

**Analysis of the
Proposed FY 2021-23 Budget
of the City of Oakland**

**Prepared for:
Oakland City Council**

**Submitted by
Harvey M. Rose Associates, LLC**



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

May 26, 2021



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President Nikki Fortunato Bas
Oakland City Council
1 Frank H Ogawa Plaza
2nd Floor
Oakland, CA 94612

Dear President Bas:

We are pleased to present this Analysis of the Proposed FY 2021-23 Budget of the City of Oakland. We believe this report is fully responsive to the scope of work as requested by the City Council. This report consists of 11 analytical areas and 16 recommendations. Each recommendation includes a summary of the issue, a description of the recommended action, and the potential impact.

We would sincerely like to thank staff from the Finance Department and other City departments for their assistance in collecting requested documents and data and providing answers to our questions. We look forward to presenting our findings and recommendations to the City Council on June 1st.

We appreciate being provided with the opportunity to serve the City Council on this matter. For questions regarding this report, please contact Dan Goncher at dgoncher@harveyrose.com or Linden Bairey at lbairrey@harveyrose.com.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Daniel Goncher'.

Dan Goncher
Principal

cc: Rebecca Kaplan, Vice Mayor & At-Large Member
Dan Kalb, Councilmember, District 1

Carroll Fife, Councilmember, District 3
Sheng Thao, Councilmember, District 4
Noel Gallo, Councilmember, District 5
Loren Taylor, Councilmember, District 6
Treva Reid, Councilmember, District 7

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Introduction

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

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

Scope

We were asked by the City Council to provide an independent analysis of the City of Oakland's proposed two-year FY 2021-22 & FY 2022-23 budget. The scope of work includes the following related to the proposed budget:

- Overview of General Purpose revenues and expenditures, including multi-year budget-to-actual analysis of all General Purpose Fund departments;
- Detailed review of the proposed Police and Fire Department's budgets, particularly focused on overtime. Additionally, seek out and report on best practices to control overtime expenditures;
- Review of the Non-Departmental budget;
- Analysis of major areas of budget year increases, including increases in the number of FTEs over the past three years;
- Analysis of positions, vacancies, and salary savings;
- Analysis of potential assistance from federal and state sources of COVID-19 related economic relief;
- Review of key non-General Purpose Fund funds and the allowable uses of unspent monies, including, but not necessarily limited to the Development Services Fund, Measure BB, and Measure Z funds;
- Review of the City Administrator's revenue projections for the upcoming two-year budget;
- Review and comparative analysis of the City's Finance Department structure;
- Analysis of contract contingencies, administrative projects, and other unspecified accounts;
- Analysis of encumbrance and reserve amounts;
- Analysis of multi-year projects.

In addition, President Bas requested that we review the City's Five Year Financial Forecast and provide revenue estimates for two proposed ballot measures (an expansion of the Transient Occupancy Tax and the establishment of a tax on transportation network companies and delivery network companies).

1. Overview of Proposed Budget

Budgeted and Proposed All Fund Revenues and Expenditures

The proposed revenue and expenditure budgets for all funds total \$1.996 billion in FY 2021-22 and \$1.860 billion in FY 2022-23. As shown in Exhibit 1 below, the proposed FY 2021-22 all funds budget is approximately \$409 million or 17 percent less than the FY 2020-21 adjusted budget. The proposed FY 2022-23 all funds budget is approximately \$137 million or 7 percent less than the proposed FY 2021-22 all funds budget.

Exhibit 1: All Funds Revenues and Expenditures

	FY 2019-20 Actual	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	Change: 2020-21 v. 2021-22	FY 2022-23 Proposed Budget	Change: 2021-22 v. 2022-23
Revenues	\$1,942,847,064	\$2,405,122,840	\$1,996,412,783	(\$408,710,057) (17%)	\$1,859,640,658	(\$136,772,125) (7%)
Expenditures	1,681,631,959	2,465,973,745	1,996,412,783	(469,560,962) (19%)	1,859,640,658	(136,772,125) (7%)

Source: City of Oakland Finance Department.

The City will receive approximately \$192 million, split into two equal distributions (one in the current year and a second in one year) from the federal American Rescue Plan Act (ARPA). \$58.5 million of this amount was allocated by the City Council for use during FY 2020-21. The remaining \$133.5 million of ARPA funds are allocated in the proposed budget, contributing to the significant variation in proposed revenues and expenditures between FY 2021-22 and FY 2022-23. In addition, in compliance with the City's Consolidated Fiscal Policy, the proposed FY 2021-22 budget also transfers \$53.8 million from the General Purpose Fund to the City's newly-created Emergency Fund Reserve (the emergency reserves were previously kept within the General Purpose Fund).

Budgeted and Proposed General Purpose Fund Revenues and Expenditures

The proposed revenue and expenditure budgets for the General Purpose Fund total \$775.8 million in FY 2021-22 and \$726.6 million in FY 2022-23. As shown in Exhibit 2 below, the proposed FY 2021-22 General Purpose Fund budget is approximately \$113 million or 17 percent more than the FY 2020-21 adjusted budget. The proposed FY 2022-23 General Purpose Fund budget is approximately \$49 million or 6 percent less than the proposed FY 2021-22 budget.

Exhibit 2: General Purpose Fund Revenues and Expenditures

	FY 2019-20 Actual	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	Change: 2020-21 v. 2021-22	FY 2022-23 Proposed Budget	Change: 2021-22 v. 2022-23
Revenues	\$631,757,260	\$662,832,751	\$775,813,222	\$112,980,471 17%	\$726,578,328	(\$49,234,89) (6%)
Expenditures	689,491,934	662,718,650	775,813,222	113,094,572 17%	726,578,328	(49,234,894) (6%)

Source: City of Oakland Finance Department.

General Purpose Fund Budget to Actuals by Character

Most of the City’s General Purpose Fund expenditures are in personnel, as shown in Exhibit 3 below.

Exhibit 3: General Purpose Fund Expenditures by Character

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Personnel	\$506,629,066	\$530,815,922	\$24,186,856	\$557,874,793	\$27,058,871
Suppl. & materials	9,960,417	4,193,122	(5,767,295)	4,115,291	(77,831)
Service exp.	12,010,081	11,113,629	(896,452)	11,198,828	85,199
Contract services	25,442,830	51,033,521	25,590,691	31,532,447	(19,501,074)
Travel & edu.	3,095,558	2,863,279	(232,279)	2,868,669	5,390
Int. serv. & wrk ord.	63,850,981	64,878,109	1,027,128	63,682,812	(1,195,297)
Capital acq.	447,638	4,762	(442,876)	4,762	0
Other	14,369,499	18,984,563	4,615,064	18,442,609	(541,954)
Offsets & transfers	52,616,333	119,210,459	66,594,126	64,083,441	(55,127,018)
Overhead recovery	(25,703,752)	(27,284,144)	(1,580,392)	(27,225,324)	58,820
Total	\$662,718,650	\$775,813,222	\$113,094,572	\$726,578,328	(\$49,234,894)

Source: City of Oakland Finance Department.

As can be seen in Exhibit 3 above, there is a large one-time proposed increase in offsets and transfers in FY 2021-22. This increase is primarily related to a one-time transfer to the City’s new Emergency Reserve (Fund 1011), which had previously been held in the General Purpose Fund as fund balance. Also proposed in FY 2021-22 is a one-time increase in contract services, some of which is currently allocated as an unspecified contingency. The contingency and the Emergency Reserve transfer are both discussed in more detail in the Non-Department review section of this report.

General Purpose Fund Budget to Actuals by Department

Exhibit 4 below displays the General Purpose Fund budget to actual expenditures for each City department for FY 2018-19, FY 2019-20, and FY 2020-21 as projected by the Finance Department using expenditures through the third quarter of FY 2020-21. As shown in Exhibit 4 below, the City underspent its General Purpose Fund budget by \$507,309 in FY 2018-19, overspent its General Purpose Fund budget by \$9.8 million in FY 2019-20, and is projected to overspend the General Purpose Fund budget in FY 2020-21 by \$19.5 million compared to the FY 2020-21 adjusted budget. (The Finance Department's FY 2020-21 Third Quarter Revenue and Expenditure report compares FY 2020-21 projections to the FY 2020-21 amended budget, which was amended by the City Council in April of 2021 (Resolution 88574 C.M.S.); however, for consistency Exhibit 4 below and subsequent exhibits in this report display the City's adjusted FY 2020-21 budget prior to amendment.) Generally speaking, in FY 2018-19 and FY 2019-20, a majority of City departments underspent their General Purpose Fund budgets; however, in FY 2020-21, a higher number of City departments are projected to overspend their General Purpose Fund budgets compared to the FY 2020-21 adjusted budget.

The Police Department is the department that has most significantly overspent its budget in each of the three years, by between \$19.3 and \$26.1 million each year. The Fire Department overspent its budget by \$3.8 million in FY 2018-19, but underspent its budget by \$2.3 million in FY 2019-20 and is projected to underspend its budget by \$2.5 million in FY 2020-21. The Police and Fire Departments' budgets are discussed in more detail later in this report.

Exhibit 4: General Purpose Fund Budget to Actual Expenditures, FY 2018-19, FY 2019-20, and FY 2020-21 (proj.)

	FY 2018-19			FY 2019-20			FY 2020-21 (proj. thru Q3)		
	Budget	Actuals	Over/(Under)	Budget	Actuals	Over/(Under)	Budget	Actuals	Over/(Under)
Cap. Imp. Proj.	\$2,144,389	\$232,955	(\$1,911,434)	\$3,125,520	\$973,697	(\$2,151,822)	\$2,251,452	\$2,251,452	\$0
City Admin.	17,412,802	14,751,957	(2,660,845)	16,776,597	16,374,853	(401,744)	12,042,769	12,779,432	736,663
City Attorney	12,745,226	12,614,587	(130,639)	13,515,419	14,096,359	580,941	11,505,879	13,209,558	1,703,678
City Auditor	2,065,893	2,059,840	(6,053)	2,309,876	2,355,055	45,179	2,475,102	2,373,083	(102,019)
City Clerk	3,832,516	4,658,870	826,354	3,340,555	1,892,518	(1,448,038)	4,503,782	4,337,457	(166,325)
City Council	5,586,851	5,233,485	(353,366)	6,088,694	5,660,130	(428,564)	6,278,259	6,478,665	200,406
DOT*	13,389,656	10,897,471	(2,492,185)	12,382,532	10,242,119	(2,140,413)	13,187,865	13,519,405	331,540
EWD*	5,398,875	4,590,879	(807,996)	6,154,240	5,040,261	(1,113,980)	5,764,251	6,467,214	702,963
Finance	27,181,524	24,302,393	(2,879,131)	27,711,234	25,999,406	(1,711,829)	24,520,904	23,938,625	(582,279)
Fire	148,936,927	152,754,938	3,818,011	167,512,435	165,206,575	(2,305,860)	169,099,381	166,647,852	(2,451,530)
HCD*	925,000	-	(925,000)	925,000	12,386	(912,614)	797,614	797,614	0
Human Res.	6,859,321	6,382,410	(476,910)	6,978,433	7,157,910	179,477	6,714,921	7,354,351	639,430
Human Services	18,633,535	15,528,901	(3,104,634)	18,651,802	15,849,085	(2,802,716)	15,850,704	15,598,584	(252,120)
Info. Tech.	10,495,975	10,677,322	181,347	10,689,915	10,530,208	(159,707)	10,585,511	12,958,159	2,372,648
Mayor	3,163,277	2,907,988	(255,289)	3,784,674	2,923,184	(861,490)	3,881,364	3,073,493	(807,871)
Non Dept.	53,062,210	46,310,083	(6,752,128)	45,766,061	46,227,023	460,962	34,764,760	32,559,402	(2,205,358)
Parks and Rec.	15,404,549	14,968,759	(435,790)	13,933,109	13,517,424	(415,685)	16,369,527	15,522,038	(847,488)
Plan. & Build.	216,069	239,013	22,944	(36,087)	62,969	99,055	48,000	48,000	0
Police	267,012,744	287,724,060	20,711,316	295,933,632	322,037,076	26,103,444	296,486,148	315,812,251	19,326,104
Police Commis.	3,146,248	2,454,759	(691,489)	4,280,927	2,998,397	(1,282,530)	4,616,716	3,963,077	(653,638)
Public Ethics	1,054,877	1,061,540	6,663	1,178,269	1,235,180	56,912	1,330,008	1,456,989	126,981
Public Library	13,150,366	12,430,260	(720,106)	13,001,297	13,039,010	37,713	11,657,253	12,850,376	1,193,123
Public Works	5,072,709	3,661,369	(1,411,341)	4,334,706	4,296,962	(37,744)	578,857	804,186	225,328
Race and Equity	605,441	552,269	(53,172)	672,740	755,068	82,328	866,973	848,948	(18,026)
Violence Prev.	461,844	455,408	(6,436)	636,213	468,466	(167,747)	3,254,356	2,926,455	(327,901)
WES*	-	-	-	-	36,675	36,675	3,286,296	3,601,915	315,619
Default/Clearing	-	-	-	-	503,938	503,938	-	-	-
Total	\$637,958,825	\$637,451,515	(\$507,309)	\$679,647,794	\$689,491,934	\$9,844,140	\$662,718,650	\$682,178,582	\$19,459,931

Source: City of Oakland Finance Department (including FY 2020-21 projections). *EWD = Economic and Workforce Development Department; HCD = Housing and Community Development Department; DOT = Department of Transportation; WES = Department of Workplace and Employment Standards.

2. Budget Year Proposed Changes

General Purpose Fund FY 2020-21 vs. Proposed Budgets by Department

The proposed General Purpose Fund FY 2021-22 and FY 2022-23 expenditures compared to the FY 2020-21 adjusted budget are shown by department in Exhibit 5 below. The proposed Police Department, Fire Department, and Non-Departmental expenditures show the most variation across the three years and are highlighted below. In addition, the City Attorney's Office budget is increasing by nearly \$3 million, primarily to hire a new attorney and for contract attorneys to handle Public Records Act requests.

Exhibit 5: General Purpose Fund Expenditures by Department

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	Change: 2020-21 v. 2021-22	FY 2022-23 Proposed Budget	Change: 2021-22 v. 2022-23
Cap. Imp. Program	\$2,251,452	\$545,887	(\$1,705,565)	\$552,646	\$6,759
City Administrator	12,042,769	6,373,209	(5,669,560)	6,798,494	425,285
Animal Services	-	5,281,485	5,281,485	5,532,466	250,981
City Attorney	11,505,879	14,404,259	2,898,380	14,268,795	(135,464)
City Auditor	2,475,102	2,357,086	(118,016)	2,434,180	77,094
City Clerk	4,503,782	3,249,990	(1,253,792)	3,515,538	265,548
City Council	6,278,259	6,167,301	(110,958)	6,379,941	212,640
DOT*	13,187,865	11,067,721	(2,120,144)	13,488,798	2,421,077
EWD*	5,764,251	7,578,582	1,814,331	7,692,344	113,762
Finance	24,520,904	24,211,425	(309,479)	25,509,472	1,298,047
Fire	169,099,381	169,826,704	727,323	178,026,853	8,200,149
HCD*	797,614	29,843	(767,771)	29,447	(396)
Human Resources	6,714,921	6,182,669	(532,252)	6,451,166	268,497
Human Services	15,850,704	13,803,678	(2,047,026)	14,592,154	788,476
Info. Technology	10,585,511	11,411,664	826,153	11,937,897	526,233
Mayor	3,881,364	4,170,399	289,035	4,295,108	124,709
Non-Dept.	34,764,760	126,956,615	92,191,855	53,150,550	(73,806,065)
Parks & Rec.	16,369,527	14,326,596	(2,042,931)	14,745,324	418,728
Plan. & Building	48,000	-	(48,000)	-	0
Police	296,486,148	319,096,767	22,610,619	328,612,285	9,515,518
Police Commission	4,616,716	4,513,601	(103,115)	5,582,525	1,068,924
Public Ethics	1,330,008	1,374,128	44,120	1,417,730	43,602
Public Library	11,657,253	13,853,031	2,195,778	13,305,559	(547,472)
Public Works	578,857	679,537	100,680	861,507	181,970
Race & Equity	866,973	890,647	23,674	957,386	66,739
Violence Prev.	3,254,356	3,959,173	704,817	2,661,955	(1,297,218)
WES*	3,286,296	3,501,225	214,929	3,778,208	276,983
Grand Total	\$662,718,650	\$775,813,222	\$113,094,572	\$726,578,328	(\$49,234,894)

Source: City of Oakland Finance Department. *EWD = Economic and Workforce Development Department; HCD = Housing and Community Development Department; DOT = Department of Transportation; WES = Department of Workplace and Employment Standards

Proposed Budget Year Changes: Expenditures

As shown in Exhibit 5 above, the departments with the largest increases from FY 2020-21 to FY 2021-22 are Non-Department (\$92.2 million increase) and the Police Department (\$22.6 million increase). The \$92.2 million increase in Non-Departmental accounts for 82 percent of the proposed net General Purpose Fund budget increase between FY 2020-21 to FY 2021-22 of \$113.1 million. The departments with the largest decreases from FY 2020-21 to FY 2021-22 are the City Administrator’s Office (-\$5.7 million, reflecting the creation of the Animal Services Division as a stand-alone department), the Department of

Transportation (-\$2.1 million), the Human Services Department (-\$2.0 million), and the Department of Parks and Recreation (-\$2.0 million).

