefore giving each crew an increased number of locations to maintain.

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3. A transfer of responsibility is proposed for a number of locations (80 acres). This includes property owned by other public agencies that the City is currently maintaining. In some cases, leases have expired and staff is proposing to formally notify the agency that the City will not longer maintain the location. In other cases, there are agreements with the Office of Parks and Recreation that will lead to the reallocation of responsibilities.

Changes to Park Maintenance Hubs

- Reduce 3.00 FTE additional Gardener II
- Restore 1.00 FTE Gardener Crew Leader
- Eliminate 0.75 FTE Park Attendant
- Restore O&M

Changes to Ball Field Maintenance

- Restore 2.00 FTE Park Attendant PPT
- Restore O&M

Changes to Tree Services

- Eliminate 1.00 FTE Arboricultural Inspector
- Restore 1.00 FTE Tree High Climber
- Restore 2.00 FTE Tree Trimmer
- Eliminate 3.00 FTE Tree Worker Driver

Public Works: Non-LLAD changes

Changes to the LLAD reduction proposal are made in order to properly align the operational needs of the City and fiscal resources available for LLAD-funded activities

- Comprehensive Clean-up Fund (1720): Eliminate 2.55 filled Public Works Utility Workers FTEs and use funding to restore resources in Parks, Grounds and Medians, including 0.60 FTE Gardener Crew Leader and 1.00 Gardener II.
- Measure B Fund (2211): Eliminate the funding for 0.60 FTE Greenskeeper and use the resources to fund 1.20 FTE Park Attendant PT in.

Parks & Recreation

In response to the LLAD cuts and impact on the Office of Parks and Recreation (OPR), the Office of Parks & Recreation proposes adding 3.00 FTEs in the Recreation Attendant I, PT classification and 0.75 Security Facility Assistant, PPT FTE, in order to fulfill the custodial needs of the six revenue-generating enterprise facilities. The positions will be supported by the Parks & Recreation Self-Sustaining Fund (1820). Current year revenues in this fund support the additional staff without the need for fee increases.

Human Services

The amendment is within the GPF – instead of replacing the 0.80 Senior Services Administrator FTE with a Program Analyst I, the amendment would reduce the 0.80 FTE to 0.53 FTE, with a minor reduction in O&M.

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City Administrator

Also within the GPF, a Equal Opportunity Specialist (1.00 FTE) is being eliminated instead of reducing City Administrator Analyst to half time in Equal Access, which was erroneously reported in the September 30th report. Elimination of Equal Opportunity Specialist will lead to a saving of \$0.9m and longer processing time for discrimination complaints and accommodation requests.

Restore 0.50 FTE Budget and Grants Administrator position in Marketing. It will be split funded between ORA (50%) and the GPF (50%).

4) Public Hearings and Legislation to Approve Fee and Fine Increases

Included for your consideration are ordinances to adopt the proposed parking meter fee and parking citation increases. (See Attachment B.) Public hearings on these proposed increases have been scheduled for October 16, 2008, and first reading of the attached ordinances may take place at the same meeting, if the City Council so chooses.

5a) Legislation to Adopt Financial Policies

As stated in my September 26th budget proposal, I am recommending modifications to the City's Reserve Policy and Capital Improvement Funding Policy, to build up and maintain our reserves and more strategically fund our capital projects. (See Attachment C.)

- The purpose of updating the City's **Reserve Policy** is to enhance transparency in the availability and uses of General Fund Reserves, including the treatment of appropriations that are spent across multiple fiscal years, i.e., carryforwards. This ordinance reaffirms the policies that require the City to maintain General Purpose Fund (GPF) reserves of 7.5% of budget and \$6,000,000 for Capital Improvement Program (CIP) reserves, and proposes specific measures to build up the reserves to those levels. The ordinance proposes that half of Real Property Transfer Tax revenues in excess of \$40 million be deposited into the GPF reserves with the remaining half deposited in the CIP reserves. The proposal also requires that half of one-time revenues be used to repay negative fund balances, and the remaining half to fund future CIP projects.
- The purpose of updating the **Capital Improvement Policy** is to establish guidelines to ensure that one-time funding source are dedicated to non-recurring capital improvement projects, and to ensure that the City allocates resources towards the maintenance of existing and future infrastructure.

5b) Legislation to Approve Fiscal Year 2008-09 Budget Revisions

Lastly, included for the City Council consideration are draft resolutions to adopt changes to the Fiscal Year 2008-09 budget. (See Attachment D.)

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Thank you for the opportunity to present this additional information. My staff and I are available to answer further questions prior to or at the October 16th budget workshop.

Sincerely,



Ronald V. Dellums
Mayor of Oakland

LISTING OF ATTACHMENTS

Attachment "A" – Responses to Council Questions

Attachment "B" – Master Fee Schedule Ordinance and Parking Fine Ordinance

Attachment "C" – Recommended Amendments to the Reserve and CIP Policies

Attachment "D" – Resolutions for Budget Adoption (City and ORA), with exhibits:

Exhibit "A" – ORA Budget Balancing

Exhibit "A-1" – General Purpose Fund Budget Balancing with Revisions

Exhibit "A-2" – Landscaping & Lighting Assessment District Budget Balancing with Revisions

Exhibit "A-3" – Summary of Changes in All Other Funds Impacted by Balancing Measures