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AGENDA REPORT

TO: FRED BLACKWELL
CITY ADMINISTRATOR

FROM: Sarah Schlenk
Interim Budget Director

SUBJECT: Supplemental Report to FY 2014-15
Proposed Mid-Cycle Budget

DATE: June 13, 2014

City Administrator
Approval

Date

6/12/14

SUPPLEMENTAL

The Administration is transmitting two (2) information memorandums that were previously distributed on Friday, June 6 and June 13, 2014 respectively, regarding responses to Fiscal Year (FY) 14-15 Mid-Cycle Budget Questions.

These memorandums were issued via email Citywide, as well as posted at the same time on the City Administrator's homepage for public viewing, located at:
<http://www2.oaklandnet.com/Government/o/CityAdministration/index.htm>.

Respectfully submitted,

SARAH SCHLENK
Interim Budget Director

For questions, please contact Alex Orogas, Assistant to the City Administrator at 238-6587 or at aorogas@oaklandnet.com.



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Sarah T. Schlenk
Interim Budget Director

SUBJECT: FY 2014-15 Midcycle Budget Questions
Response #2

DATE: June 13, 2014

City Administrator

Date

Approval

/s/ **Donna Hom**

6/13/14

The purpose of this memorandum is to transmit to the full City Council, the public and interested parties, responses to questions raised by City Councilmembers regarding the Fiscal Year (FY) 2014-15 Proposed Midcycle Policy Budget (proposed budget). We have answered as many questions as possible; however, some questions require more data, analysis, etc. and as such, will be answered through an additional supplemental memo. To the extent additional information becomes available on any of the responses below, we will provide updates accordingly. All proposed budget related documents can be retrieved on the City's Budget Homepage, accessible via the following link: <http://www2.oaklandnet.com/OAK040588>.

DISCUSSION:

General

- 1. Regarding the transfer of 2 Communications Staff from Fund 1760 to the General Fund, is this transfer legally mandated?**

A: It is anticipated the transfer of these two positions is legally required beginning July 1, 2014. An ordinance to re-restrict two percent of the cable franchise fee revenue is scheduled to for a second/final reading at the City Council meeting held on Tuesday, June 17. If approved, two percent (2%) of the cable franchise revenue will be restricted "for expenditures on KTOP Television and cable-related non-regulatory activities, including, but not limited to, funding public, educational, and government access programming" beginning July 1, 2014. The primary purpose and responsibility of both positions (1.50 FTEs) is to serve the City and Mayor's Office by writing and disseminating public information through press releases, news and features articles, and website content. The proposed budget is an appropriation of anticipated revenue beginning July 1, 2014, so these positions would not be eligible for funding from the Telecommunications Fund (assuming the ordinance passes), because they do not support the operations of KTOP.

It should be noted that revenues placed into the Telecommunications Fund (1760) between December 18, 2007 and June 30, 2014 are unrestricted. If there was fund balance available resulting from revenue during these years, it could be used to fund the 1.50 FTEs on a one-time basis; however the FY 2012-13 year-end gross fund balance totaled \$319,650 and most of these funds are needed to transfer amounts owed to Kids First! to reconcile for amounts owed during the years the revenues were unrestricted (estimated to be \$280,000 and included in the FY 2014-15 proposed budget amendments).

Finance

- 1. In the information dated June 6, 2014, titled "FY 14-15 Midcycle Budget Questions," the Administration answered the following question: "If the Council was to adopt the FY 14-15 Midcycle Policy Budget as proposed under existing law, would the Council be required to determine that there is a fiscal emergency." In response, the Administration stated, "Yes, or elimination of \$19.9 million of on-going operating expenditures from the proposed budget would be required." Does this mean that the proposed budget intends to use one-time revenue to pay for on-going expenditures, this creating a structural deficit? How is this sound fiscal policy and in keeping with the spirit of the concessions already made by employees?**

A: One-time revenues/resources should be viewed in the context of existing policy – how these resources are defined in that policy, and how they are allocated in the budget process. The current financial policy defines that Real Estate Transfer Tax (RETT) beyond \$40 million each fiscal year as one-time. As an alternative to declaring a fiscal emergency or eliminating \$19.9 million from the budget, the full staff report discussed at the Special City Council meeting on June 2, requests the City Council to consider modifying the current financial policy (ordinance). Staff has asked City Council to consider adopting the State's model by using a percentage of RETT revenue in comparison to GPF tax revenue rather than an absolute amount of \$40 million to define one-time RETT. As an example, RETT for the last 10 years averaged approximately 14.6%; in the last 15 years the average is approximately 14.4% of the GPF tax revenue. Fifteen years covers revenue data for two complete economic cycles (i.e., economic growth and recessions). This policy revision would eliminate the current \$40 million threshold for calculating excess RETT that can only be used to fund one-time expenses. Based on previous year RETT actuals, staff recommends a percentage that is between 12% and 14%. If this new methodology were applied to the projected GPF revenue for FY 2014-15, 12% would equate to \$46.3 million, while 14% would equate to \$54 million. *This policy change would lower the use of one-time revenue for ongoing expenditures from \$19.9 million to \$13.6 million or \$6.9 million, respectively.* It should be noted that the City recently came out of a recession, and as such, it is necessary to reinvestment in basic critical city services, including public safety. While securing funding for public safety, we need to continue to invest in economic growth of our city, which, in turn, will inherently grow our on-going revenue base.

The second change staff is requesting is to replace the need to declare a “fiscal emergency” to use one-time revenue on ongoing expenditures with a separate resolution that would require a super majority vote (6 out of 8 Councilmembers). This policy still demonstrates the seriousness of using one-time revenue on ongoing expenditures, but allows more flexibility in funding priority programs of the City.

In addition to the above two proposed changes to the financial policy, Council has agreed to consider establishing a Rainy Day fund. If approved, a Rainy Day fund would set-aside specific one-time funds in order to mitigate service impacts and city layoffs in future economic downturns. This is a matter of policy that shapes the City’s financial wellbeing and resource allocation.