Exhibit 6 below summarizes the major proposed changes from FY 2020-21 to FY 2021-22. When comparing the budget for the Animal Services Bureau within the City Administrator’s Office in FY 2020-21 with the proposed budget for the new stand-alone department in FY 2021-22, the proposed budget for Animal Services is relatively unchanged. In Non-Department expenditures, the largest proposed increase from FY 2020-21 to FY 2021-22 is in city-wide activities and the emergency contingency reserve. In the Police Department expenditures, the largest proposed increase from FY 2020-21 to FY 2021-22 is in personnel expenditures and contract services expenditures. Both the Non-Department proposed expenditures and the Police Department proposed expenditures are discussed in more detail in the following sections of this report.

Exhibit 6: Major General Purpose Fund Expenditure Changes, FY 2020-21 to FY 2021-22

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	Change: 2020-21 v. 2021-22 (\$)	Change: 2020-21 v. 2021-22 (%)
Non-Dept.	\$34,764,760	\$126,956,615	\$92,191,855	265%
Cultural arts grants	730,120	0	(730,120)	(100%)
City-wide activities	20,876,597	52,743,490	31,866,893	153%
Coliseum lease	10,381,000	12,509,500	2,128,500	21%
Debt service	8,807,930	9,220,324	412,394	5%
Emergency cont. res.	171,397	54,010,000	53,838,603	31,412%
Ins. premium	14,223,790	18,957,445	4,733,655	33%
Liability claims	2,860,000	6,000,000	3,140,000	110%
OCVA*	842,844	0	(842,844)	(100%)
Overhead	(24,039,434)	(26,484,144)	(2,444,710)	10%
Cap. imp. constr.	(89,484)	0	89,484	(100%)
Police Department	296,486,148	319,096,767	22,610,619	8%
Personnel exp.	254,544,031	276,245,373	21,701,342	9%
Supplies and materials	3,437,887	1,237,727	(2,200,160)	(64%)
Service expenditures	4,106,863	4,405,458	298,595	7%
Contract services	3,102,267	6,661,529	3,559,262	115%
Travel and education	1,257,519	1,183,000	(74,519)	(6%)
Int. serv. & work order	29,367,885	29,355,518	(12,367)	(0.04%)
Capital acquisitions	181,329	4,762	(176,567)	(97%)
Other	485,888	3,400	(482,488)	(99%)
Offsets & transfers	2,479	-	(2,479)	(100%)
Animal Services	5,305,491	5,281,485	(24,006)	(0.5%)
Personnel exp.	4,241,754	4,334,840	93,086	2%
Supplies and materials	224,592	223,589	(1,003)	(0.4%)
Service expenditures	32,189	22,000	(10,189)	(32%)
Contract services	241,330	160,000	(81,330)	(34%)
Travel and education		512	512	n/a
Int. serv. & work order	565,626	537,301	(28,325)	(5%)

Source: City of Oakland Finance Department. *OCVA = Oakland Convention and Visitors Authority.

From FY 2021-22 to FY 2022-23, the departments with the largest proposed budget increases are the Police Department (\$9.5 million), the Fire Department (\$8.2 million), and the Department of Transportation (\$2.4 million). The department with the largest proposed decreases from FY 2021-22 to FY 2022-23 is Non-Department (-\$73.8 million). In the Police Department, the increase is due to proposed increases in personnel expenditures, partially offset by proposed decreases in other areas. In the Fire Department, the increase is due primarily to proposed increases in personnel and contract services expenditures. In Non-Department, the decrease is due primarily to decreases in the emergency contingency reserve, city-wide activities, and liability claims. Exhibit 7 below summarizes the major proposed changes from FY 2021-22 to FY 2022-23. The proposed expenditures for the Police Department, Fire Department, and Non-Department are discussed in more detail in the following sections of this report.

Exhibit 7: Major General Purpose Fund Expenditure Changes, FY 2021-22 to FY 2022-23

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2022-23 Proposed Budget	Change: 2021-22 v. 2022-23 (\$)	Change: 2021-22 v. 2022-23 (%)
Police Department	\$296,486,148	\$319,096,767	\$328,612,285	\$9,515,518	3%
Personnel exp.	254,544,031	276,245,373	288,241,864	11,996,491	4%
Supplies and materials	3,437,887	1,237,727	1,237,727	0	0%
Service expenditures	4,106,863	4,405,458	4,400,432	(5,026)	(0.1%)
Contract services	3,102,267	6,661,529	5,191,529	(1,470,000)	(22%)
Travel and education	1,257,519	1,183,000	1,183,000	0	0%
Int. serv. & work order	29,367,885	29,355,518	28,349,571	(1,005,947)	(3%)
Capital acquisitions	181,329	4,762	4,762	0	0%
Other	485,888	3,400	3,400	0	0%
Offsets & transfers	2,479	0	0	0	n/a
Fire Department	169,099,381	169,826,704	178,026,853	8,200,149	5%
Personnel exp.	147,830,613	149,817,687	156,868,301	7,050,614	5%
Supplies and materials	2,900,555	1,265,353	1,165,417	(99,936)	(8%)
Service expenditures	763,341	726,127	729,200	3,073	0%
Contract services	3,439,096	4,155,989	5,888,274	1,732,285	42%
Travel and education	793,529	738,934	744,324	5,390	1%
Int. serv. & work order	13,245,173	13,122,614	12,631,337	(491,277)	(4%)
Capital acquisitions	74,809	0	0	0	n/a
Other	52,266	0	0	0	n/a
Non-Dept.	34,764,760	\$126,956,615	53,150,550	(73,806,065)	(58%)
Cultural arts grants	730,120	0	0	0	n/a
City-wide activities	20,876,597	52,743,490	36,688,179	(16,055,311)	(30%)
Coliseum lease	10,381,000	12,509,500	12,509,500	0	0%
Debt service	8,807,930	9,220,324	8,735,000	(485,324)	(5%)
Emergency cont. res.	171,397	54,010,000	1,200,000	(52,810,000)	(98%)
Ins. premium	14,223,790	18,957,445	19,443,195	485,750	3%
Liability claims	2,860,000	6,000,000	1,000,000	(5,000,000)	(83%)
OCVA*	842,844	0	0	0	n/a
Overhead	(24,039,434)	(26,484,144)	(26,425,324)	58,820	(0.2%)
Cap. imp. constr.	(89,484)	0	0	0	n/a

Source: City of Oakland Finance Department. *OCVA = Oakland Convention and Visitors Authority.

Proposed Budget Year Changes: Personnel

The proposed budget increases total full-time equivalent positions (FTEs) by 34.22, from 4,491.30 in FY 2020-21 to 4,525.52 in FY 2021-22. The proposed increase of 34.22 FTEs represents less than one percent growth in the City's staffing levels, as shown in Exhibit 8 below. The increase in the total number of FTEs proposed in the FY 2021-22 budget is funded through other funds, rather than the General Purpose Fund. Between FY 2020-21 and FY 2021-22 the number of General Purpose Fund supported FTEs is decreasing by 30.74, which is offset by a proposed 64.96 increase in FTEs in other funds. Across the two-year

proposed budget, FTEs increase by 29.12 relative to FY 2020-21, but the number of General Purpose Fund supported FTEs decreases by 46.51 (1.93 percent).

**Exhibit 8: Citywide and General Purpose Fund Budgeted and Proposed
Full Time Equivalent Positions, FY 2020-21 to FY 2022-23**

Fund Source for FTEs	FY 2020-21 Adopted	FY 2021-22 Proposed	Change: 2020-21 v. 2021-22	FY 2022-23 Proposed	Change: 2021-22 v. 2022-23
General Purpose Fund	2,410.61	2,379.87	<i>(30.74)</i> <i>(1.3%)</i>	2,364.10	<i>(15.77)</i> <i>(0.7%)</i>
All Other Funds	2,080.69	2,145.65	64.96 3.1%	2,156.32	10.67 0.5%
All Funds	4,491.30	4,525.52	34.22 0.8%	4,520.42	(5.10) (0.1%)

Source: City of Oakland Finance Department.

A breakdown by department comparing FY 2020-21 budgeted FTEs and proposed FY 2021-22 FTEs is shown in Exhibit 9 for all positions across all funds and in Exhibit 10 for General Purpose Fund supported positions. As shown below in Exhibit 9, the Departments of Transportation, Economic and Workforce Development, Housing and Community Development, Human Services, Planning and Building, Police, Police Commission, Public Works, and Violence Prevention are all seeing an increase in overall FTE counts between FY 2020-21 and FY 2021-22. Animal Services is being moved from the City Administrator and restructuring as a stand-alone department, pending City Council approval. Other major changes in budgeted positions include:

City Administrator (38.60 net decrease in FTEs; 40.37 decrease in General Purpose Fund supported FTEs)

The City Administrator’s Office is experiencing a net decrease of 38.60 FTEs, largely due to the restructuring of the Animal Services Division, which is proposed to become a stand-alone department in the FY 2021-22 budget. In addition, the proposed FY 2021-22 budget transfers 6.00 FTE from the City Administrator to Economic and Workforce Development; this is part of a proposal to transfer the Special Activities Division from the City Administrator’s Office to Economic and Workforce Development.

Department of Transportation (17.00 net increase in FTEs; 2.00 increase in General Purpose Fund supported FTEs)

Contributing to the Department of Transportation’s overall increase in FTEs is a new paint crew consisting of 2.0 FTE Traffic Painters, 1.0 FTE Public Works Maintenance Worker, and 1.0 FTE Concrete Finisher. There is also a new in-house Sidewalk Repair Crew, which will add 1.0 FTE Concrete Finisher, 2.0 FTE Public Works Maintenance Workers, 1.0 FTE Collections Officer, and 1.0 FTE Administrative Analyst II for support. In addition, the budget restores 6.0 FTE in FY 2021-22 that were frozen during the FY 2020-21 Midcycle Budget. The 2.0 FTE increase in positions supported through the General Purpose Fund cover 1.0 FTE for a School Traffic Safety Supervisor and 1.0 FTE for a Mayoral staff position.

In the FY 2022-23 proposed budget, the Department of Transportation will take over the Vehicle Enforcement Unit functions from the Oakland Police Department; this will transfer 10.0 FTE Police

Services Technician IIs to the Department, add 3.0 Parking Enforcement Supervisor II positions, and result in the deletion of 3.0 Police Officer positions.

Fire (19.15 net decrease in FTEs; 64.00 decrease in General Purpose Fund supported FTEs)

The proposed FY 2021-22 budget includes a net decrease of 64.00 FTEs in the General Purpose Fund and a net decrease of 19.15 FTEs across all funds in the Fire Department. Some of the decrease in the General Purpose Fund Fire Department positions is due to positions being moved to other funds. The proposed staffing levels for the Fire Department are discussed in more detail in the following sections of this report.

Human Services (12.06 net increase in FTEs; 0.57 decrease in General Purpose Fund supported FTEs)

The Human Services Department's increase in FTEs is primarily a result of revised classifications and restructuring of the Head Start program to align with new federal performance standards. The non-General Purpose Fund supported positions also includes a 1.5 FTE increase for Aging and Adult Services for an Administrative Assistant (0.5 FTE) and Senior Services Program Assistant (1.0 FTE). The slight decrease in General Purpose Fund supported positions is a result of freezing 1.0 FTE in Senior Aide positions in Aging and Adult Services.

Police (25.00 increase in FTEs; 26.43 net increase in General Purpose Fund supported FTEs)

The proposed FY 2021-22 budget includes a net increase in the Police Department of 26.43 FTEs in the General Purpose Fund and 25.00 FTEs across all funds in the Police Department. The proposed staffing levels for the Police Department are discussed in more detail in the following sections of this report.

**Exhibit 9: Citywide Budgeted and Proposed Full Time Equivalent Positions by Department
FY 2020-21 to FY 2021-22, All Funds**

Department	FY 2020-21 Adopted		FY 2021-22 Proposed		Change	
	FTEs	Amount (\$)	FTEs	Amount (\$)	FTEs	Amount (\$)
Animal Services	0.00	\$0	32.00	\$4,352,810	32.00	\$4,352,810
City Administrator	86.60	14,260,140	48.00	10,131,161	(38.60)	(4,128,979)
City Attorney	79.99	19,040,138	79.99	18,940,118	0.00	(100,020)
City Auditor	10.00	1,996,465	10.00	1,995,045	0.00	(1,420)
City Clerk	18.50	3,155,549	17.00	3,097,715	(1.50)	(57,834)
City Council	30.92	5,387,349	30.92	5,215,582	0.00	(171,767)
DOT*	343.08	65,973,590	360.08	72,867,676	17.00	6,894,086
EWD*	47.00	10,743,164	53.90	12,016,676	6.90	1,273,512
Finance	156.00	25,886,938	156.8	26,132,653	0.80	245,715
Fire	646.63	153,740,043	627.48	143,298,673	(19.15)	(10,441,370)
HCD*	73.54	14,383,607	75.51	15,486,913	1.97	1,103,306
Human Resources	48.00	8,327,756	47.00	8,186,616	(1.00)	(141,140)
Human Services	223.11	29,573,922	235.17	31,934,722	12.06	2,360,800
Info. Technology	82.00	16,562,937	82.00	16,991,719	0.00	428,782
Mayor	12.00	3,765,102	12.00	3,766,756	0.00	1,654
Parks & Rec.	223.80	18,549,033	216.40	18,725,127	(7.40)	176,094
Plan. & Building	192.50	35,543,030	201.50	38,225,082	9.00	2,682,052
Police	1,218.50	251,590,414	1,243.50	261,056,951	25.00	9,466,537
Police Commission	17.00	3,206,467	18.00	3,677,262	1.00	470,795
Public Ethics	6.00	1,129,710	6.00	1,250,115	0.00	120,405
Public Library	260.51	30,649,311	254.75	31,032,533	(5.76)	383,222
Public Works	673.82	113,566,367	674.72	116,900,884	0.90	3,334,517
Race & Equity	4.00	802,494	4.00	869,942	0.00	67,448
Violence Prev.	19.80	3,512,850	21.80	3,737,900	2.00	225,050
WES*	18.00	3,108,183	17.00	3,160,710	(1.00)	52,527
Total	4,491.30	\$834,454,559	4,525.52	\$853,051,341	34.22	\$18,596,782

Source: City of Oakland Finance Department. *EWD = Economic and Workforce Development Department; HCD = Housing and Community Development Department; DOT = Department of Transportation; WES = Department of Workplace and Employment Standards

As shown in Exhibit 10 below, the number of General Purpose Fund supported positions is proposed to decrease by 30.74 FTEs, from 2,410.61 budgeted FTEs in FY 2020-21 to 2,379.87 in the proposed FY 2021-22 budget. As detailed above, the City Administrator and Fire Department have largest decreases in General Purpose Fund supported positions, and Animal Services and Police show the largest increases.

Exhibit 10: General Purpose Fund Budgeted and Proposed Full Time Equivalent Positions by Department, FY 2020-21 to FY 2021-22

Department	FY 2020-21 Adopted		FY 2021-22 Proposed		Change	
	FTEs	Amount (\$)	FTEs	Amount (\$)	FTEs	Amount (\$)
Animal Services	0.00	\$0	32.00	\$4,352,810	32.00	\$4,352,810
City Administrator	65.36	10,034,139	24.99	4,926,222	(40.37)	(5,107,917)
City Attorney	45.71	10,145,786	46.06	10,142,956	0.35	(2,830)
City Auditor	10.00	1,996,465	10.00	1,995,045	0.00	(1,420)
City Clerk	10.71	1,784,295	9.94	1,802,533	(0.77)	18,238
City Council	30.92	5,387,349	30.92	5,215,582	0.00	(171,767)
DOT*	73.88	8,947,730	75.88	9,123,421	2.00	175,691
EWD*	17.71	3,283,307	22.90	4,155,600	5.19	872,293
Finance	110.49	17,795,150	105.99	17,449,676	(4.50)	(345,474)
Fire	614.25	147,221,891	550.25	129,165,643	(64.00)	(18,056,248)
Human Resources	31.55	5,472,766	29.55	5,202,712	(2.00)	(270,054)
Human Services	29.99	3,452,993	29.42	3,572,092	(0.57)	119,099
Info. Technology	45.84	9,569,667	45.22	9,330,386	(0.62)	(239,281)
Mayor	10.75	3,301,664	10.75	3,300,292	0.00	(1,372)
Parks & Rec.	72.34	8,315,921	79.03	8,670,917	6.69	354,996
Police	1,153.81	236,299,576	1,180.24	245,127,752	26.43	8,828,176
Police Commission	17.00	3,206,467	18.00	3,677,262	1.00	470,795
Public Ethics	6.00	1,129,710	6.00	1,250,115	0.00	120,405
Public Library	260.51	30,649,311	254.75	31,032,533	7.60	1,179,957
Public Works	673.82	113,566,367	674.72	116,900,884	0.73	135,841
Race & Equity	3.90	782,843	4.00	869,942	0.10	87,099
Violence Prev.	3.00	836,786	4.00	913,915	1.00	77,129
WES*	16.00	2,758,018	15.00	2,788,946	(1.00)	30,928
Total	2,410.61	\$487,946,790	2,379.87	\$480,573,884	(30.74)	(\$7,372,906)

Source: City of Oakland Finance Department. *EWD = Economic and Workforce Development Department; DOT = Department of Transportation; WES = Department of Workplace and Employment Standards

3. Positions, Vacancies, and Salary Savings

Historical Spending on Personnel Services

As discussed in Section 1 above, most of the City’s General Purpose Fund expenditures are in personnel. Exhibit 11 below displays the proposed General Purpose Fund personnel budget compared to the FY 2020-21 adjusted budget. The proposed increase in personnel spending in the General Purpose Fund is due to proposed increases in overtime, which is partially offset by decreases in salary, fringe spending, and miscellaneous spending. These changes are discussed in additional detail in the remainder of this section.

Exhibit 11: Personnel Expenditure Budget, General Purpose Fund

	FY 2020-21 Adjusted Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Salary	\$193,269,219	\$192,323,058	(\$946,161)	\$196,711,728	\$4,388,670
Overtime	19,040,399	51,975,787	32,935,388	49,300,579	(2,675,208)
Allowances	1,650,467	1,616,180	(34,287)	1,599,775	(16,405)
Premiums	14,051,344	15,589,928	1,538,584	15,825,253	235,325
Leave	58,500,244	58,164,584	(335,660)	59,584,203	1,419,619
Fringe and ret.	217,859,385	210,182,528	(7,676,857)	230,791,584	20,609,056
Workers’ comp.	0	0	0	0	0
Misc.	2,258,008	963,857	(1,294,151)	4,061,671	3,097,814
Total	\$506,629,066	\$530,815,922	\$24,186,856	\$557,874,793	\$27,058,871

Source: City of Oakland Finance Department.

In previous analyses conducted on behalf of the City Council, we have found that the City of Oakland overspends on personnel services. Historically, we have found underspending on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments in the General Purpose Fund, and overspending on overtime, premiums, allowances/buybacks, and workers’ compensation/disability. Looking at the past three fiscal years (FY 2017-18 through FY 2019-20), the City continues to overspend on personnel services, with overtime continuing to be the main driver of this overspending, as shown in Exhibit 12 below.

**Exhibit 12: General Purpose Fund Personnel Services Expenditures
Over- & Under-Spending, Actuals FY 2017-18 through FY 2019-20**

	FY 2017-18 (Actuals)	FY 2018-19 (Actuals)	FY 2019-20 (Actuals)
(Under) and Overspending			
Salary	(\$2,596,649)	(\$1,821,224)	\$1,079,430
Fringe Benefits and Retirement	(4,512,671)	(2,831,907)	(1,736,167)
Overtime	27,873,841	39,522,840	44,632,146
Paid and Unpaid Leave	(12,677,404)	(12,404,353)	(13,895,849)
Premiums	1,721,720	1,591,202	3,495,480
Misc. Payroll Adjustments	(5,735,264)	(2,145,339)	(1,887,288)
Allowances/Buybacks	1,194,471	242,685	768,166
Workers' Compensation/Disability	334,046	353,185	395,256
Total	\$5,602,090	\$22,507,090	\$32,851,174

Source: City of Oakland Finance Department; Harvey M. Rose Analysis of Proposed FY 2019-21 Budget of the City of Oakland

Over the past three fiscal years, the City consistently over or underspent in each personnel services category except for salaries, which shows overspending in FY 2019-20 but underspending in FY 2017-18 and FY 2018-19. While in FY 2017-18 and FY 2018-19 the City underspent on salaries by \$2.6 and \$1.8 million, respectively, in FY 2019-20 the City overspent on salaries by approximately \$1.1 million.

Historically, underspending across personnel categories, like paid and unpaid leave, fringe benefits and retirement, helps to balance out overspending in other categories like overtime; however, the City still consistently overspends on personnel services overall. Over the past two complete fiscal years, overtime has been overspent by \$39.5 million in FY 2018-19 and \$44.6 million in FY 2019-20, with overtime spending increasing substantially in each of those years.

Historically, the Police and Fire Departments have accounted for the majority of overtime overspending. As shown in Exhibit 13 below, over the past three fiscal years of overtime overspending, the Police Department has accounted for 55 percent of the total citywide overtime overspending, and the Fire Department has accounted for 43 percent; in total, these two departments are responsible for 98 percent of the overtime overspending over the past three fiscal years.

Exhibit 13: General Purpose Fund Personnel Services Overtime Overspending by Police, Fire and All Other Departments, FY 2017-18 through FY 2019-20

	FY 2017-18	FY 2018-19	FY 2019-20	3-Year Total Overspending	Percentage
Police Department	\$13,757,731	\$22,311,056	\$25,363,478	\$61,432,266	54.8%
Fire Department	13,406,623	16,316,901	18,389,229	48,112,753	42.9%
Subtotal: Police & Fire	27,164,354	38,627,957	43,752,707	109,545,019	97.8%
All Other Departments	709,487	894,883	879,439	2,483,809	2.2%
Total Overspending	\$27,873,841	\$39,522,840	\$44,632,146	\$112,028,827	100.0%

Source: City of Oakland Finance Department; Harvey M. Rose Analysis of Proposed FY 2019-21 Budget of the City of Oakland

As discussed in more detail in the Police Department and Fire Department sections of this report, the City has historically not properly budgeted for overtime in these departments, causing the significant amount of overspending. However, as described in more detail below, the FY 2021-22 and FY 2022-23 proposed budgets correct the historical practice of unrealistic budgeting and propose overtime budgets that are more consistent with historical spending, reflecting what the departments are actually expected to spend. Realistic budgets for overtime improve transparency and will allow the budget to be used as a monitoring tool and an overtime control. Overtime for the Police and Fire Departments are discussed in more detail later in this report.

Proposed Overtime Spending

Overtime spending has not been accurately budgeted in prior fiscal years, resulting in the large overspending observed in both personnel services as a whole and overtime spending in particular. As shown in Exhibit 14 below, the proposed budgets include approximately \$52 million in overtime in FY 2021-22 and \$49.3 million in overtime in FY 2022-23 in the General Purpose Fund. These proposed overtime budgets do a better job of reflecting what the City has historically spent on overtime expenditures. However, while the General Purpose Fund budgeted amounts of overtime for FY 2021-22 and FY 2022-23 are much closer to the City’s actual spending on overtime, they reflect smaller budgets than what has been spent in the past two fiscal years or is proposed to be spent in the current fiscal year.

Exhibit 14: General Purpose Fund Personnel Services Overtime Actuals vs. Proposed Budget

	FY 2017-18 (Actuals)	FY 2018-19 (Actuals)	FY 2019-20 (Actuals)	FY 2021-22 (Proposed)	FY 2022-23 (Proposed)
Overtime	\$50,285,475	\$57,061,121	\$62,856,218	\$51,975,787	\$49,300,579

Source: City of Oakland Finance Department; Harvey M. Rose Analysis of Proposed FY 2019-21 Budget of the City of Oakland

Proposed Salary Savings

Salary savings, also referred to as vacancy savings or the vacancy credit in the Oakland City budget, occur when a department does not spend the full amount budgeted for a position’s salary and benefits during the fiscal year. Departments may not spend the full amount on a position due to turnover, delays in hiring, or retirement, all of which cause a funded position to remain vacant (and therefore not paid) for part of

the year. When the position goes unfilled and the amount of funding budgeted for the position is not spent, a department realizes salary savings. In order to account for these natural periods where positions go unfilled, the City’s budget includes a “vacancy credit,” which is a negative number that reduces the total amount budget for position expenditures and accounts for the anticipated underspending on positions that are vacant for a period during the fiscal year.

Exhibit 15 below shows the budgeted and proposed vacancy credits, or salary savings, for FY 2020-21 through FY 2022-23. The amount of salary savings is proposed to grow between FY 2020-21 and FY 2021-22, to account for anticipated position spending savings. In FY 2022-23 the vacancy credit decreases slightly but is still budgeted at a higher rate than in FY 2020-21.

**Exhibit 15: Salary Savings (Vacancy Credit) Budgeted vs. Proposed,
FY 2020-21 through FY 2022-23**

Vacancy Savings	FY 2020-21 (Adj. Budget)	FY 2021-22 (Proposed)	<i>Change: 2020-21 v. 2021-22</i>	FY 2022-23 (Proposed)	<i>Change: 2021-22 v. 2022-23</i>
General Purpose Fund	\$3,571,602	\$12,751,792	\$9,180,190	\$12,671,516	(\$80,276)
All Other Funds	6,599,248	14,800,835	8,201,587	14,856,157	55,322
All Funds	\$10,170,850	\$27,552,627	\$17,381,777	\$27,527,673	(\$24,954)

Source: City of Oakland Finance Department

Note: The Vacancy Credit is a pay element that appears in the budget as a negative number, which represents the savings that are subtracted out of the total amount budgeted for position expenditures. We represent the number as positive in the chart above to reflect its absolute value.

The amount budgeted for salary savings, or vacancy credit, varies by department. Exhibit 16 below shows the amount of vacancy credit budgeted by department across all funds for FY 2021-22 and FY 2022-23. The vacancy credit is calculated for each department as a percentage applied to the department’s base salary amount plus the cost of living adjustment. The vacancy rates for the departments are developed by dividing the estimated vacancy credit by the department’s base salary and cost of living adjustment pay elements. Because some departments are a mix of elected and non-elected officials and sworn and civilian employees, they have lower budgeted vacancy rates, resulting in departments’ vacancy rates that vary from 0.0 to 8.0 percent. Small departments, like Animal Services, City Clerk, Mayor, Public Ethics and Race and Equity, have a vacancy rate budgeted at zero because of their size. The proposed citywide vacancy rate is 6.0 percent in FY 2021-22 and 5.9 percent in FY 2022-23.

The proposed vacancy rates are higher than in prior proposed budgets. For example, in the FY 2019-21 budget the proposed citywide vacancy rate was 2.4 percent for FY 2019-20 and FY 2020-21. The proposed vacancy rates for FY 2021-22 and FY 2022-23 of 6.0 and 5.9 percent, respectively, are more in line with the City’s actual vacancy rate, described below.

**Exhibit 16: Citywide Proposed Vacancy Rate by Department for All Funds,
FY 2021-22 to FY 2022-23**

Department	FY 2020-21 Budgeted	FY 2021-22 Proposed	FY 2022-23 Proposed
Animal Services	N/A	0.0%	0.0%
City Administrator	2.8%	7.5%	7.5%
City Attorney	3.9%	7.8%	7.8%
City Auditor	3.4%	6.8%	6.8%
City Clerk	0.0%	0.0%	0.0%
City Council	3.0%	6.0%	6.0%
DOT*	4.0%	8.0%	8.0%
EWD*	4.0%	8.0%	8.0%
Finance	4.0%	8.0%	8.0%
Fire	0.5%	7.8%	7.8%
HCD*	4.0%	8.0%	8.0%
Human Resources	4.0%	8.0%	8.0%
Human Services	4.0%	8.0%	8.0%
Info. Technology	4.0%	8.0%	8.0%
Mayor	0.0%	0.0%	0.0%
Parks & Rec.	4.0%	8.0%	8.0%
Plan. & Building	4.0%	8.0%	8.0%
Police	1.0%	2.1%	1.9%
Police Commission	4.0%	8.0%	8.0%
Public Ethics	0.0%	0.0%	0.0%
Public Library	4.0%	8.0%	8.0%
Public Works	4.0%	8.0%	8.0%
Race & Equity	0.0%	0.0%	0.0%
Violence Prev.	4.0%	8.0%	8.0%
WES*	4.0%	8.0%	8.0%
Citywide	2.4%	6.0%	5.9%

Source: City of Oakland Finance Department. *EWD = Economic and Workforce Development Department; HCD = Housing and Community Development Department; DOT = Department of Transportation; WES = Department of Workplace and Employment Standards

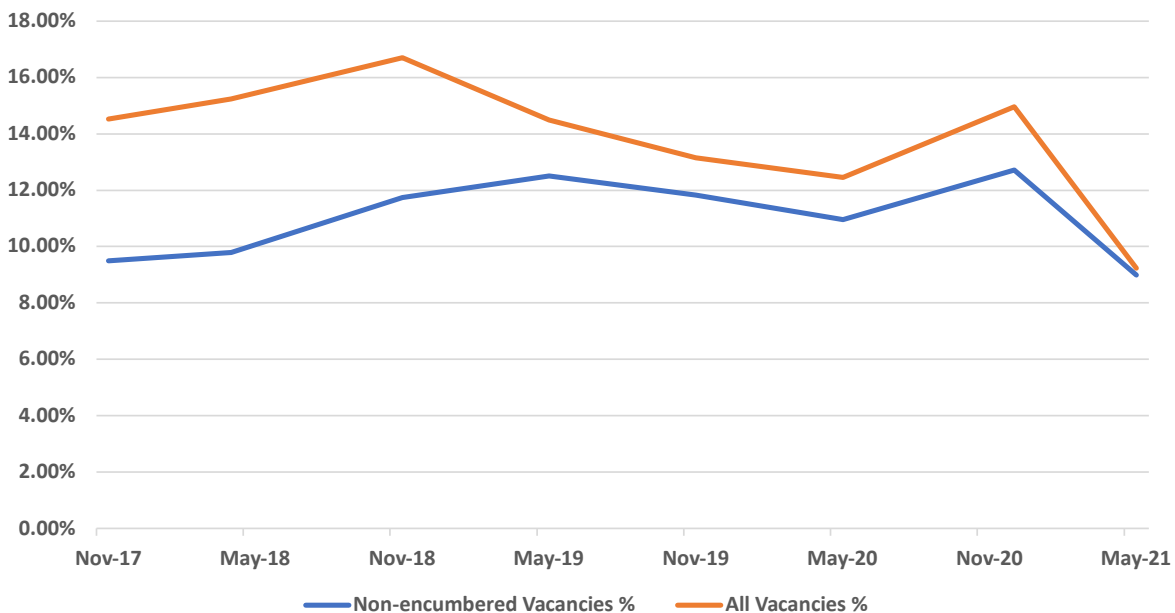
Actual Vacancy Rates

The City’s actual vacancy rates have historically been much higher than the rates proposed in the budget. The City’s most recent semi-annual staffing report (prepared by Human Resources Management and presented to the to the Finance and Management Committee on April 26, 2021), which contains data as of March 22, 2021, details the number of vacant positions across the City and shows that the vacancy rate

is 9.23 percent citywide. Excluding encumbered vacancies, the rate is 9.00 percent.¹ This vacancy rate is lower than the December 2020 report, which at the time showed a citywide vacancy rate of 14.96 percent. Excluding encumbered vacancies, the rate was closer to 12.72 percent. Although it appears that the City’s vacancy rate is decreasing, the reported March 22, 2021 vacancy rate excludes positions that are frozen. Because the City has frozen many positions in response to COVID-19, the vacancy rate appears lower than it would be if the vacant positions were unfrozen.