- 2. Please explain if the tax revenue from the ballot measure commonly known as “Measure Y” is accounted for as on-going revenue in the proposed budget even though the measure is set to expire this year? In the event that this continued revenue is included in your projects for the FY 14-15 budget, regardless of the renewal of the tax measure, what is the City’s plan to fund the Oakland Police Officers that are now funded directly by that measure should the revenue not be renewed by the voters? Recent comments by the Chief of Police seem to suggest a plan to lay-off Police Officers if the measure is not renewed.**

A: The revenue derived from the Safety and Services Measure of 2004 (Measure Y) is deposited in a restricted fund separate from the City’s GPF. The proposed budget continues to fund Measure Y services without assuming the passage of a renewal measure in November 2014. The services are funded through the following revenue sources: revenues from parcel taxes enrolled in 2014 (the City will receive the full 10th year’s parcel tax); parking taxes from July 1, 2014 through December 31, 2014; and, use of Measure Y Fund balance. These sources are projected to be sufficient to continue Measure Y services until the beginning of FY 2015-16. If a renewed measure is not approved by the voters, funding for these services would need to be weighed against other priorities during the FY 2015-17 Biennial Budget Process.

The polling survey of likely November 2014 Oakland Voters conducted by EMC Research suggests that voters are favorable to renewing the resources provided by Measure Y at the current rate. 82% of likely voters in a recent telephone survey are supportive or lean toward supporting a ballot measure that does not increase the tax rate and continues to provide services to enhance public safety.¹

The City is grateful to all labor groups for concessions that minimized impacts to service levels during the Great Recession. The City will adhere to its memoranda of understanding with all City bargaining units.

¹ www2.oaklandnet.com/w/OAK046498

- 3. If we set the RETT limit for defined ongoing funds at 12.8% of revenue how much would that mean for the FY 14-15 budget adjustment?**

A: If 12.8% were used as the threshold for the proposed methodology in comparing RETT to GPF tax revenues for the purpose of defining how much RETT is considered ongoing versus one-time, the amount of ongoing RETT would equal \$49.4 million of the total proposed RETT budget of \$53 million. This would lower the use of one-time revenue for ongoing expenditures from \$19.9 million to \$10.5 million.

- 4. In Exhibit 2, the Mandatory Refuse Fund category lists a revenue loss of over \$1 million. To what does "Program revenue adjustment based on proposed lower fee" refer to? In addition, Row C4 indicates a negative expenditure amount for "Transfer positions to GPF;" where does that show up in the GPF budget allocations?**

A: Under State law, the City is allowed to charge cost recovery fees associated with a specific benefit or service provided directly to the customer. This fee cannot exceed the City's reasonable costs to provide service. In the case of Mandatory Refuse, a fee is charged to customers with delinquent garbage bills.

Under the current structure per the agreement with Waste Management, the City steps in when a bill becomes delinquent. For instance, the City subscribes for service on the delinquent customer's behalf, and manages the collection of the bill(s) up to and including, placing a lien against the property, if necessary. Because it provides this service, the City charges the delinquent customer a fee to manage the collection process of the delinquent bill. Currently, this fee is set at \$70 in the Master Fee Schedule. However, a recent analysis of the reasonable costs associated with this service show that the fee should be set at \$50, which has been adjusted in the FY 2014-2015 Master Fee Schedule. This necessitates the transfer of positions and costs from the Mandatory Refuse Fund (1700) to other funds (including the GPF) based on eligible work projected to be performed for those funds during FY 2014-15.

Police

- 1. The FY 13-15 Budget approved last year added 1 FTE HR Analyst to address the backlog of hiring Police Department vacancies and an additional \$400,000 in one-time funds to improve hiring time. Regarding the \$400,000, the March 31, 2014 Budget Implementation Matrix states, "The Department of Human Resources Management has finalized the contract and engaged CPS HR Consulting to assist with Police Department hiring." How much of the \$400,000 has been spent? Has the HR Analyst been hired?**

A: *Revised response from 6/6/14 Information Memo, titled "FY 14-15 Midcycle Budget Questions"*: To date, the Human Resources Management Department (HRM) has spent or committed approximately \$120,000 in the current fiscal year for support of Police department hiring. This includes the contract with CPS HR Consulting for \$200,000 over

two years, which was finalized in early December 2013. From this contract, HRM has committed approximately \$95,000 for recruitment "events," such as: physical agility testing, written testing, oral board interviews, etc. and classification work in the current fiscal year. HRM has also used some of the funding for a limited duration Human Resource Clerk position to provide clerical and technical support to Police recruiting. This position was filled at end of March 2014 at a cost of roughly \$20,000 in the current fiscal year and \$80,000 in FY 2014-15. In addition, HRM utilized a small amount of the funding (roughly \$4,000) to purchase much needed equipment (computers for staff and testing equipment for the Dispatch exam). Finally, the full time Human Resource Analyst position added in the FY 2013-15 budget was filled in December 2013.

Below is additional information from the May 27, 2014 report to the Public Safety Committee regarding Oakland Police Department (OPD) hiring activities. Beginning in January 2014, HRM moved to a "continuous" testing schedule for Police Officer Trainees. Since that time, HRM has conducted 13 recruitment events, all of them supported by CPS. Continuous testing cycles and the staff to support them are required to keep an active group of candidates in the pipeline for subsequent academies. Typically it takes approximately four (4) test groups to fill an academy. Since last spring, HRM has processed more than 10,000 Police Officer Trainee applications and administered four (4) agility tests, eight (8) written exam sessions and multiple days of oral interviews consisting of 85 interview panels. Once the eligible candidates were referred to OPD, the OPD Recruitment & Backgrounds Unit conducted background screening for nearly 1200 candidates. Keeping recruitment activities running continuously, maintaining current staffing levels in HRM and civilian support in OPD, and with the funding to support the academies, staff anticipate sworn personnel reaching a count of 714 when the 170th Academy graduates in October 2014, 712 when the 171st Academy graduates in May 2015 and 710 following the graduation of the 172nd Academy in January 2016.

2. For the following issues, what recommendations can be made in which non-sworn staff can be assigned to handle enforcement of a range of Oakland ordinances (such as issuing tickets for fines) or to handle tasks for special events, to free sworn officers to focus on crime:

- **Dogs off-leash in on-leash areas (and possibly lack of dog license)**
- **Traffic control/barricades for parades and sports, and other events**
- **Illegal use of a disabled parking placard**
- **Illegal dumping**
- **Non-permitted mobile vendors**

A: Dogs Off-Leash in On-Leash Areas (and Possibly Lack of Dog License):

Civilian Animal Control Officers (ACO) have the authority to issue citations for animal-related Oakland Municipal Code (OMC) section violations and have the equipment to deal with animal control enforcement. While out in the field, ACOs can issue citations for leash law violations, and they can also cite for dog licensing violations. If Oakland Animal Services transitions to a standalone organization, fines associated with license violations will need to be billed to violators by shelter staff.

Traffic Control/Barricades for Parades and Sports, and Other Events:

During parades and sporting events, it is current and past practice that the OPD Special Events Unit deploy civilian Police Services Technician (PST) II positions for traffic control, and Police Officers for Security. However, there are instances in which sworn personnel are utilized for traffic control as well. This occurs either when the third party vendor who hires the city personnel for their event prefers sworn officers to conduct traffic control and/or given the type of event, it has been deemed more effective that an officer is assigned to traffic control because they can be easily reassigned to designated assignments which require a sworn enforcement response. It should be noted that these types of special event assignments involve voluntarily overtime and are paid for by third party vendors that fully cover the PST II and Police Officer overtime costs.

Illegal Use of a Disabled Parking Placard:

Traffic's Parking Enforcement team deploys civilian Parking Control Technicians (PCT) who cite for parking violations such as meter violations and parking in restricted areas. These offences require PCTs to issue a citation and place on the vehicle and/or tow a vehicle. However, the enforcement of disabled placard violations requires a higher level of due diligence than the simple confirmation of whether a car has a disabled placard visible while parked in a disabled parking location. This is because most offenses originate from individuals who inappropriately use disabled placards (i.e. using cards that do not belong to them; expired/foraged cards; no longer have medical need for placard; falsify reason for need of the placard, etc). As such, a civilian employee in an enforcement role would need to witness the offender in the act, and issue an offender citation. This causes an inherent potential safety concern given that issuing these types of citations would require person to person contact and will require the offender to sign their ticket. For example, if the offender receives a citation, refuses to sign the ticket and becomes hostile, a civilian PCT is not equipped (both training and equipment-wise) to handle such an incident. Also, it should be noted that in order effectively combat the illegal use of disabled parking placards, the enforcer (whether a PCT or a Sworn Officer) would need to conduct sting operations, which require allocated resources – both monetary and City staff time. Sting operations have been conducted by OPD in the past and a PST II was used to observe the violation; however, a sworn officer was still utilized to conduct the questioning and issuance of the citation.

Illegal Dumping:

Currently, the enforcement of illegal dumping relies on evidence collected after the fact by Public Works or other channels and is forwarded to the City Attorney and City Administrator. If the evidence proves to be strong, the City Administrator's Office issues an administrative penalty. Similar to the issuance of a disable placard, a civilian employee in an enforcement role (such as a PST) would need to witness the offender in the act of illegally dumping material, issue an offender a citation in person and have he/she sign the ticket. As noted above, this poses a potential safety concern for the civilian employee issuing a ticket. If there is a refusal to sign the ticket and hostility

arises, a civilian PST may be put in a situation compromising his/her safety given they are not equipped to handle such an incident.

Non-Permitted Mobile Vendors:

At this time, while any enforcement by sworn officers of non-permitted mobile vendors relies on complaints received, enforcement of these complaints is inherently deficient based the prioritization of OPD's current public safety priorities. Similar to the illegal use of a disabled placard and illegal dumping, a civilian employee in an enforcement role would be required to issue an offender a citation which he/she is required to sign, which is turn, reveals various safety concerns for civilian employees (as noted above).

It should be noted that if the City Council chooses to make it a policy priority to expand/refine the enforcement role of certain civilian positions for any of the enforcement categories above, staff can work with Human Resources to refine the classification through the Civil Service Board, meet any necessary meet and confer obligations and provide any necessary training and equipment available to civilian staff to protect their health and safety.

Economic & Workforce Development

1. Please explain the duties of the proposed Program Analyst II to support the Youth Internship Program. How is this position proposed to be funded?

The duties of the proposed Program Analyst II position including the following:

- Create continuity and sustain growth year-round rather than summer only; in the past, the funding came from fundraising (donation) and there was no funding for a permanent position;
- Develop funding opportunities to support youth internship year-round program operations and subsidized wage pool;
- Develop and nurture employer relationships to increase the number of unsubsidized jobs for the summer program or year-around;
- Plan and coordinate special events and other activities to promote the youth internship program to raise awareness and broaden support;
- Develop and nurture strategic partnerships with key service providers and funding partners, starting with the Oakland Unified School District's Academies program and the United Way's Match Bridge program; and,
- Standardize program services to the extent possible to ensure quality experiences for the youth participants and employers.

This position is proposed to be funded by the GPF. In the longer term, fundraising for the Youth Internship Program could potentially partially fund this position. Please note that the position is not considered an allowable cost for the Workforce Investment Act (WIA) fund.