As shown in Exhibit 17 below, the historical vacancy rate for all vacancies has ranged from 9.23 percent (most recent vacancy rate) to 16.69 percent (November 2018) when looking back at semi-annual staffing reports since November 2017.

Exhibit 17: Actual Vacancy Rates, Non-Encumbered and All Vacancies, November 2017 to May 2021



Source: City of Oakland Human Resources Department, Semi-Annual Staffing Report Summary, data through March 22, 2021.

According to the staffing report, the five departments with the highest vacancy rates are Planning and Building, the City Clerk, Public Works, Housing and Community Development, and Information Technology, as shown in Exhibit 18 below. Planning and Building have a particularly high vacancy rate as positions were recently unfrozen. Additionally, City Clerk is a smaller department, so the 3.0 FTE vacancies result in a larger percentage relative to their overall size.

¹ Vacancies are classified as “encumbered” and “non-encumbered.” Encumbered vacancies are tied to specific purposes, such as temporary staffing or acting assignments. Non-encumbered vacancies are not linked to any specified purposes.

Exhibit 18: Departments with the Highest Vacancy Rates, Data through March 22, 2021

Department	Authorized positions (FTE)	Vacant positions (FTE)	Vacancy Rate
Planning & Building	203.50	49.00	24.08%
City Clerk	18.50	3.00	16.22%
Public Works	680.83	110.31	16.20%
Housing & Community Dev	74.50	10.00	13.42%
Information Technology	84.00	9.00	10.71%

Source: City of Oakland Human Resources Department, Semi-Annual Staffing Report Summary

According to vacancy data provided by the Finance Department, there are positions in the City that have been vacant since June 2012. Exhibit 19 below shows the number of recorded vacant positions by calendar year from 2012 through 2019. The City currently has approximately nine positions that have been vacant since 2012 and three positions that have been vacant since 2013. Of these positions, 11.0 FTEs are Fire Fighters funded through General Purpose and are reported as not currently under active recruitment. As described in more detail in the analysis of the Fire Department’s budget, the FY 2021-22 proposed budget deletes 14.0 Fire Fighter positions.

Exhibit 19: Number of Vacancies by Calendar Year Position Became Vacant, 2012-2019

Year	All Non-Frozen FTEs	Non-Encumbered FTEs	General Purpose Fund Supported FTEs	Notes
2012	9.46	9.46	8.00	8.0 FTEs are Fire Fighter positions. As described below, the Fire Dept is deleting 14.0 Fire Fighter positions in the proposed FY 2021-22 budget.
2013	3.00	3.00	3.00	3.0 FTEs are Fire Fighter positions. See above.
2014	0.20	0.20	0.00	
2015	6.56	3.56	3.00	All vacant positions are reported as encumbered, under active recruitment, or in the interview process.
2016	2.00	1.00	0.00	Encumbered or recruitment open
2017	8.92	7.92	2.75	2.0 FTEs are Fire Fighter and Fire Fighter Paramedic positions. See above.
2018	27.96	21.96	4.00	Of the 4.0 FTE positions funded by General Purpose, 3.0 are encumbered with the Fire Dept and 1.0 is for a Police Services Technician II and is not under active recruitment.
2019	98.47	80.47	25.25	Of the 25.25 FTE positions funded by General Purpose, 5.50 are reported as not under active recruitment. This includes 3.0 FTEs with Fire, 1.0 FTE with City Clerk, 1.0 FTE with Police, and 0.5 FTE with Animal Control.
Total	156.57	127.57	46.00	

Note: Trainee positions and positions listed with a status of “Job Filled” were removed from the totals

Source: Human Resources Records provided City of Oakland Department of Finance

The departments with the most unfilled positions and oldest vacancies (2012-2015) include the Fire Department and the Department of Parks and Recreation, along with a few unfilled vacancies from Finance, Human Services, Mayor, and Public Works.

Conclusion

The City historically overspends its personnel budget, largely due to overspending on overtime. The proposed budget takes steps to more accurately budget for overtime spending and increases the budgeted vacancy rate to better align with the City’s actual vacancy rate. These changes, if approved, would correct the City’s historical practice of under-budgeting overtime and using savings from salary spending, which was over-budgeted, to pay for overages in overtime. Although increases in the proposed

overtime budget are partially offset by higher proposed levels of vacancy savings, the proposed FY 2021-22 and FY 2022-23 General Purpose Fund personnel budgets do represent significant increases compared to the FY 2020-21 budget. However, budgeting overtime and vacancy savings at more realistic amounts improves transparency and, as discussed in more detail later in this report, allows the overtime budget to act as a monitoring and control tool. These adjustments are also responsive to issues identified in prior years' proposed budgets.

Issues and Recommendations

#	Issue	Recommendation	Impact
1	There is a structural deficit in the Police and Fire Departments' overtime budgets, which the proposed budget attempts to correct.	Approve the structural changes being proposed to more accurately reflect the overtime expenditures in the Police and Fire Departments, pending any questions that councilmembers may have on the change.	The Police and Fire budgets will more accurately reflect actual overtime expenditures and the City Council will be able to more closely monitor such expenditures.
2	The citywide budgeted vacancy rate of 6.0 percent is lower than the City's historical actual vacancy rate.	Request that the Finance Department report on under- and over-spending in personnel by object and make adjustments to the budget as appropriate based on actual vacancy rates.	No immediate savings, but improved budgeting practices would lead to greater transparency and potentially to savings over time.

4. Police and Fire Departments

Police Department

The proposed General Purpose Fund FY 2021-22 and FY 2022-23 budgets for the Police Department are shown in Exhibit 20 below. The Department's General Purpose Fund expenditures are proposed to increase by \$22.6 million in FY 2021-22 (compared to the FY 2020-21 adjusted budget), and by \$9.5 million in FY 2022-23 (compared to the proposed FY 2021-22 budget).

Exhibit 20: Police Department Budget, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Personnel exp.	\$254,544,031	\$276,245,373	\$21,701,342	\$288,241,864	\$11,996,491
Suppl. & materials	3,437,887	1,237,727	(2,200,160)	1,237,727	0
Service exp.	4,106,863	4,405,458	298,595	4,400,432	(5,026)
Contract services	3,102,267	6,661,529	3,559,262	5,191,529	(1,470,000)
Travel & education	1,257,519	1,183,000	(74,519)	1,183,000	0
Int. serv. & wrk ord.	29,367,885	29,355,518	(12,367)	28,349,571	(1,005,947)
Capital acq.	181,329	4,762	(176,567)	4,762	0
Other	485,888	3,400	(482,488)	3,400	0
Offsets & transfers	2,479	0	(2,479)	0	0
Total	\$296,486,148	\$319,096,767	\$22,610,619	\$328,612,285	\$9,515,518

Source: City of Oakland Finance Department.

As shown in Exhibit 20 above, the most significant area of increase in the proposed FY 2021-22 and FY 2022-23 General Purpose Fund budget is personnel expenditures. The budget for Police Department personnel spending is proposed to increase by \$21.7 million (nine percent) between FY 2020-21 and FY 2022-23, and by \$12.0 million (four percent) between FY 2021-22 and FY 2022-23. The personnel expenditure category includes salary, overtime, allowances, premium pay, paid and unpaid leave, fringe benefits and retirement contributions, workers' compensation and disability pay, and miscellaneous payroll adjustments. Exhibit 21 below presents more detail on the proposed Police Department personnel expenditure budget.

Exhibit 21: Police Department Personnel Expenditure Budget, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Salary	\$92,086,460	\$96,751,141	\$4,664,681	\$99,096,307	\$2,345,166
Sworn	72,858,386	76,169,659	3,311,273	79,017,099	2,847,440
Civilian	18,914,123	20,245,315	1,331,192	19,743,041	(502,274)
Temp.	313,951	336,167	22,216	336,167	0
Overtime	17,115,746	32,219,198	15,103,452	28,708,342	(3,510,856)
Sworn	15,904,538	27,245,198	11,340,660	24,020,342	(3,224,856)
Civilian	1,211,208	4,974,000	3,762,792	4,688,000	(286,000)
Other	0	0	0	0	0
Allowances	993,492	983,104	(10,388)	959,920	(23,184)
Premiums	8,826,155	10,198,238	1,372,083	10,387,509	189,271
Leave	28,887,943	30,303,041	1,415,098	31,061,673	758,632
Fringe and ret.	105,709,296	106,892,228	1,182,932	117,983,190	11,090,962
Workers' comp.	0		0		0
Misc.	924,939	(1,101,577)	(2,026,516)	44,923	1,146,500
Total	\$254,544,031	\$276,245,373	\$21,701,342	\$288,241,864	\$11,996,491

Source: City of Oakland Finance Department.

As can be seen in Exhibit 21 above, of the \$21.7 million net personnel expenditure proposed increase between FY 2020-21 and FY 2021-22, \$15.1 million (70 percent) is for proposed increases in overtime, mostly for sworn personnel (\$11.3 million). Overall, the proposed increase in overtime of \$15.1 million accounts for 67 percent of the Police Department's total proposed General Purpose Fund budget increase. However, as shown in Exhibit 22 below, the General Purpose Fund overtime budgets proposed for FY 2021-22 and FY 2022-23 are still lower than the Department's actual overtime spending in FY 2018-19 and FY 2019-20.

**Exhibit 22: Police Department Actual and Proposed Expenditures
General Purpose Fund: FY 2018-19 to FY 2022-23**

	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2021-22 Proposed	FY 2022-23 Proposed
Personnel	\$249,028,431	\$279,231,688	\$276,245,373	\$288,241,864
Salary	89,536,842	93,138,034	96,751,141	99,096,307
Overtime	36,363,290	41,096,751	32,219,198	28,708,342
Other	123,128,299	144,996,903	147,275,034	160,437,215
Suppl. & materials	2,219,895	2,064,264	1,237,727	1,237,727
Service exp.	3,866,922	3,843,527	4,405,458	4,400,432
Contract services	2,996,689	2,185,090	6,661,529	5,191,529
Travel & education	1,674,048	1,333,503	1,183,000	1,183,000
Int. serv. & wrk ord.	27,591,832	33,070,668	29,355,518	28,349,571
Capital acq.	139,594	200,348	4,762	4,762
Other	(18,340)	49,827	3,400	3,400
Offsets & transfers	224,988	58,162	0	0
Total	\$287,724,060	\$322,037,076	\$319,096,767	\$328,612,285

Source: City of Oakland Finance Department.

Proposed Overtime Budget

Most Oakland Police Department staff earn overtime compensation at 1.5 times their rate of pay for each hour worked as overtime. Staff can elect to take overtime compensation as pay or as compensatory time off.

In our review of the City’s proposed FY 2019-21 budget on behalf of the City Council two years ago, we noted that the City’s budgeting practices for overtime did not realistically reflect historical spending patterns, vacancy rates, and the reality of how the City’s personnel budget would be spent. As discussed in the previous section, historically the City has overbudgeted and underspent on salaries, fringe benefits, paid and unpaid leave, and miscellaneous payroll adjustments, and has under-budgeted and overspent on overtime, using savings from the former to (partially) offset the overspending in the latter. Because the City’s proposed overtime budget did not reflect the reality of how funds would actually be spent, it could not be used as an effective management tool: it did not accurately communicate the uses of funds, it did not allow for planning, and it removed the budget as an accountability and evaluation measure. The City’s overtime budget should reflect what departments are realistically expected to spend in order to be a meaningful tool that holds departments accountable for overtime spending, and for a department to be evaluated on its ability to control overtime expenditures. Therefore, we recommended that the City begin the process of adjusting its personnel budget to reflect actual historical spending and expectations on Police Department overtime.

A 2019 performance audit of Police Department overtime conducted by the Oakland City Auditor reached a similar conclusion and recommendation: the audit report found that the City consistently relied on salary savings from vacancies to pay for overtime, and that the City did not realistically budget for Police

overtime costs. The City Auditor recommended that the City work to develop a “realistic” overtime budget.

Therefore, although the proposed FY 2021-22 and FY 2022-23 Police Department budgets include significant increases in overtime budget compared to prior years’ budgets, the proposed overtime budget amounts represent an improvement in the City’s overall budgeting process. As shown in Exhibit 22 above, the proposed overtime budgets of \$32.3 million (FY 2021-22) and \$28.7 million (FY 2022-23) are more in line with historical overtime expenditures.

The proposed overtime budget for the Police Department, all funds, is shown in Exhibit 23 below.

Exhibit 23: Police Department Proposed Overtime Budgets, All Funds

	FY 2021-22	FY 2022-23
Sworn overtime		
Backfill: 911 call response and patrol	\$10,021,000	\$10,371,735
Academy operations	4,030,000	2,421,900
Crime reduction teams*	2,576,940	2,667,133
Preserve traffic enforcement functions [§]	1,740,771	750,708
Sideshow enforcement*	1,550,000	1,604,250
Preserve Community Resource Officer functions [§]	1,521,360	262,435
Criminal investigations	1,485,000	1,536,975
Risk management functions	888,000	919,080
Operations: 911 call response and patrol*	868,007	896,712
Public Works safety escorts*	723,060	748,367
Ongoing traffic enforcement	575,000	595,125
Ceasefire operations*	425,000	439,875
Background checks and recruitment	400,000	414,000
Air Support, Port Unit, Canine Unit, and others*	295,060	240,937
Office of the Chief of Police	146,000	151,110
Total: Sworn overtime	\$27,245,198	\$24,020,342
Civilian overtime		
Backfill: 911 call center	1,852,000	1,852,000
Operations: 911 call center	700,000	700,000
Backfill: Police Service Techs 911 response	432,000	432,000
Academy operations*	426,000	140,000
Records processing*	414,000	414,000
Additional functions: 911 response and patrol*	341,000	341,000
Criminal investigations*	337,000	337,000
Risk management functions*	210,000	210,000
Backfill: records processing	100,000	100,000
Traffic operations*	84,937	84,937
Bureau of Services admin.*	71,000	71,000
Ceasefire operations*	30,000	30,000
Office of the Chief of Police*	1,000	1,000
Total: Civilian overtime	\$4,998,937	\$4,712,937
Total overtime	\$32,244,135	\$28,733,279

Source: FY 2021-23 Proposed Budget on OpenGov. * indicates operational overtime (routine units working beyond normal hours). [§] indicates additional temporary overtime to avoid service reductions in FY 2021-22.

As shown in Exhibit 23 above, the largest category of overtime for both sworn and civilian Police Department employees is to backfill the 911 call center, 911 call response, and patrol functions. Backfill overtime is overtime worked to maintain staffing levels when the normally-scheduled employee is absent (due to illness, vacation, training, or other leave). The second-largest category of sworn officer overtime is overtime related to proposed police academies in FY 2021-22 and FY 2022-23, which are discussed in more detail in the following section of this report. The proposed FY 2021-22 budget also includes temporary overtime to preserve traffic enforcement and Community Resource Officer functions; this

overtime is proposed to decrease in FY 2022-23, contributing to an overall decrease in budgeted overtime between FY 2021-22 and FY 2022-23.