Human Resources

1. What are the duties of the training coordinator position?

HRM is in the process of reinstating a modest city-wide staff development program. Upon the City Council approval of funding for the Training Coordinator position, HRM will initiate the recruitment process and likely fill the position permanently by October 2014. In consultation with line departments, the Training Coordinator will be responsible for identifying and implementing staff development programs for city employees. As part of the effort, this position will help identify suitable internal and external providers for the various staff development programs.

HRM intends to provide training in the general areas of Supervision, Microsoft Office software, job-related training and soft skills. A planned Supervisory Academy will occur over several weeks and help supervisors and managers improve their skills, motivate employees and create more effective teams. Other sessions targeted to supervisors will include training in the areas of sexual harassment, discrimination, workers compensation, safety and other employment related best practices and laws. In partnership with the Risk Division of HRM, there will be a general emphasis on programs that are designed to reduce City liability such as a more robust driver training program and other safety related training.

Employees and department representatives have also expressed an interest in software and soft skills. In partnership with the Library, the HRM will provide software training, TED talks, and a Book Club to city employees. In addition to job specific training sessions, the Training Coordinator will also coordinate webinars from ICMA, as well as the Institute for Innovation and personal enrichment sessions. The availability and scope of the various staff development efforts described above will be dependent upon demand for such services and the ability of the HRM to engage in cost-recovery from line departments. An informal (and incomplete) survey of line-departments has indicated that departments want to send at least 181 employees to a Supervisory Academy and an additional 91 new supervisors who need to be trained in the art of supervision.

For questions, please contact Alex Orologas, Assistant to the City Administrator, at 238-6587 or at aorologas@oaklandnet.com.

Respectfully submitted,

/s/

SARAH T. SCHLENK
Interim Budget Director



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Sarah T. Schlenk
Interim Budget Director

SUBJECT: FY 2014-15 Midcycle Budget Questions **DATE:** June 6, 2014

City Administrator

Date

Approval

/s/ **Donna Hom**

6/6/14

The purpose of this memorandum is to transmit to the full City Council and public, responses to questions raised by City Councilmembers regarding the Fiscal Year (FY) 2014-15 Proposed Midcycle Policy Budget (proposed budget). We have answered as many questions as possible; however, some questions require more data, analysis, etc. and as such, will be answered through an additional supplemental memo. To the extent additional information becomes available on any of the responses below, we will provide updates accordingly.

DISCUSSION:

General

- 1. If the Council were to adopt the 2014-15 Midcycle Policy Budget as proposed under existing law, would the Council be required to determine that there is a fiscal emergency?**

A: Yes, or elimination of \$19.9 million of on-going operating expenditures from the proposed budget would be required.

- 2. Can the Development Services Fund (2415) be used to offset some of the proposed allocation for six (6) Information Technology Department (ITD) positions? See Row E3 in Exhibit 1.**

A: At this time, it cannot be determined whether any of the proposed new 6.0 FTEs are expected to work on systems that directly impact or support Planning and Building in an extraordinary level that would justify direct funding by the Development Services Fund (DSF/2415). The proposed budget already includes funding for 1.03 FTE IT positions (portions of three (3) positions) from the DSF that provide direct and extraordinary support to Planning and Building systems, such as Accela, which is the City's new permit tracking system. Fund 2415 also pays a Central Service Overhead (CSO) rate of 32.84% back to the General Purpose Fund (GPF) that helps offset a portion of ITD costs for typical/normal support.

Police

1. **Since we are anticipating consideration of moving the Animal Shelter out of the Oakland Police Department (OPD), how do we ensure that proposed allocations in Exhibit 1 to OPD for the Animal Shelter move to the Department ends up performing or administering the Animal Shelter functions?**

A: The Animal Shelter is separated from the other portion of OPD's operating budget by organizational code (103130). If the City Council made the decision to move the Animal Shelter operations out of OPD, the Animal Shelter budget would be moved as well given. Additionally, the proposed augmented funding of \$400,000 could be put into a separate project account to further ensure funds are spent appropriately.

2. **With respect to civilianization, please provide a status update on implementation of the positions added in the budget last year. Are there any other positions in the Police Department that can be civilianized? Please specify the civilian classification and cost, as well as the sworn position that would be freed up for patrol assignment.**

A: The Oakland Police Department has been working to civilianize appropriate positions filled by sworn personnel. The table below provides the current status of the positions added in the FY 2013-14 budget as part of the civilianization effort.

FTE	Position(s) Added	Cost	Sworn Position(s) Reassigned	Assignment	Status
5	Intake Technicians	\$477,133	Police Officer (5)	Internal Affairs	3 hired; 1 in background; 1 (Selective Language-Spanish) pending eligibility list from DHRM
20	Police Service Technicians II	\$1,620,194	Police Officer (20)	Patrol	20 hired— pending full deployment (waiting on necessary equipment)

Note: Costs are based on FY13-14 salaries and benefits and do not include O&M, overtime, or premiums associated with these positions.

As mentioned in the Informational Report dated December 2, 2013 from OPD regarding civilianization, which was presented at the December 17, 2013 Public Safety Committee meeting, the following positions are additional positions that can be civilianized in the future with approved funding.

FTE	Position(s) Added	Cost	Sworn Position(s) Reassigned	Assignment
3	Systems Programmer II	\$396,918	Police Officer (3)	Police Information Technology
1	Management Assistant	\$132,306	Sergeant of Police (1)	Identification Detail
1	Management Assistant	\$132,306	Sergeant of Police (1)	Property and Evidence
1	Police Services Manager II	\$227,523	Captain of Police (1)	Internal Affairs
3	Management Assistant	\$396,918	Sergeant of Police (3)	BFO Admin
1	Public Information Officer II	\$132,306	Police Officer (1)	Public Information

Note: Costs are based on FY14-15 salaries and benefits and do not include O&M, overtime, or premiums associated with these positions.

3. The FY 13-15 Budget approved last year added 1 FTE HR Analyst to address the backlog of hiring Police Department vacancies and an additional \$400,000 in one-time funds to improve hiring time. Regarding the \$400,000, the March 31, 2014 Budget Implementation Matrix states, "The Department of Human Resources Management has finalized the contract and engaged CPS HR Consulting to assist with Police Department hiring." How much of the \$400,000 has been spent? Has the HR Analyst been hired?

A: To date, OPD has spent or committed approximately \$120,000 in the current fiscal year for support of Police department hiring. This includes the contract with CPS HR Consulting for \$200,000 over two years, which was finalized in early December 2013. From this contract, OPD has committed approximately \$95,000 for recruitment "events," such as: physical agility testing, written testing, oral board interviews, etc. and classification work in the current fiscal year. OPD has also used some of the funding for a limited duration Human Resource Clerk position to provide clerical and technical support to Police recruiting. This position was filled at end of March 2014 at a cost of roughly \$20,000 in the current fiscal year and \$80,000 in FY 2014-15. In addition, OPD utilized a small amount of the funding (roughly \$4,000) to purchase much needed equipment (computers for staff and testing equipment for the Dispatch exam). Finally, full time Human Resource Analyst position added in the FY 2013-15 budget was filled in December 2013.

Below is additional information from the May 27, 2014 report to the Public Safety Committee regarding OPD hiring activities. Beginning in January 2014, OPD moved to a "continuous" testing schedule for Police Officer Trainees. Since that time, OPD has conducted 13 recruitment events, all of them supported by CPS. Continuous testing cycles and the staff to support them are required to keep an active group of candidates in the pipeline for subsequent academies. Typically it takes approximately four test groups to fill an academy. Since a year ago, the Department of Human Resources Management Department (DHRM) has processed more than 10,000 Police Officer Trainee applications

and administered four (4) agility tests, eight (8) written exam sessions and multiple days of oral interviews consisting of 85 (85) interview panels. Once the eligible candidates were referred to OPD, the OPD Recruitment & Backgrounds Division conducted background screening for nearly 1200 candidates. Keeping recruitment activities running continuously, maintaining current staffing levels in DHRM and civilian support in OPD, and with the funding to support the academies, staff anticipate sworn personnel reaching a count of 720 following the 172nd Academy in January 2016.

Fire

1. What would be the cost of adding a 1 FTE Fire Inspector?

A: The cost of adding 1 FTE Fire Inspector (Classification: Fire Suppression District Inspector) is \$99,505, this includes salary/benefits, etc.

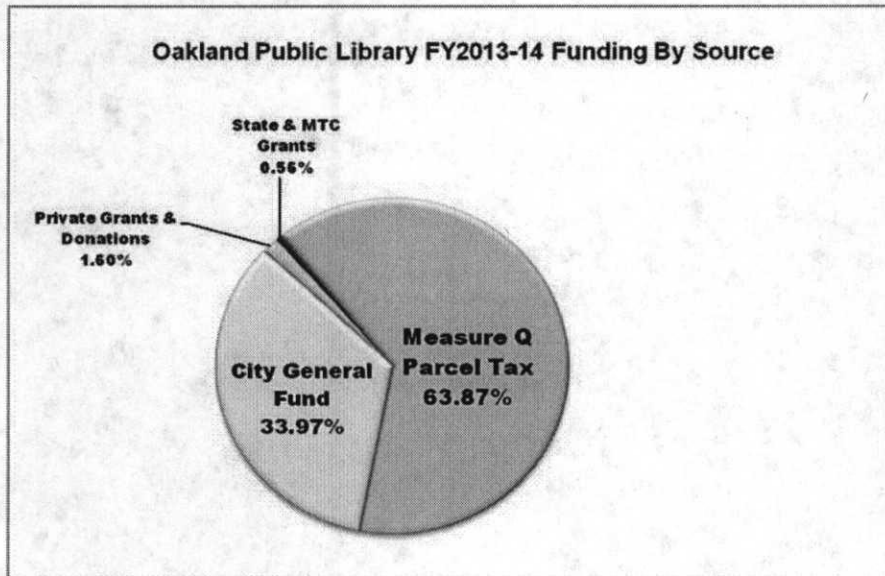
Library

1. With regard to future library shortfalls, is there a non-GPF fund that can hold and not spend GPF funds until FY 2015-17 when the funds can be used to maintain library spending?

A: Yes, if the Council makes a policy decision to set-aside funding in FY 2014-15 to help address future shortfalls in Measure Q funds, these funds can be set aside in a project account within the GPF until such time as they are needed to support Library staffing and programs.

2. Please explain the sources of library funding and, in particular, how General Funds and Measure Q funds interact now and have interacted in the past.

A: The Oakland Public Library's (OPL) FY 2013-14 operating budget is funded as follows:



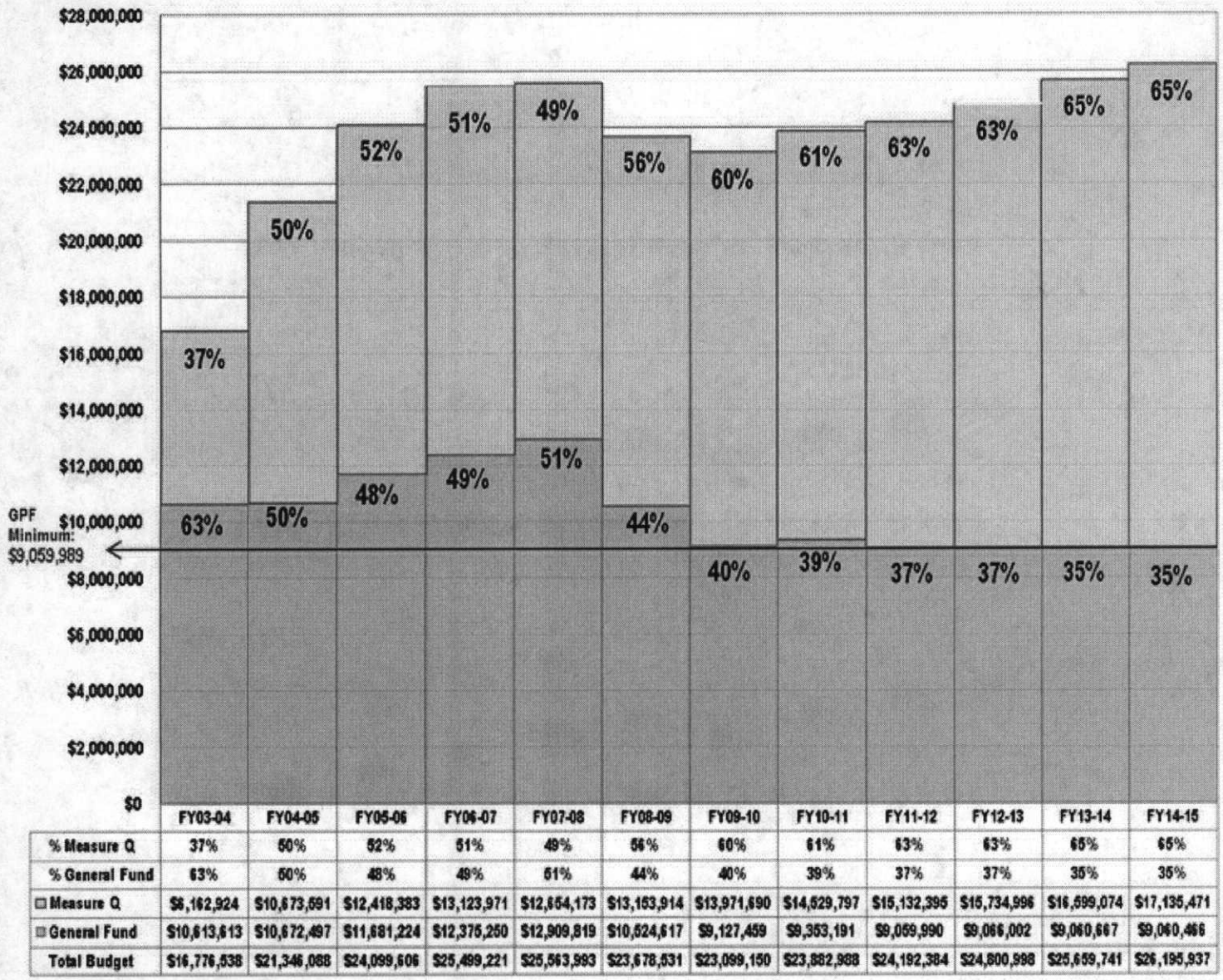
Section 8 of the "Library Services Retention and Enhancement Act of 1994, as amended in 2004" (Measure Q) stipulates the following as a "prerequisite" for annually collecting this parcel tax revenue for library services in Oakland:

For any year during which this tax is in effect, the City Council may collect this tax only if the General Fund appropriation for Library services is maintained at a level that is no lower than the General Fund appropriation for fiscal year 2000-01. The General Fund appropriation for Library services for fiscal year 2000-01 was \$9,059,989.

As indicated above, the majority of annual funding for library services in Oakland comes from a mix of General Fund appropriations and Measure Q parcel tax revenue. However, as indicated below, since its passage in 2004, Measure Q parcel tax revenue has gone from a means to both "retain" and "enhance" library services in Oakland, to mere retention of basic services.

In FY 2003-04, the General Fund provided 63% of the Library's annual funding, while the parcel tax provided 37%. However, by FY 2011-12, the percentage of General Fund support for library services had declined to 37% of the Library's annual funding, while dependence upon the parcel tax grew to 63%. Although General Fund support for library services increased to just under \$13 million in FY 2007-08, since FY 2009-10 General Fund support has effectively been reduced to and held at the FY 2000-01 minimum:

OPL Annual Funding: General Fund vs. Measure Q Fund



3. What is the projected library budget shortfall during fiscal year 2015-2016 if financial support from the General Fund is not increased?

A: Assuming a 2.0% rate of inflation, holding Library General Fund support at the current amount with Measure Q absorbing the increase, Measure Q is facing an estimated revenue shortfall in FY 2015-16 of somewhere between \$2.5 to \$3.5 million.

4. Please detail what such a financial shortfall would mean in terms of loss of current library services.

A: The loss of \$2.5 to \$3.5 million each year, is comparable to:

- The closure of six (6) to eight (8) branch libraries; or,
- Elimination of the Library's entire budget for new materials (books, audio-books, e-books, cds, dvds, etc.) as well as closure of up to three (3) branch libraries.

5. Please detail which, if any, library services that have been eliminated or reduced during the past 6 years

A: Since FY 2007-08, the Library has:

- Eliminated the Bookmobile, which brought library services and programs to those who could not easily travel to a library, making over 50 stops each month at various locations throughout the City, including, senior living facilities, schools, rehabilitation center, etc.
- Reduced the number of days branch libraries are open each week, from six (6) to five (5) days, a 16% reduction;
- Although adding a new branch library in 2011 (81st Ave), the Library has had to eliminate 35 FTE since FY2004-05;
- Reduced Second Start Adult Literacy services and staff;
- Library's total budget for new materials has not increased in the last ten (10) years – a purchasing loss of approximately 20%; and,
- Since Measure Q may not be used for capital improvements, the library has only been able to begin deferred library building maintenance and making needed improvements when limited private grants and donations become available.

6. Page 5 of the Special City Council Report, the GPF Expenditures for the library in fiscal year 2014-15 are listed as totaling \$7.39 million. Has the \$9.059 million baseline general funding required by Measure Q in order to collect Measure Q taxes changed? Please explain the discrepancy in these numbers.

A: The \$7.39M in GPF expenditures does not include the departments' Internal Service Funds (ISF), those are captured elsewhere on the pie chart. Total 1010 expenditures for the Library are \$9.26M.