Because the Police Department’s overtime budget has not historically reflected expectations of actual spending, it has not served as an effective management tool, and the Department has regularly exceeded its overtime budget. FY 2021-22 represents the first year where the proposed overtime budget is in line with historical expenditures and is a reasonable expectation of the Department’s overtime costs. Therefore, the City Council should hold the Department accountable to adhering to this proposed overtime budget and scrutinize any areas of overspending during FY 2021-22 and later years. In addition, the City Council should direct the Chief of Police to implement best practices for controlling overtime, as described later in this section.

Proposed FTE Increase and Police Academies

The proposed full-time equivalent (FTE) staffing levels for the Police Department is shown in Exhibit 24 below.

Exhibit 24: Police Department Budgeted and Proposed Positions

Full-Time Equivalent Positions	FY 2020-21 FTE	FY 2021-22 Proposed FTE	FY 2020-21 v. FY 2021-22	FY 2022-23 Proposed FTE	FY 2021-22 v. FY 2022-23
Gen. Purpose Fund	1,153.81	1,180.24	26.43	1,152.41	(27.83)
All Funds	1,218.50	1,243.50	25.00	1,216.50	(27.00)

Source: City of Oakland Finance Department.

Overall, the proposed FY 2021-22 budget includes a net increase of 26.43 FTEs in the General Purpose Fund and 25.00 FTEs across all funds. The proposed FY 2022-23 budget includes a net decrease of 27.83 FTEs in the General Purpose Fund and 27.00 FTEs across all funds. Exhibit 25 below shows the key proposed changes in FTEs by position.

Exhibit 25: Police Department FTE Proposed Changes

	FY 2020-21 FTE	FY 2021-22 Proposed FTE	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed FTE	FY 2021-22 vs. FY 2022-23
General Purpose Fund					
Administrative Analyst II	16.00	18.00	2.00	18.00	0.00
Complaint Investigator II	4.00	0.00	(4.00)	0.00	0.00
Complaint Investigator III	1.00	0.00	(1.00)	0.00	0.00
Forensic Technician	1.00	0.00	(1.00)	0.00	0.00
Intake Technician	8.00	6.00	(2.00)	6.00	0.00
Management Assistant	3.00	1.00	(2.00)	1.00	0.00
Police Comm Dispatcher, Sr	2.00	4.00	2.00	4.00	0.00
Police Comms Dispatcher	69.00	75.00	6.00	75.00	0.00
Police Evidence Technician	19.00	20.00	1.00	20.00	0.00
Police Officer (80 Hr)	468.81	440.00	(28.81)	500.00	60.00
Police Officer (84 Hr)	98.00	86.00	(12.00)	86.00	0.00
Police Officer Trainee	100.00	164.00	64.00	82.00	(82.00)
Police Records Specialist	54.00	55.00	1.00	55.00	0.00
Police Services Tech II	48.00	53.24	5.24	43.41	(9.83)
Sergeant of Police (80 Hr)	107.00	104.00	(3.00)	108.00	4.00
Sergeant of Police (84 Hr)	17.00	14.00	(3.00)	14.00	0.00
All Other Funds					
Police Officer (80 Hr)	42.19	41.00	(1.19)	40.00	(1.00)
Police Officer (84 Hr)	5.00	4.00	(1.00)	4.00	0.00
Police Services Tech II	2.00	1.76	(0.24)	1.59	(0.17)
Program Analyst II	0.00	1.00	1.00	1.00	0.00
Sergeant of Police (80 Hr)	4.00	4.00	0.00	6.00	2.00

Source: City of Oakland Finance Department.

As can be seen in Exhibit 25 above, the most significant changes in the proposed staffing levels for the Police Department occur in the Police Officer Trainee and the Police Officer job classifications: the proposed budget for FY 2021-22 funds 164.00 FTE Police Officer Trainees, and the proposed budget for FY 2022-23 funds 82.00 FTE Police Officer Trainees and an increase of 60.00 FTE Police Officers. These increases reflect the six police academies funded across the two years of the proposed budget, four in FY 2021-22 and two in FY 2022-23.

The police academies are proposed to be funded entirely by the General Purpose Fund, and each police academy class lasts approximately six months and costs approximately \$2 million in salary and benefits costs for police officer trainees. The salary and benefits costs for each Police Officer Trainee are calculated in Exhibit 26 below.

Exhibit 26: Police Officer Trainee Costs, One-Time, FY 2021-22

Police Officer Trainee (PS169) FY 2021-22	Per trainee: 6 months	Avg. # of trainees	FY 2021-22 Total Cost
Base salary	\$38,457	41	\$1,576,717
Benefits and misc.*	10,081	41	413,317
Total	\$48,537	41	\$1,990,034

Source: City of Oakland Finance Department. *Benefits and miscellaneous captures the retirement costs, fringe benefit costs, uniform allowance costs, premium pay, and vacancy credit associated with the Police Officer Trainee position.

Note: The Finance Department estimates an average of 41 recruits per academy class to account for attrition during the academy’s duration (beginning with a class of 50 and graduating a class of 32, for an average of 41).

However, the Department incurs additional costs for each new academy in the form of overtime, contract services, and other materials and supplies. Therefore, the total budgeted cost per academy is approximately \$3.8 million in FY 2021-22 and \$3.9 million in FY 2022-23, bringing the total one-time budgeted amount for all six police academies to \$22.9 million, as shown in Exhibit 27 below.

Exhibit 27: Budgeted Police Academy Costs, FY 2021-22 and FY 2022-23

Cost per academy	Cost per Academy		Total, 2 FYs
	FY 2021-22	FY 2022-23	
Salary and benefits	\$1,990,034	\$2,089,721	
Sworn overtime	845,000	874,575	
Civilian overtime	144,000	145,000	
Materials, supplies, and services	790,000	795,000	
Total cost per academy	\$3,769,034	\$3,904,296	
No. of proposed academies	4	2	6
Total annual cost of academies	\$15,076,136	\$7,808,592	\$22,884,728

Source: City of Oakland Finance Department.

In addition to the one-time cost of hiring and running an academy, academies generate ongoing long-term costs for the City by increasing the total number of officers, and their associated salary, cost of living, fringe and retirement, and pension costs. Actual costs incurred will depend on the timing of each academy and graduation date, as well as additional premium and overtime pay depending on a newly-hired officer’s staffing assignment and other circumstances (for example, certain officers are eligible for bilingual premium pay or swing shift premium pay, but not every officer will be paid these premiums). However, for a graduating academy class of 32 new officers, the annual FY 2021-22 and FY 2022-23 base salary and benefit costs are presented in Exhibit 28 below.

Exhibit 28: Annual Cost of New Police Officer (80 Hour) Position

	Police Officer (PS168)	
	FY 2021-22	FY 2022-23
Base salary	\$126,780	\$126,780
Benefits, COLA, and misc.*	114,965	130,053
Total, 1 position	241,745	256,833
Total cost for 32 positions	\$7,735,840	\$8,218,656

Source: City of Oakland Finance Department. *Benefits, COLA, and misc. includes retirement costs, fringe benefit costs, uniform allowance, COLA adjustments, and other misc. non-salary personnel costs.

The base salary and benefit costs for 32 new Police Officer positions, or the base salary and benefit costs for one completed academy class upon graduation, is \$7.7 million in FY 2021-22 and \$8.2 million in FY 2022-23. As stated above, the actual cost of these new positions will depend on the academy graduation date and special premium pay earned, and does not include the overtime worked by these new positions.

Fire Department

The proposed General Purpose Fund FY 2021-22 and FY 2022-23 budgets for the Fire Department are shown in Exhibit 29 below.

Exhibit 29: Fire Department Budget, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Personnel exp.	\$147,830,613	\$149,817,687	\$1,987,074	\$156,868,301	\$7,050,614
Suppl. & materials	2,900,555	1,265,353	(1,635,202)	1,165,417	(99,936)
Service exp.	763,341	726,127	(37,214)	729,200	3,073
Contract services	3,439,096	4,155,989	716,893	5,888,274	1,732,285
Travel & education	793,529	738,934	(54,595)	744,324	5,390
Int. serv. & wrk ord.	13,245,173	13,122,614	(122,559)	12,631,337	(491,277)
Capital acq.	74,809	0	(74,809)	0	0
Other	52,266	0	(52,266)	0	0
Total	\$169,099,381	\$169,826,704	\$727,323	\$178,026,853	\$8,200,149

Source: City of Oakland Finance Department.

As shown in Exhibit 29 above, there is not a significant net budget change between FY 2020-21 and FY 2021-22. However, within personnel expenditures, the proposed budget reduces salary and benefit costs and increases overtime costs by deleting vacant positions, discussed in more detail below, and realistically budgeting for overtime. Similar to the practice of the Police Department, historically the Fire Department has offset overspending on overtime with savings from its high number of vacant positions. As with the Police Department, the Fire Department’s overtime budget has not historically reflected expectations of actual spending, and therefore the budget it not served as an effective management tool or control. The proposed FY 2021-22 budget for overtime is in line with historical expenditures and is a reasonable approximation of the Department’s overtime costs. Therefore, the City Council should hold the Department accountable to adhering to its overtime budget, and scrutinize any areas of overspending, during FY 2021-22 and later years.

The proposed FY 2022-23 budget is \$8.2 million more than the proposed FY 2021-22 budget, of which \$7.0 million is for increases in personnel expenditures. Exhibit 30 below presents more detail on the proposed Fire Department personnel expenditure budget.

Exhibit 30: Fire Department Personnel Expenditure Budget, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Salary	\$55,720,530	\$49,204,819	(\$6,515,711)	\$50,186,569	\$981,750
Sworn	50,502,445	46,028,563	(4,473,882)	46,939,935	911,372
Civilian	5,218,085	3,176,256	(2,041,829)	3,246,634	70,378
Temp.	0	0	0	0	0
Overtime	1,766,362	19,530,078	17,763,716	20,365,726	835,648
Sworn	0	17,946,713	17,946,713	18,755,271	808,558
Civilian	272,765	221,829	(50,936)	221,829	0
Other	1,493,597	1,361,536	(132,061)	1,388,626	27,090
Allowances	388,499	351,205	(37,294)	352,105	900
Premiums	4,692,080	4,679,730	(12,350)	4,764,592	84,862
Leave	17,108,820	15,088,004	(2,020,816)	15,391,971	303,967
Fringe and ret.	67,818,365	58,480,349	(9,338,016)	62,944,199	4,463,850
Wrks’ comp.	0	0	0	0	0
Misc.	335,957	2,483,502	2,147,545	2,863,139	379,637
Total	\$147,830,613	\$149,817,687	\$1,987,074	\$156,868,301	\$7,050,614

Source: City of Oakland Finance Department.

As can be seen in Exhibit 30 above, the net proposed increase in personnel expenditures is due to increases in overtime offset by savings in other areas by deleting vacant positions. The changes proposed in FY 2021-22 and FY 2022-23 put the Department’s budget more in line with historical actual expenditures. Exhibit 31 below presents the Fire Department’s historical actual expenditures since FY 2018-19.

Exhibit 31: Fire Department Actual and Proposed Expenditures
General Purpose Fund: FY 2018-19 to FY 2022-23

	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2021-22 Proposed	FY 2022-23 Proposed
Personnel	\$137,495,462	\$146,449,263	\$149,817,687	\$156,868,301
Salary	47,516,154	50,611,565	49,204,819	50,186,569
Overtime	19,654,845	20,757,741	19,530,078	20,365,726
Other	70,324,463	75,079,957	81,082,790	86,316,006
Suppl. & materials	1,128,257	1,598,459	1,265,353	1,165,417
Service exp.	624,619	728,256	726,127	729,200
Contract services	1,840,775	2,009,520	4,155,989	5,888,274
Travel & education	140,618	220,166	738,934	744,324
Int. serv. & wrk ord.	11,487,615	14,247,018	13,122,614	12,631,337
Capital acq.	16,349	23,037	0	0
Other	21,243	(69,145)	0	0
Total	\$152,754,938	\$165,206,575	\$169,826,704	\$178,026,853

Source: City of Oakland Finance Department.

Proposed FTE Changes

The proposed full-time equivalent (FTE) staffing levels for the Fire Department is shown in Exhibit 32 below.

Exhibit 32: Fire Department Budgeted and Proposed Positions

Full-Time Equivalent Positions	FY 2020-21 FTE	FY 2021-22 Proposed FTE	FY 2020-21 v. FY 2021-22	FY 2022-23 Proposed FTE	FY 2021-22 v. FY 2022-23
Gen. Purpose Fund	614.25	550.25	(64.00)	551.25	1.00
All Funds	646.63	627.48	(19.15)	628.48	1.00

Source: City of Oakland Finance Department.

Overall, the proposed FY 2021-22 budget includes a net decrease of 64.00 FTEs in the General Purpose Fund and a net decrease of 19.15 FTEs across all funds. Some of the decrease in the General Purpose Fund is due to positions being moved to other funds, as detailed in Exhibit 33 below, which shows the Department’s proposed changes in FTEs by position.

Exhibit 33: Fire Department FTE Proposed Changes

	FY 2020-21 FTE	FY 2021-22 Proposed FTE	FY 2020-21 v. FY 2021-22	FY 2022-23 Proposed FTE	FY 2021-22 v. FY 2022-23
General Purpose Fund					
Administrative Analyst II	1.80	0.80	(1.00)	0.80	0.00
Administrative Assistant I	3.00	1.00	(2.00)	1.00	0.00
Administrative Assistant II	3.00	2.00	(1.00)	2.00	0.00
Ast Fire Marshal-Non Sworn	1.00	0.00	(1.00)	0.00	0.00
Battalion Chief (PS 102)	10.00	9.00	(1.00)	9.00	0.00
Battalion Chief (PS 180)	1.00	2.00	1.00	2.00	0.00
Business Analyst I	1.00	0.00	(1.00)	0.00	0.00
Captain of Fire Dept	53.00	47.00	(6.00)	47.00	0.00
Engineer of Fire Dept	83.00	81.00	(2.00)	81.00	0.00
Fire Comm. Supervisor	4.00	5.00	1.00	5.00	0.00
Fire Fighter	184.00	170.00	(14.00)	170.00	0.00
Fire Inspection Supervisor	3.00	1.00	(2.00)	1.00	0.00
Fire Marshal	1.00	0.00	(1.00)	0.00	0.00
Fire Prev. Bur. Inspect, Civil	25.00	5.00	(20.00)	6.00	1.00
Fire Protection Engineer	3.00	0.00	(3.00)	0.00	0.00
Hearing Officer	0.00	1.00	1.00	1.00	0.00
Lieutenant of Fire Dept	67.00	60.00	(7.00)	60.00	0.00
Office Assistant II	5.00	1.00	(4.00)	1.00	0.00
Vegetation Mgmt Sup	1.00	0.00	(1.00)	0.00	0.00
All Other Funds					
Administrative Analyst II	0.20	1.20	1.00	1.20	0.00
Administrative Assistant I	1.00	3.00	2.00	3.00	0.00
Administrative Assistant II	1.00	2.00	1.00	2.00	0.00
Administrative Svcs Mgr I	0.00	1.00	1.00	1.00	0.00
Ast Chief of Fire Dept	1.00	0.00	(1.00)	0.00	0.00
Ast Fire Marshal-Non Sworn		1.00	1.00	1.00	0.00
Battalion Chief (PS 180)	1.00	2.00	1.00	2.00	0.00
Business Analyst I	0.00	1.00	1.00	1.00	0.00
Emerg Med Svcs Instructor, PT	0.00	1.00	1.00	1.00	0.00
Fire Comm. Supervisor	1.00	0.00	(1.00)	0.00	0.00
Fire Inspection Supervisor	0.00	3.00	3.00	3.00	0.00
Fire Marshal	0.00	1.00	1.00	1.00	0.00
Fire Prev. Bur. Inspect, Civil	0.00	21.00	21.00	21.00	0.00
Fire Protection Engineer	0.00	4.00	4.00	4.00	0.00
Management Intern, PT	1.43	0.68	(0.75)	0.68	0.00
Office Assistant I, PPT	0.00	0.60	0.60	0.60	0.00
Office Assistant I	0.00	1.00	1.00	1.00	0.00
Office Assistant II	0.00	4.00	4.00	4.00	0.00
Office Manager	1.00	0.00	(1.00)	0.00	0.00
Process Coordinator II	0.00	2.00	2.00	2.00	0.00
Program Analyst I	1.00	2.00	1.00	2.00	0.00
Student Trainee, PT	0.00	2.00	2.00	2.00	0.00

Source: City of Oakland Finance Department.