Human Services

1. What would be the impact of a \$25,000 one-time allocation to support the hunger relief program?

A: An additional \$25,000 would allow the Hunger Program to distribute an additional 3,000 brown bags of groceries to low income Oakland households. Brown Bags of groceries (primarily proteins and fresh whole foods) are distributed by the community-based EFPAC (Emergency Food Providers Advisory Committee). The EFPAC consists of 14 volunteer agencies throughout the City who put in their time and effort to collect, bag and give out the brown bags of grocery to low income members of the community. It should be noted that if CDBG funds are provided to this Program, this allocation will come at the expense of other CDBG funded programs, such as a low-income loan program.

As background, the City of Oakland allocates \$100,000 in GPF annually to fund the City's Hunger Program, which provides 3,400 brown bags of groceries per distribution Citywide, free of charge to low income Oakland residents, through the community volunteers of the Emergency Food Providers Advisory Committee (EFPAC). Brown Bags of groceries are purchased by the City on behalf of EFPAC through the Alameda County Food Bank. The foods are delivered to 14 volunteer agencies throughout the City who give out the food to the public. EFPAC has, since its inception more than 20 years ago, worked to provide a brown bag of groceries every month to low income residents in all 7 districts. To accomplish this, EFPAC does fundraising to supplement City funding with other sources, including donations, to increase the number of food distributions it can provide each year. For several years EFPAC experienced severe budget reductions that took them down to 5 distributions a year, primarily due to a loss of CDBG funding. EFPAC also faces a constant struggle with rising food prices. CDBG funds have traditionally been used in hunger relief efforts, both in Oakland and in other jurisdictions. Over the years, CDBG funds have made up approximately half of the Hunger Program budget. The loss of CDBG funds during the FY 2013-14 funding cycle severely curtailed the activities of the Hunger Program. EFPAC hopes to secure CDBG funds for hunger relief purposes during the FY 2015-16 budget cycle. The average cost of a single citywide distribution is approximately \$15,000. To be fully funded, and deliver a food distribution every month, the Hunger Program needs approximately \$150,000 per year. For the 2013-14 fiscal year, the Hunger Program is about \$40,000 short of that goal.

Housing

1. Please provide the detail regarding the new 5.45 FTEs for the Housing Department.

HUD-CDBG Fund (2108)		Dept.	Amount	FTE
J5	Upgrade vacant Account Clerk III to Accountant II; increase allocation	Housing	37,258	0.1
J6	Add 1.15 FTE for CDBG Coordination - grant management and support	Housing	159,181	1.15
J7	Add 2.30 FTE to support Residential Lending	Housing	257,840	2.3
J8	Add 0.75 FTE (Management Assistant) to CDBG/2108 in Strategic Initiatives unit	Housing	122,183	0.75
HUD-Home Fund (2109)				
K5	Upgrade vacant Account Clerk III to Accountant II; decrease allocation	Housing	1,058	-0.06
K6	Transfer 0.25 FTE (Housing Development Coordinator III) from DSF/2415	Housing	40,952	0.25
Rent Adjustment Program Fund (2413)				
S4	Add Senior Hearing Officer	Housing	196,405	1
S5	Upgrade vacant Account Clerk III to Accountant II; adjust allocation	Housing	58	-0.04
			TOTAL NET NEW	5.45

Economic & Workforce Development

- 1. With regard to Row D6 in Exhibit 1, we are concerned about allocating GPF moneys to project costs, though we certainly do not want the West Oakland Resource Center to be shut down. Are there other program costs that could replace the \$250,000 allocation? If not, could the City structure the allocation as a loan and not spend the funds until a loan agreement is executed?**

A: There should be enough future billboard revenue to pay off a loan of \$250,000 over a number of years. However, there is still some uncertainty about the timing of billboard revenue and some ambiguity as to the amount of funds needed to adequately staff the West Oakland Job Resource Center (WOJRC), Contract Compliance and the Oversight Commission. It will likely cost more than the initial \$500,000 requested in April 2013 (\$300,000 for the WOJRC and \$200,000 for contract compliance).

The billboards are estimated to generate roughly \$550 - \$800K per year. Staff estimates that billboards 3, 4 and 5 will generate revenue beginning in June 2015 (roughly \$350-400,000). However, negotiations are still in progress with Caltrans on billboards 1 and 2 and their timetable is uncertain. Staff currently estimates that they could be generating revenue in September 2015 (which leaves a potential gap in FY 2014-15). It is also possible that Caltrans will push for revenue sharing for these two billboards, which would decrease the share for the City.

A loan of this type could be documented with a footnote in the budget. According to the City Attorney's Office, since it is an internal, fund to fund loan – a formal note or loan agreement would not be required.

- 2. What is the total amount of Workforce Investment Act (WIA) funds that the City is anticipating in FY 2014-15? What are the City's overhead/expenditures (i.e. system administration costs)? Please provide a detailed breakdown of the \$1.48M allocated for City staffing. Please provide a clear description of the duties of the City staff. What program costs are eligible under WIA requirements? Do all of the funds allocated to the System Administrator count against the 10% for overhead?**

A: Revenue and Allocations

Staff has not presented the FY 2014-15 budget to the Workforce Investment Board (WIB), and as such, numbers presented below may change. Staff's goal is to maintain the City's portion of the WIB budget at the FY 2013-14 figure of \$1,488,728. This figure includes \$1,223,716 for staff costs for 7.0 FTE, \$121,000 in facilities costs, \$75,000 for training, technical assistance and program design services, and \$46,500 for Operations and Maintenance costs.

Total anticipated revenue, which includes FY 2014-15 WIA Formula funding, FY 2013-14 carry-forward, and a new discretionary grant of \$988,000 totals \$6,626,555. The City's portion of the proposed budget would amount to 22.5%. Historically, the average

cost for System Administration of Oakland's WIA funds has averaged 24.7% from FY 2004-05 to FY 2013-14 of total budgeted revenues.