As stated above, the Fire Department’s staffing levels are proposed to decrease by 19.15 FTEs across all funds. In the General Purpose Fund, the proposed budget deletes vacant positions and moves other positions to other funds. Savings from these deletions are offset by an increase in the proposed overtime budget, discussed above.

Overtime Control Best Practices

Departments’ success at managing overtime is determined by their internal control environments related to overtime, which can be evaluated using the Green Book, promulgated by the United States Government Accountability Office (GAO). An internal control is a process used by management to help achieve an objective: in this case, the objective is the effective management and control of overtime. Exhibit 34 below lists the foundational components and principles of internal controls, as identified by GAO, and examples of how the components and principles could be implemented in Oakland for Police and Fire Department overtime usage.

Exhibit 34: Components and Principles of Internal Controls

Component and Principle (GAO)	Oakland Application
A. Control Environment	
1. The oversight body and management should demonstrate a commitment to integrity and ethical values.	The City Council and department leadership should demonstrate a commitment to integrity and ethical values (“tone at the top”).
2. The oversight body should oversee the entity’s internal control system.	The City Council should monitor and evaluate the controls in place over department overtime usage.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objective.	Department leadership should establish accountability and responsibility within their ranks for overtime control.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	Department leadership should demonstrate commitment to competence.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	Department leadership should evaluate the performance of individuals responsible for managing and controlling overtime.

Component and Principle (GAO)	Oakland Application
B. Risk Assessment	
6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.	Department leadership should define objectives for overtime management and control.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.	Department leadership should identify the risks related to overtime usage and control.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	When identifying risks, department leadership should consider the potential for overtime abuse and fraud.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.	Department leadership should monitor and respond to changes in the overtime control system (new regulations or laws, changes in organizational structure, etc.)
C. Control Activities	
10. Management should design control activities to achieve objectives and respond to risks.	After defining objectives and identifying risks, department leadership should design overtime controls to meet the objectives and respond to the risks.
11. Management should design the entity's information system and related control activities to respond to risks.	Departments' information systems (payroll and time management systems, reporting system, etc.) should be designed with overtime control in mind.
12. Management should implement control activities through policies.	Departments should update their policies and procedures to include overtime control activities and management responsibilities.
D. Information and Communication	
13. Management should use quality information to achieve the entity's objectives.	Data and other information on overtime usage and control should be reliable and of high quality.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.	Information on overtime usage should be internally communicated within the departments.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.	Information on overtime usage should be externally communicated to the public and the City Council.
E. Monitoring	
16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	Departments should regularly monitor overtime usage and the overall effectiveness of the overtime controls in place.
17. Management should remediate identified internal control deficiencies on a timely basis.	If deficiencies in overtime controls are identified, department leadership should address them immediately.

Source: Government Accountability Office, GAO-14-704G

The National Institute of Justice² (NIJ) and the International Association of Chiefs of Police³ (IACP) have identified several Police-specific model policies or recommendations related to overtime, including:

1. All overtime must receive advance authorization unless unreasonable due to emergency circumstances. (IACP)
2. No task or function shall be performed on overtime that could otherwise be performed during regular work hours. (IACP)
3. Only overtime required to meet vital service demands of the department shall be authorized. (IACP)
4. Managers should assist the immediate supervisors who approve shift extension overtime by providing them with updated and revised guidelines for approval and by reviewing their performance regularly. (NIJ)
5. All tasks and functions that require overtime shall be routinely evaluated in terms of their cost-effectiveness. Alternatives to accomplish these tasks or objectives shall be evaluated and implemented where appropriate. (IACP)
6. Individual and summary overtime data shall be compiled and provided to supervisors and command personnel at least monthly. Commanders and supervisors shall monitor reports to identify unusual, unexplained, or disproportionate overtime expenditures. (IACP)
7. Police departments should analyze patterns of overtime expenditure by individuals, by units, and by the nature of the worked performed, and identify unusual payouts to individuals or units. (NIJ)
8. All overtime worked shall be approved for payment by the designated supervisor. (IACP)

A 2019 performance audit of Police Department overtime conducted by the Oakland City Auditor found that additional measures are needed to ensure all Police Department overtime is properly justified. Specifically, the audit found:

1. Police Department reports for monitoring overtime are not timely and management staff do not consistently use them. Additionally, the Department has not taken sufficient steps to document the authorization and approval of overtime.
2. The Department's overtime policy needs to be prioritized and updated to require accountability and enforcement by commanders and civilian managers.
3. The overtime approval and documentation process needs stronger controls.
4. The Police Department's scheduling software system's capabilities are limited and it is difficult to know day to day who is working overtime, where they are working, and whether overtime is necessary or reasonable. The Department cannot efficiently reconcile its scheduling and payroll systems, which is essential to ensure the accuracy of paid overtime.

² National Institute of Justice, Research in Brief, "Police Overtime: An Examination of Key Issues," May 1998.

³ International Association of Chiefs of Police, National Law Enforcement Policy Center, "Overtime Model Policy," effective August 1999.

The 2019 audit made the following recommendations:

1. The Department should update its 1999 overtime management policy.
2. The Department needs to develop a management reporting system that provides timely, accurate, and complete information on overtime usage.
3. The Department should develop and implement policies and procedures to ensure that all overtime forms are accounted for and reconciled to overtime claimed, including but not limited to:
 - a. Overtime reconciliation must be consistently performed and documented by payroll coordinators
 - b. Payroll should reconcile payroll coordinators' overtime forms to ensure all overtime forms are accounted for
4. The Department should work on implementing an integrated overtime management and scheduling system.

According to staff at the City Auditor's Office, the City Auditor is currently conducting a follow-up performance audit of Police Department overtime. The City Council should closely review the findings and recommendations of this follow-up audit when it is released and assess the Police Department's performance at implementing the 2019 recommendations. If the audit identifies issues that have not been addressed, or identifies new issues related to overtime control, the City Council should work with the Department to implement the City Auditor's recommendations regular reporting back to the City Council and/or the Public Safety Committee on the status of the recommendations.

Issues and Recommendations

#	Issue	Recommendation	Impact
3	FY 2021-22 represents the first year where the proposed overtime budgets for the Police and Fire Departments are in line with historical expenditures and is a reasonable of the Departments' overtime costs.	The City Council should hold the departments accountable to adhering to their overtime budgets and scrutinize any areas of overspending during FY 2021-22 and later years.	Improved budgetary control and monitoring of overtime expenditures will reduce unnecessary overtime, hold departments accountable for overtime spending, and promote budgetary transparency.
4	Six Police academies over two years will generate significant one-time costs (\$3.8 to \$3.9 million per academy) and ongoing costs (\$7.7 to \$8.2 million annually for a class of 32 graduating officers) for the City.	The City Council could consider eliminating one or more of the proposed Police academies and reduce the scope of services provided by the Police Department to reflect the lower staffing level.	Total savings will depend on the timing of the canceled academy. Canceling the first planned academy (graduation estimated in December 2021) would generate one-time savings of \$3.8 million in FY 2021-22 and ongoing savings of \$3.9 million in FY 2021-22 (6 months of 32 officers' salaries and benefits) and \$8.2 million in FY 2022-23. These savings may be partially offset in additional overtime needs for backfilling positions, especially if the scope of Police Department services is not reduced along with its staffing levels.
5	The 2019 performance audit identified several key deficiencies in the Police Department's overtime management controls and policies.	The City Council should closely review the findings and recommendations of the City Auditor's follow-up overtime audit and assess the Police Department's performance at implementing the 2019 recommendations.	Implementing the City Auditor's recommendations will improve internal controls and monitoring over overtime and allow the Department to reduce unnecessary overtime.

5. Non-Departmental Budget

Non-Department Budget

The City's Non-Department General Purpose Fund budget includes city-wide costs, programs, activities, and debt and lease payments that are not attributable to a specific department. The proposed FY 2021-22 and FY 2022-23 budgets for Non-Departmental General Purpose Fund expenditures are shown in Exhibit 35 below.

Exhibit 35: Non-Departmental Budget, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2020-21 vs. FY 2021-22	FY 2022-23 Proposed Budget	FY 2021-22 vs. FY 2022-23
Cultural arts grants	\$730,120	\$0	(\$730,120)	\$0	\$0
City-wide activities	20,876,597	52,743,490	31,866,893	36,688,179	(16,055,311)
Coliseum lease	10,381,000	12,509,500	2,128,500	12,509,500	0
Debt service	8,807,930	9,220,324	412,394	8,735,000	(485,324)
Emgcy. res.	171,397	54,010,000	53,838,603	1,200,000	(52,810,000)
Ins. premium	14,223,790	18,957,445	4,733,655	19,443,195	485,750
Liability claims	2,860,000	6,000,000	3,140,000	1,000,000	(5,000,000)
OCVA*	842,844	0	(842,844)	0	0
Overhead	(24,039,434)	(26,484,144)	(2,444,710)	(26,425,324)	58,820
Cap. imp. constr.	(89,484)	0	89,484	0	0
Total	\$34,764,760	\$126,956,615	\$92,191,855	\$53,150,550	(\$73,806,065)

Source: City of Oakland Finance Department. *OCVA = Oakland Convention and Visitors Authority.

As shown in Exhibit 35 above, the proposed budget increases significantly, by \$92.2 million, from FY 2020-21 to FY 2021-22, and then decreases again in FY 2022-23 by \$73.8 million. The most significant areas of change are in City-wide activities and in the Emergency Reserve, which are discussed in more detail below. The one-time increase in expenditures for liability claims in FY 2021-22 is related to the City's settlement agreement for the Ghost Ship warehouse fire.

Emergency Reserve

In response to direction from the City Council (CMS 88574), the proposed budget creates a separate fund for the City's Emergency Reserve (Fund 1011). In FY 2021-22, the proposed budget transfers \$53,810,000 from the General Purpose Fund (including \$48,310,000 in General Purpose Fund balance) into the Emergency Reserve Fund.

The City’s Consolidated Fiscal Policy states that the City shall “maintain in each fiscal year a reserve equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations as adopted in the biennial or midcycle budget,” not including prior year carryforwards, encumbrances, or appropriations to Fund Balance. The City’s FY 2021-22 proposed General Purpose Fund budget is \$775,813,222. After netting out the budgeted transfer to the Emergency Reserve, 7.5 percent of General Purpose Fund appropriations is \$54,150,242 (7.5 percent of \$775,813,222 - \$53,810,000). According to the Finance Department, the final amount transferred to the Emergency Services Reserve for FY 2021-22 will be adjusted to comply with the City’s Consolidated Fiscal Policy.

City-wide Activities and Contingency

The proposed budget for City-wide activities is shown in Exhibit 36 below.

Exhibit 36: Non-Departmental Citywide Activities Expenditures, General Purpose Fund

	FY 2020-21 Adj. Budget	FY 2021-22 Proposed Budget	FY 2022-23 Proposed Budget
Honoraria	\$153,606	\$77,500	\$77,500
Contingencies	(5,275,768)	17,667,257	180,624
Other costs	0	178,206	178,206
Third party grants	3,000,000	3,000,000	3,000,000
Svcs: misc. contr.	241,940	722,000	722,000
Svcs: profes.	183,871	150,000	150,000
Memberships	306,380	305,000	305,000
Facilities: gen support	2,027,859	2,871,676	2,996,104
Long-term liabilities	0	2,587,596	2,243,086
Op. trsf. out	19,778,419	25,184,255	26,835,659
Other GL accounts*	460,291	0	0
Total	\$20,876,597	\$52,743,490	\$36,688,179

Source: City of Oakland Finance Department.

In FY 2021-22, the proposed budget includes \$17.5 million in one-time funding for unspecified contingencies (of the total contingencies budget of \$17.7 million). This amount is currently unallocated and available for use by the City Council. However, the City is currently in negotiations with its civilian labor unions, whose contracts expire in July 2021. The proposed budget does not include any potential pay increases for civilian employees (however, the budget does include agreed-upon pay increases for police and firefighters, which were previously bargained for and approved in prior years). Depending on the final agreed-upon negotiations with the civilian labor unions, the City could incur ongoing costs related to its civilian labor force, which would require adjusting the proposed FY 2021-22 and FY 2022-23 budget to include the increases in personnel costs.

The other major area of increase in the proposed budget within city-wide activities is in operating transfers out. These transfers move funds from the General Purpose Fund to other City funds. The most significant transfer in this category is the transfer to the Kids First Oakland Children’s Fund, which totals \$18.3 million in FY 2021-22 and \$19.5 million in FY 2022-23. The Kids First transfer is based on the Finance Department’s estimation of unrestricted General Purpose Fund revenue: contributions to the fund must

equal 3.0 percent of unrestricted actual revenues. In addition, operating transfers out includes \$2.6 million in transfers to the Vital Services Stabilization Fund (VSSF) in FY 2021-22 and \$2.2 million in FY 2022-23. VSSF funds are used to preserve City operations during adverse financial conditions, subject to guidelines in the Consolidated Fiscal Policy; contributions to the VSSF were previously suspended by the City Council in response to the COVID-19 pandemic and VSSF funds were used to balance the FY 2020-21 budget, leaving the fund’s current balance at \$0.

Other than the Kids First and VSSF transfers, other operating transfers include transfers to funds with negative fund balances. According to the proposed budget book, certain funds with negative balances were put on a repayment schedule, as these funds ultimately become the responsibility of the General Purpose Fund. According to City Finance Department staff, some of these repayments were suspended in FY 2020-21 in response to the COVID-19 pandemic and resulting financial constraints; the proposed FY 2021-22 and FY 2022-23 budgets resume these repayment transfers.

Issues and Recommendations

#	Issue	Recommendation	Impact
6	The proposed FY 2021-22 budget includes \$17.5 million in one-time unallocated contingency funds that are available to the City Council to either (a) fund budget priorities of the Council, or (b) cover potential pay increases that result from labor negotiations with civilian labor unions.	The City Council should determine for what purpose the \$17.5 million in unallocated contingency funding should be used for.	\$17.5 million could be used to fund City Council priorities or to re-balance the budget in the event of increased civilian labor force costs.

6. Sources of COVID-19 Economic Relief

The City anticipates receiving approximately \$169.5 million in COVID-19 relief from the Federal Government and has incurred approximately \$144.7 million in COVID-19 expenditures in FY 2019-20 and FY 2020-21 to date.

The Coronavirus Aid, Relief, and Economic Security Act (often referred to as the CARES Act) is a \$2.2 trillion economic stimulus bill that was passed by the U.S. Congress and signed into law in March 2020. As shown in Exhibit 37 below, the City has received, and/or expects to receive, approximately \$62.6 million from various CARES Act monies. These include:

- About \$37 million from the CARES Act Relief Fund allocation, which has been fully expended by the City (\$27 million on new relief measures and \$10 million subsidizing eligible City costs);
- About \$21.3 million for Project Homekey, a state housing acquisition program for people experiencing homelessness who are at high risk for serious illness and are impacted by COVID-19; and
- About \$4.3 million in CARES Act augmentations to grant programs.
- The Consolidated Appropriations Act of 2021 (often referred to as CARES Act 2) was a \$900 million economic stimulus bill that was passed by the U.S. Congress and signed into law in December 2020.

The City anticipates receiving approximately \$12.9 million in CARES Act 2 monies for emergency rental assistance. According to Finance Department staff, the allocation of these funds are pending City Council action.

The City has incurred approximately \$12.2 million in expenditures for which reimbursements have or will be requested from the Federal Emergency Management Agency (FEMA). These include about \$8.2 million in General Fund, Sewer Fund, and ISF COVID emergency protective expenditures that the City will request FEMA reimbursement for as well as about \$4 million in expenditures that the City will request for Great Plates, a meal delivery program for senior and other adults at high risk from COVID-19. According to Finance Department staff, the City is estimating COVID costs of up to \$15 million for Emergency Protective Measures, Great Plates, and non-congregate shelter, of which approximately half may be eligible for FEMA reimbursement.

Finally, the City has received about \$94 million in funding from the American Rescue Plan Act (ARPA), a \$1.9 trillion stimulus bill passed by Congress and signed into law in March 2021. An additional \$94 million is anticipated in one year. The City Council directed \$56 million of the first tranche to the current year budget on 4/12/21 (88574 CMS).

Exhibit 37: Sources of Federal COVID Economic Relief

Program	FY 2019-20 & FY 2020-21 (to date)				Finance Dept Notes
	Revenues	Percent of Revenues	Expenditures	Percent of Expenditures	
CARES Act Relief Fund- State Allocation	\$36,994,706	21.8%	\$36,994,706	25.6%	Completed as of 12/30/20
CARES Act- Project Homekey Housing Acquisitions	21,335,910	12.6%	12,733,333	8.8%	One of three acquisitions has not closed yet
CARES Act- Other Grant Funds	4,252,041	2.5%	5,260,724	3.6%	Reflects augmentations to grant programs. Some expenditures may be re-programmed to Emergency Protective Measures in order to claim FEMA reimbursement.
CARES Act II- Emergency Rental Assistance	12,874,764	7.6%	-	-	
Emergency Protective Measures (FEMA)	-	-	8,163,362	5.6%	City will request FEMA reimbursement for general fund, sewer fund, and ISF COVID expenditures.
Great Plates (FEMA)	-	-	3,990,267	2.8%	FEMA requests have been submitted and program is ongoing.
Total thru March 2021	\$75,457,421	44.5%	\$67,142,393	46.4%	
Projection thru 6/30/21*					
CARES Act- Project Homekey Housing Acquisitions	-	-	8,602,577	5.9%	
CARES Act II- Emergency Rental Assistance	-	-	12,874,764	8.9%	
American Rescue Plan Act direct allocation	94,000,000	55.5%	56,130,000	38.8%	Represents 50% of expected funding. Uses subject to further Council action.
Projected total thru June 2021**	\$169,457,421	100.0%	\$144,749,734	100.0%	

Source: Finance Department

*Assumes no FEMA reimbursements in FY 2020-21

**Does not include additional augmentations under ARPA, new non-congregate shelter project (Lake Merritt Lodge), or Great Plates expenditures subsequent to March 2021

Issues and Recommendations

#	Issue	Recommendation	Impact
7	Approximately \$94 million will be provided from ARPA in one year for use in FY 2021-22.	The City Council should request that Finance Department staff provide an update prior to the midcycle of FY 2021-23 on recommendations for use of the second tranche of ARPA funding.	Approximately \$94 million

7. Non-General Purpose Fund Balances

Funds with Projected Balances over \$10 Million

As of April 30, 2021, the City had approximately \$1.9 billion in various fund balances. The vast majority of these fund balances have either been programmed or are restricted by law. Exhibit 38 below shows the 11 funds with anticipated fund balance over \$10 million at the end of FY 2021-22.

Exhibit 38: Funds with Ending Fund Balance over \$10 Million in FY 2021-22

Fund #	Fund Name	Proposed Ending Fund Balance	Notes
7100	Police & Fire Retirement System	\$396,179,549	A fiduciary fund for administrative costs related to the Police and Fire Retirement System.
2415	Development Services Fund	61,652,008	A special revenue fund with limited allowable uses related to planning & zoning services; construction inspections and permits; building code enforcement; plan checks & engineering services.
7320	Police & Fire Retirement System Refinancing Annuity Trust	58,970,116	An annuity trust fund to support accrued pension liability payments.
1011	General Purpose Fund Emergency Reserve	53,810,000	A new fund set up to segregate emergency reserve monies from the rest of the General Purpose Fund.
5671	Oakland Base Reuse Authority	50,403,713	Capital project fund for building maintenance at the Oakland Army Base.
5656	Coliseum Tax Allocation Bond Series 2006B-T	39,052,973	Capital project fund for Coliseum Area redevelopment projects.
1885	2011 Subordinated Housing Set-aside Bonds	27,959,475	Funded by proceeds from 2011 Subordinated Housing Set-aside Bonds for the development of low- and moderate-income housing projects.
7760	Grant Clearing Fund (capital projects)	22,847,754	Fiduciary fund set up for administrative costs in departments that are largely supported by grant and other restricted funding sources and personnel costs that are directly supported by capital projects.
5610	Capital Reserves (capital projects)	20,764,538	Capital project fund for Central District redevelopment projects.
5643	Central City East Tax Allocation Bonds Series 2006A-T	14,443,611	Capital project fund for Central City East Area redevelopment projects.
1870	Affordable Housing Trust Fund	10,611,237	Funded by penalties for blight and 25% of residual Redevelopment Property Tax Trust Fund to increase, improve, and preserve the supply of affordable housing.

Source: City financial system & OpenGov

Review of Key Non-General Purpose Funds

As noted above, we were asked to review certain non-General Purpose funds and the allowable uses of unspent monies, including the Development Services Fund, Measure BB funds, and the Measure Z fund. Additionally, we have included a brief description of the Kids First Oakland Children's Fund and the Measure HH Sugar Sweetened Beverage Tax Fund.

Development Services Fund

As of April 30, 2021, the Development Services Fund had a balance of \$144,760,201. Finance Department staff report that this fund has built up a large balance mostly due to a backlog of permits needing processing as a result of unfilled vacancies in the Planning and Building Department. Applicants must submit their permit fees with their applications, but the permit processing by City staff takes place at a later time. The proposed budget anticipates an ending fund balance of \$61,652,008.

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

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

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

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

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

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

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

Measure BB Funds

Measure BB was a countywide ballot measure, passed by voters in November 2014, that renewed a 0.5 percent transportation sales tax and increased the tax by 0.5 percent. This resulted in a one percent sales tax in the county dedicated to transportation expenses for 30 years until 2045.

The City has five special revenue funds set up for administering Measure BB funds. These are funds 2216 (traffic and transportation projects), 2217 (roadway infrastructure improvement), 2218 (local streets and roads projects), 2219 (bike and pedestrian projects), and 2220 (paratransit projects). Measure BB funds must be expended as directed in the countywide Transportation Expenditure Plan. As of April 30, 2021, the Measure BB funds had a total balance of \$9,616,149. Finance Department staff report that these funds are programmed for multi-year capital projects.

Measure Z Funds

Measure Z Violence Prevention Fund revenues are generated through a special parcel tax and a tax on commercial parking lots. The measure was passed in November 2014 and provides approximately \$26 million every year for 10 years to fund violence prevention and intervention programs, additional police officers, and fire services. The aim of these services is to: (1) reduce homicides, robberies, burglaries and gun-related violence; (2) improve police and fire emergency 911 response times and other police services; and, (3) invest in violence intervention and prevention strategies that provide support for at-risk youth and young adults to interrupt the cycle of violence and recidivism. Annual allocations of the funds as required by the ballot measure are as follows:

- 3 percent of funds are set aside for audit and evaluation purposes;
- \$2 million are set aside for fire safety;
- 60 percent of the remaining Measure Z revenues are for maintenance of sworn police personnel and geographic policing;

- 40 percent of the remaining Measure Z revenues re used for investment in collaborative strategies that focus on youth and young adults at the highest risk of violence (managed by the Department of Violence Prevention).

Finance Department staff report that all Measure Z funds are allocated to the purposes as set out in the ballot measure via a competitive bidding process and that any underspending is carried forward in a way to ensure compliance with the formulas of the ballot measure.

Department of Violence Prevention staff report that its Measure Z revenues for contracted services are projected to be down by 25 percent in FY 2021-22, but the proposed budget includes a backfill so that contract allocations for violence prevention services will not need to be reduced.

Kids First Oakland Children’s Fund

In 1996, the voters of Oakland passed Measure K, which specified that the City put aside 2.5 percent of unrestricted General Fund revenues to create an additional source of funding for children and youth programs. In 2009, Measure D replaced Measure K and reauthorized funding for an additional 12 years until 2022. Measure D also increased the set aside from 2.5 percent to three percent of unrestricted General Fund revenues.

The Kids First Fund is administered by the Oakland Fund for Children and Youth (OFCY) within the City’s Department of Human Services. OFCY awards grants through a competitive bid process to non-profit organizations which operate programs and services for children and youth. The funds are allocated through a formal request for proposals process for the following three-year period as guided by a three-year strategic plan.

Human Services staff report that 90 percent of the Kids First funds are used for direct services and 10 percent is used for the administrative costs of the fund. If audited revenues come in higher than expected they are carried forward to the next three-year cycle. If revenues come in lower than budgeted as occurred last year due to the economic downturn, the Department makes adjustments to provider contracts to balance the fund.

Measure HH Sugar Sweetened Beverage Tax Fund

Oakland voters passed Measure HH in November 2016, which established a tax of one cent per fluid ounce on the distribution of sugar-sweetened beverages and required the establishment of a Community Advisory Board to make recommendations to the City Council on the expenditure of revenues generated by the general excise tax. The goals of Measure HH were to establish and/or fund programs to reduce the consumption of sugar-sweetened beverages and to support health education and physical activity programs to improve the health of Oakland residents, especially for those most impacted by health disparities and the chronic diseases associated with the consumption of sugar.

Measure HH monies are spent in accordance with City Council priorities as outlined in a resolution approved in February 2018 (87062 CMS). Council Resolution 87062 CMS states that Measure HH funds

shall be appropriated by the Oakland City Council only after the recommendations of the [Community Advisory] Board, regarding the expenditures of general fund revenues for programs that prevent or reduce the health consequences of consuming sugar sweetened beverages [are] received, reviewed and considered by the Oakland City Council.

On May 18, 2021, the City Council received an informational report from the Director of Interdepartmental Operations (under the City Administrator’s Office) regarding the recommendations of the Sugar Sweetened Beverage Community Advisory Board (Board) for the allocation of Measure HH revenue for FY 2021-22 and FY 2022-23. The staff report noted the following recommendations, shown in Exhibit 39 below, of the Board for allocation of Measure HH monies in the proposed budget:

**Exhibit 39: Sugar Sweetened Beverage Community Advisory Board
FY 2021-23 Funding Recommendations**

Department/Purpose	Percent of Fund Revenues
Human Services Department	10%
Parks, Recreation and Youth Development Department	10%
Oakland Unified School District	12%
Community Investments through direct assistance and community-based grants	60%
Project Delivery- Administration, Evaluation, Communications	12%
Total	104%*

Source: 5/5/21 City Administrator staff report to City Council for 5/18/21 meeting

*The recommendations presented in the 5/18/21 staff report add to 104%

Exhibit 40 below shows the proposed allocations by department for use of Measure HH funds. As shown in Exhibit 40, the Human Services Department and Parks, Recreation, and Youth Development Department are the primary beneficiaries of Measure HH revenues.

Exhibit 40: Sugar Sweetened Beverage FY 2021-23 Proposed Expenditures

Department	FY 2021-22 Proposed Amount	FY 2021-22 Proposed Percent	FY 2022-23 Proposed Amount	FY 2022-23 Proposed Percent
City Administrator	\$198,368	2.4%	\$205,109	2.6%
Economic & Workforce Development	400,000	4.9%	400,000	5.1%
Finance	318,671	3.9%	320,974	4.1%
Parks, Recreation, & Youth Development	4,480,118	54.7%	3,130,251	39.8%
Human Services	2,291,763	28.0%	3,311,154	42.1%
Non-Departmental	500,000	6.1%	500,000	6.4%
Total	\$8,188,920	100.0%	\$7,867,488	100.0%

Source: Finance Department

Issues and Recommendations

#	Issue	Recommendation	Impact
8	The Development Service Fund continues to accrue a large balance, which is largely due to a permit and inspection backlog caused by a high level of vacancies.	The City Council should consider requesting the Director of Planning and Building to develop and present a staffing plan with the goal of lowering the Department’s vacancy rate and reducing the permit and inspection backlog.	The Development Service Fund had a balance of nearly \$145 million as of April 2021. An effective staffing of vacant positions could utilize several million dollars of the fund balance.
9	The Development Service Fund continues to accrue a large balance and some of these monies can be used to address certain housing concerns in Oakland through tenant and landlord education related to code violations, or providing information to property owners regarding building codes.	The City Council should consider requesting the Director of Planning and Building to work with the City Attorney’s Office to develop tenant and landlord education programs, consistent with state law, aimed at allowing all parties to understand relevant codes and their rights.	Must be determined in consultation with City Attorney staff, but likely several thousand dollars annually.
10	Measure HH (Sugar Sweetened Beverage Tax) revenues appropriations are subject to City Council approval after receiving recommendations from the Community Advisory Board.	The City Council should consider the Community Advisory Board recommendations presented on May 18, 2021 when deciding whether to approve the proposed appropriations or to alter them.	Measure HH revenues are projected to total \$8,188,920 in FY 2021-22 and \$7,867,488 in FY 2022-23. The proposed allocations are shown in Exhibit 40 above.

8. Revenue Projections

The City's Five-Year Financial Forecast, prepared by the Finance Department with assistance from an outside economic consultant, was presented to the City Council on March 16, 2021. Since that time there have been some developments, which could result in somewhat higher revenues than anticipated in the baseline scenario.

The Five-Year Financial Forecast baseline scenario noted that high levels of vaccination necessary to significantly reduce infections may not arrive until the end of calendar year 2021 and that economic activity (workers returning to offices, consumers shopping and dining in-person, and a gradual business and leisure travel recovery) would not begin to return to normal levels until that time. However, the vaccine rollout has been more aggressive than many anticipated with all adults across the U.S. eligible for the COVID-19 vaccine starting on April 19. As of May 19, 2021, 72.7 percent of Oakland adults 16 years of age or older have received at least one dose of the COVID-19 vaccine and 55.1 percent have been fully vaccinated. Further, on March 10, 2021, there were 103 new cases of COVID-19 reported in Alameda County (6.2 per 100,000); as of May 10, 2021, there were 59 new cases of COVID-19 reported in the county (3.5 per 100,000). The State of California appears to be on track to re-open on June 15, further signaling that the actual recovery may be quicker than envisioned in the baseline scenario.

We were able to meet with the City's economic consultants as we prepared this report and they cautioned that recovery of certain City revenues, such as the transient occupancy tax, parking tax, and sales tax will be dependent on whether people begin commuting to offices again, how quickly business travel returns to pre-pandemic levels, and whether companies stay in Oakland or relocate to other cities (such as San Francisco, which has relatively high commercial vacancy rates compared to pre-pandemic lows). Since there hasn't been a pandemic on this scale in over 100 years, behavior patterns and the resulting revenue impacts will be difficult to predict. That said, we believe that some of the City's revenues are likely to be stronger than forecasted in the Five-Year Financial Plan's baseline scenario.

Property Tax

The Five-Year Financial Forecast projected that property taxes would grow at an annual average rate of 5.26 percent over the five-year period from \$233.1 million in FY 2020-21 to \$301 million in FY 2025-26. This forecast is inclusive of the City's portion of the Redevelopment Property Tax Trust Fund (RPPTF), which is a result of the dissolution of the Redevelopment Agency pursuant to state law. The City's economic consultants note that, in general, property taxes have been relatively unaffected by the pandemic, reflecting the underlying resilience of the property tax, in which assessed values are generally lower than market values. The consultants further note that many types of properties have continued to experience increases in market value during the pandemic as residents from throughout the Bay Area have sought larger homes with more space to shelter in place, work from home, or enjoy backyards. The consultants note that prices for single family homes increased by more than nine percent during 2020, which are expected to more than offset any declines in commercial or multifamily residential assessed values. They additionally note that RPPTF revenues are expected to increase rapidly as obligations of the former redevelopment agency are retired.

In recent discussions, the City's economic consultants noted that residential property values appear to have increased since the forecast was completed, but caution that long run increases may be slower due to the increased gap between values and personal income. They further noted that commercial vacancies are still high and that it is not clear how quickly the commercial real estate market will recover given the high vacancy rate in San Francisco and the prospect of businesses relocating to that City to take advantage of the softened market. In general, we believe that the Five-Year Financial Forecast of property taxes appears reasonable.