By federal law, the WIB and the Mayor must approve WIB budgets. By the City Charter, the City Council must approve all funding allocations. This is why staff brings WIB budgets to the City Council outside of the City's budget process. The WIB Executive Committee and full WIB have three meetings scheduled to complete the FY 2014-15 budget process by June 26, 2014. Staff anticipates presenting the WIB FY 2014-15 budget to the CED Committee on July 8, 2014, and to the full City Council on July 15, 2014.

Recently, as required by the WIA, the Oakland WIB Youth Council approved staff's recommendation for FY 2014-15 youth activities funding, which is \$1,511,247. This allocation represents the same level of funding for youth programs as it is for FY 2013-14, and also includes a reserve wage pool for youth work experience in the event of an Oakland minimum wage increase. That recommendation will now go to the WIB for its consideration.

Staff is also contemplating a similar strategy of relatively flat funding from FY 2013-14 to 2014-15, with the exception of an additional \$360,000 for Dislocated Worker training.

History of Compliance

The City has always been deemed in compliance with the 10% administrative cost cap by the State Employment Development Department (EDD), the Department of Labor and the City's auditors, according to the City's Finance Department, which oversees fiscal monitoring visits and the City's Single Audit. Per the Code of Federal Regulations (2 CFR 225 Appendix A) the City must uphold the following requirements in administering WIA funds:

- Efficient and effective administration of Federal awards through application of sound management practices;
- Administration of Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award; and,
- Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques necessary to assure proper and efficient administration of Federal awards.

To comply with this Federal mandate, the WIB, Mayor and City Council have approved the transition of all System Administration duties to the City, which is consistent with the way WIA funds are managed throughout the country. In doing so, the City had to expand its Workforce Development office to properly and efficiently administer the WIA funds through the performance of required and essential administrative and program support functions, which are outlined below.

Administrative Duties

Generally, the rule is that most activities conducted by a contracted service provider are all program costs. As the WIA Sub-grant recipient, the City is required to perform extensive administrative functions. These functions include the following:

- Accounting of WIA funds including required State reports;
- Budgeting of WIA funds processed through the WIB, Mayor and City Council;
- Executive functions associated with WIA System Administration and staffing of WIB;
- Fiscal services, such as invoice processing and project set-ups in Oracle;
- Personnel services, such as staff hiring;
- Monitoring of service providers; and,
- Procurement of contracts and services.

Administrative costs based on the current year's Expenditure Reports submitted to the Employment Development Department through March 31, 2014 and projected out through June 30, 2014, are estimated at \$456,039, which equals 8.5% of total projected WIA expenditures of \$5,358,433

Program Duties

While some of what the City is required to do as the WIA Sub-grant recipient falls under the category of Administration, a significant amount of the work WIB staff performs are categorized as program costs, which includes the following:

- Program support: Program Analysts' work is focused on supporting our service providers;
- Program design and over-sight, such as leading the process of obtaining the \$988,000 On-the-Job Training grant from EDD;
- Program coordination, such as the Mayor's Summer Jobs Program;
- Program staff's role in supporting the strategic program and service delivery initiatives of the City's largest policy Board;
- Training and technical assistance for staff and service providers; and,
- Pilot business services initiatives in response to employer and state requests for WIB staff's direct participation in developing customized recruitment and placement programs and project oversight.

Estimated City program costs based on this fiscal year's Expenditure Reports are \$1,032,689. Nearly all other WIA-funded costs outside of the City are classified as program costs, and as such, the City has not received a finding for exceeding the 10% administrative cost cap for the City's WIA-funded System.

In Summary

- The total amount of WIA funds projected for the FY 2014-15 WIB budget is \$6,626,555.
- The City's projected allocation of WIA funds for FY 2014-15 is \$1,488,728.
- Based on current fiscal year Expenditure Reports, administrative charges are estimated at 8.5% of the total WIB budget.

- The majority of the funds allocated to the City are charged as program costs.

Public Works

1. In Exhibit 2, the Multipurpose Fund category (1750) shows \$2,330,029 expenditure for “Transfer to fund balance.” What does that mean and what flexibility does the City have regarding spending from that fund?

A: The change in the transfer to fund balance is actually an increase of \$1.5 million for a total proposed transfer to fund balance of \$1.88 million (the FY 13-15 Adopted Budget included a transfer to fund balance of almost \$380,000). The Multipurpose Reserve Fund (1750) has a negative fund balance (approximately \$4.56 million as of the end of FY 2012-13), so there is no fund balance available to spend. This transfer to fund balance will help pay down the negative fund balance over time. Below is a slightly revised summary of the changes to Fund 1750:

F1	Multipurpose Fund (1750)				
F2	Negotiated and approved Cost of Living Adjustment	City-wide	\$ -	\$ 38,863	-
F3	Increase parking garage revenue per May 20th Council direction	Public Works	\$ 2,867,520	\$ -	-
F4	Approximate savings from proposed parking garage operator contract	Public Works	\$ -	\$ (200,000)	-
F5	Add Program Analyst III to manage garages and parking lots per May 20th Council direction	Public Works	\$ -	\$ 176,442	1.00
F6	Move restricted ORSA garage revenues and associated expenses to bond funds	EWD	\$ (336,300)	\$ (336,300)	-
F7	Net additional operating funds per May 20th Council direction	Public Works	\$ -	\$ 1,360,265	-
F8	Various minor position allocation changes	Various	\$ -	\$ (11,705)	0.10
F9	Increase transfer to fund balance to pay down negative fund balance	City-wide	\$ -	\$ 1,503,655	-
F10	SUB-TOTAL		\$ 2,531,220	\$ 2,531,220	1.10

For questions, please contact Alex Orogas, Assistant to the City Administrator, at 238-6587.

Respectfully submitted,

/s/

SARAH T. SCHLENK
Interim Budget Director