Real Estate Transfer Tax

The Five-Year Financial Forecast estimated that the City's real estate transfer tax revenues for FY 2020-21 would be \$93.33 million. We prepared a straight-line projection in April based on revenues through February, which showed that the City could receive approximately \$105.75 if trends through February continue until the end of June. This level of revenue was not anticipated in the baseline scenario until year three (FY 2023-24). We have obtained an update on the real estate transfer tax revenue through April, which has confirmed stronger than expected activity. The County has recorded over \$101 million in real estate transfer tax for the City through April. Using a straight-line projection, the City could see approximately \$118 million in real estate transfer taxes through the end of FY 2020-21 if present trends continue. However, as we have noted in the past, the real estate transfer tax is a highly volatile revenue as it is heavily influenced by the sale of relatively few high value properties. Therefore, we would not recommend appropriating additional real estate transfer tax revenues until gross sales and tax information is processed and confirmed by the County.

As we noted in our April 8, 2021 memo to President Bas and the City Council, under the City's Consolidated Fiscal Policy, 50 percent of excess Real Estate Transfer Tax revenue (defined as projected Real Estate Transfer Tax revenue that exceeds 15 percent of General Purpose Fund tax revenues, inclusive of Real Estate Transfer Tax revenue) is required to be used to fund the City's Vital Services Stabilization Fund and the City's debt retirement and unfunded long-term debt obligations. However, Oakland City Council Resolution No. 88108 C.M.S., passed by the Council on May 12, 2020, suspended this requirement and authorized the use of excess Real Estate Transfer Tax revenue to balance the budget and maintain existing services. This suspension applies to FY 2018-19 through FY 2020-21.

Sales Tax

The Five-Year Financial Forecast projected that sales tax will grow from \$58.97 million in FY 2021-22 to \$72.78 million in FY 2025-26, or at an annual rate of 5.5 percent. The City's economic consultants note that although sales tax revenue generally coincides with overall strength of the local, regional, and national economies, the COVID-19 pandemic has somewhat altered that relationship. They note that a pandemic-driven increase in the shift to e-commerce will erode Oakland's sales tax base and that to the extent that the pandemic permanently alters employment-related travel and commute patterns, fewer shoppers will visit downtown retail establishments and restaurants. The Five-Year Financial Forecast notes that sales tax proceeds in the first three quarter of calendar year 2020 were down over 19 percent year-over-year. Given the high level of unpredictability in if and when travelers, shoppers, and workers will return to pre-pandemic patterns, we believe that the projected sales tax revenue growth in the Five-Year Financial Plan appears reasonable.

Business License Tax

The Five-Year Financial Forecast estimated that the City's business license tax revenues for FY 2020-21 would be \$88 million, which is down by \$10 million or 10.2 percent from the prior year. The City's economic consultants note that although the business license tax has typically been a reliable revenue source for the City, it is impacted by the health of the economy. They note that during the COVID-19 pandemic, revenue from several classes of businesses was affected, including retail and wholesale sales, personal services, recreation/entertainment, and residential and commercial rentals. They further note that many of these businesses will experience pandemic related lingering effects as the economy gradually recovers and consumers resume more normal economic activity. The report goes on to note that the commercial and residential rental sectors are expected to experience the most significant lingering effects.

The Five-Year Financial Forecast projects that business license tax revenue will increase to \$92.66 million in FY 2021-22 and increase over the five-year period by \$16.39 million to \$109.05 million in FY 2025-26, or by a total of 17.7 percent. This represents an average annual increase of 4.2 percent over the five-year period with slower growth in the first year (1.8 percent) and stronger growth in the out years (4.5 percent, 5.4 percent, and 5.0 percent). Given the uncertainty in post-pandemic behavior of consumers and workers, we believe that the forecasted business license tax revenue appears reasonable.

Airport Activity (Transient Occupancy Tax & Parking Tax)

Activity at Oakland International Airport tends to influence certain City revenues such as the parking tax and transient occupancy tax. About half of the City's parking tax revenue come from parking in or near the airport and business travelers represent a large portion of people who stay in the City's hotels.

After nearly a year of significantly decreased travel activity due to the pandemic, there are signs that air travel is beginning to pick up at Oakland International Airport. On May 6, 2021, Oakland International Airport announced that passenger traffic increased by 59.6 percent in March 2021 (487,610 total passengers) compared to what was reported in February 2021 (305,463 total passengers). The Airport also noted that air cargo was up 18.6 percent year-over-year in March 2021 and up 22.6 percent from February 2021. However, on a rolling 12-month basis, traffic was still down 72.47 percent in March compared to the same period a year ago. Further, it is believed that most of the uptick in activity is due to leisure travel, which tends to have less of an impact on hotel vacancy in Oakland than business travel.

Data obtained from the Finance Department of parking lot activity at and near the airport shows a significant increase in March compared to earlier months. As shown in Exhibit 41 below, parking tax revenue from lots in and near the airport increased by over 50 percent in March compared to February. As shown in the exhibit, airport area parking tax revenue plummeted in March and April of last year and then did not exceed 40 percent of pre-pandemic levels (2019) until March 2021. Parking tax revenue still only made up about 59 percent of the 2019 levels, but there is a clear trend of increased activity.

Exhibit 41: Parking Tax Revenue from the Airport Area

	2019	2020	Percent of 2019 (month)	Change from Prior Month	2021	Percent of 2019 (month)	Change from Prior Month
Jan	\$3,571,545	\$3,534,630	99.0%		\$1,152,899	32.3%	6.3%
Feb	\$3,444,292	\$3,285,591	95.4%	-7.0%	\$1,304,342	37.9%	13.1%
Mar	\$3,407,569	\$1,710,505	50.2%	-47.9%	\$1,997,611	58.6%	53.2%
Apr	\$4,094,445	\$216,829	5.3%	-87.3%			
May	\$4,094,798	\$441,779	10.8%	103.7%			
Jun	\$3,942,021	\$828,519	21.0%	87.5%			
Jul	\$3,840,266	\$1,075,056	28.0%	29.8%			
Aug	\$3,920,928	\$1,262,964	32.2%	17.5%			
Sep	\$4,096,129	\$1,284,935	31.4%	1.7%			
Oct	\$4,232,224	\$1,488,805	35.2%	15.9%			
Nov	\$3,728,285	\$1,455,721	39.0%	-2.2%			
Dec	\$3,617,062	\$1,084,129	30.0%	-25.5%			

Source: Finance Department

Utility Consumption Tax

The Five-Year Financial Forecast estimated that the City’s utility consumption tax revenues for FY 2020-21 would be \$52.55 million, which is up slightly from \$55.52 million in FY 2019-20, but down from a peak of \$62.05 million in FY 2018-19. The Five-Year Financial Forecast notes that this increase is due to increasing use of heat and electricity in homes and apartments due to workers staying at home while commercial office buildings’ utility consumption continued. The City’s economic consultants note that they expect increases in energy usage to be offset by energy efficiency gains, which would result in a gradual decline of \$49.6 million in FY 2018-19. The Five-Year Financial forecast projects that Utility Consumption tax revenue will decrease to \$49.14 million in FY 2021-22 and continue decreasing each year to \$47.73 million in FY 2025-26. We believe this is a reasonable projection given expected savings from energy efficiency improvements.

Issues and Recommendations

#	Issue	Recommendation	Impact
11	Many of the City’s revenue streams are subject to unpredictable changes in post-pandemic behavior patterns.	The City Council should continue to monitor City revenues via Q2 and Q3 reports from the Finance Department and adjust the budget as appropriate over the next two years.	Unknown
12	Real Estate Transfer Tax actual revenues are higher than projected in the Q2 Report in February 2021.	The City Council should work with Finance Department staff to allocate additional current year revenue subject to the City’s Consolidated Fiscal Policy requirements and Council Resolution 88108 CMS.	Between \$8.10 million and \$25.01 million depending on property sales activity in May and June.

9. Revenues from Proposed November Ballot Measures

Proposal to Establish a Special Tax on Hotel Occupancy

Note: These projections have been prepared in response to a request from President Bas and are not meant to be an official estimate for the City. We have attempted to identify and collect as much information as possible to provide a rough estimate of the revenue that the City of Oakland could realize if these proposed ballot measures were to be approved by the voters, but reliable data was difficult to identify in some areas.

Proposal to Establish a Special Tax on Hotel Occupancy

We were asked to review a proposed resolution that would amend Chapter 4.24 of the Municipal Code to impose a 14 percent special tax on the 31st to 90th day of occupancy in any hotel.⁴ Presently, the 14 percent transient occupancy tax only applies to stays of 30 days or less.

Data on spaces that are rented for 31 to 90 days and the frequency of such stays is very limited. Therefore, in order to develop our estimate we had to make numerous assumptions, including on the number of units available, the occupancy rate, the average daily room rate, and the average length of such stays. Any significant difference between our assumptions and the actual market could result in significant differences in revenue brought into the City. As a result, we are providing a range for the City Council as they consider this proposal.

We estimate that such a tax could result in additional annual revenues of **\$157,622 to \$945,733** primarily depending on the average length of stay between 31 and 90 days and the number of stays per available unit per year.

The assumptions that we used to build our estimate include:

- The number of available units for rent between 31 and 90 days is 456, which was derived by taking 0.25 percent of the total number of housing units in the City (182,574 per the U.S. Census Bureau);
- The average rate per night is \$123.33 based on the average of searches on AirBnB for the City of Oakland;
- Ranges of stays of 40 total nights (10 nights applicable to the tax), 50 total nights (20 nights applicable to the tax), and 60 total nights (30 nights applicable to the tax); and

⁴ "Hotel" is defined in the proposed resolution as "any public or private space or structure for living therein, including but not limited to any: hotel, motel, inn, bed and breakfast, house, townhouse, loft, apartment, condominium, hostelry, tourist home or house, motel rooming house, residential rental, mobile home, or any living place within the city, offering the right to use such space, whether directly or through an online services, for sleeping or overnight accommodations wherein the owner or operator thereof furnishes such right of occupancy to any transient.

- We assumed that most stays would not last beyond 60 days as renters would likely find ways to avoid paying the tax for longer stays.

Based on these assumptions, we calculated that the City would receive \$157,622 in annual revenue if the average stay over 30 days is 40 nights (10 taxable nights) and the average number of stays per available unit is two stays per year. Further, based on these assumptions, we calculated that the City would receive \$945,733 in annual revenue if the average stay over 30 days is 60 nights (30 taxable nights) and average number of stays per available unit is four stays per year. The average of these low-end and high-end estimates is \$551,678.

Given the potentially low level of revenues that could be recognized through this proposed tax (\$157,622 in the low-end estimate), the Council should consider whether the revenue is likely to cover potential administrative costs of such a tax.

Proposal to Establish a Special Tax on Users of Transportation Network Companies and Delivery Network Companies

We were asked to review a proposed resolution that would establish a five percent special tax on users of transportation network companies⁵ (TNCs) and delivery network companies⁶ (DNCs). Presently, there is not tax on such services in the City of Oakland.

Transportation Network Companies Tax

Data on the number of drivers and rides with transportation network companies originating within the City of Oakland. Data is also limited on the total cost to the users of transportation network companies. Therefore, in order to develop our estimate, we had to make numerous assumptions, primarily involving the average number of rides per year originating in Oakland and the average cost of such rides.

We estimate that a five percent tax on users of transportation network companies could result in additional revenues of approximately **\$2 million** per year once commuting and travel patterns return to their pre-pandemic levels. The actual revenues brought in from such a tax could be lower or higher depending on the number of TNC rides per year originating in Oakland and the average fare of such rides.

The assumptions we used to build our estimate include:

- The Controller of the City and County of San Francisco estimated that a similar tax would bring in \$30 million to \$35 million in tax revenue from a rate of 1.5 percent on shared rides and 3.25

⁵ Transportation Network Company is defined by the proposed resolution as an organization, including, but not limited to a corporation, limited liability company, partnership, sole proprietor, or any entity, that provides, arranges, or in any way facilitates prearranged transportation services using a digital network to connect users with drivers.

⁶ Delivery Network Company is defined by the proposed resolution as an organization, including, but not limited to a corporation, limited liability company, partnership, sole proprietor, or any other entity, that provides, arranges, or in any way facilitates prearranged delivery service using a digital network to connect users with drivers.

percent on private rides. We believe this estimate was based on a total of about 63.25 million rides per year;

- San Francisco had an estimated population of 870,000 in 2016 when the San Francisco County Transportation Authority conducted a study of TNC use in the City (from which we estimated 63.25 million rides per year in San Francisco);
- San Francisco’s daytime population swelled to approximately 1,030,000 before the COVID-19 pandemic altered commuting and travel patterns. Oakland’s population as of 2019 was estimated at 433,031. Further, approximately 70,140 Oakland households do not own a car, which is only 27 percent of the number of San Francisco households that do not own a vehicle (260,130). We believe that car ownership is an important variable in the use of transportation network company services.
- We believe that visitors are more likely to utilize transportation network company services. In 2018, San Francisco received an estimated 25.8 million visitors. In 2016, Oakland received an estimated 3.7 million visitors.
- We believe the average fares in Oakland are lower than the average fares in San Francisco. This is partially based on the fare schedule posted by Lyft on their website. According to that schedule, the base fare in San Francisco starts at \$2.24 while the base fare in Oakland starts at \$1.68, which is 75 percent of the San Francisco rate. In addition, the median household income in Oakland is about 65.5 percent of the median household income in San Francisco, which we believe influences the number of residents that are likely to utilize TNC services.
- The City Council would not adopt any exemptions, waivers, discounts, or rebates as allowed under the proposed resolution.

Delivery Network Companies Tax

Data on the number of deliveries provided in the City of Oakland by DNCs as well as the average cost of such deliveries is very limited. Therefore, in order to build our estimate we had to make assumptions on the number of households that utilize DNCs, the average number of deliveries per household that utilize DNCs, and the average cost of such deliveries.

We estimate that a five percent tax on deliveries terminating in Oakland through the use of DNCs could result in additional revenues of approximately **\$9,881,572** per year. The actual revenues brought in from such a tax would depend on the total number of delivery orders per year and the average cost of those orders.

The assumptions we used to build our estimate include:

- 20 to 25 percent of the estimated 162,419 households in Oakland utilize delivery network company services (Note: 38 percent of Oakland households earn \$100,000 or more per year⁷);
- The average number of deliveries for these households is two per week, or 104 per year;
- The average cost per order is \$65.

⁷ U.S. Census Bureau American Community Survey Five-Year Estimate as of 2019.

- There would be a 20 percent drop in the number of DNC orders due to the higher cost resulting from the tax (i.e. some households may pick up their restaurant meal or make a trip to the grocery store to save money due to the five percent tax).
- The City Council would not adopt any exemptions, waivers, discounts, or rebates as allowed under the proposed resolution.

Based on these assumptions we calculated a low-end estimate of \$8,783,620 assuming 20 percent of households utilize DNCs an average of two times per week with an average order cost of \$65. Further, we calculated a high-end estimate of \$10,979,524 assuming that 25 percent of households utilize DNCs an average of two times per week with an average order cost of \$65. By averaging these two estimates we arrived at our final estimate of \$9,881,572.

Issues and Recommendations

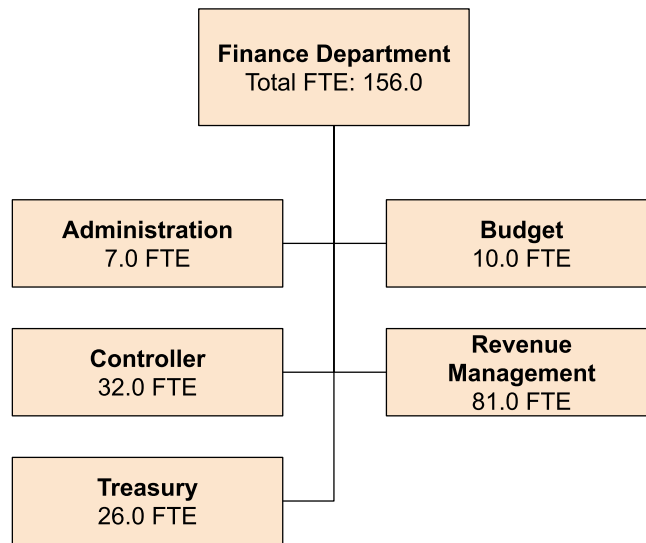
#	Issue	Recommendation	Impact
13	A proposed special tax of 14 percent on hotel stays of 31 to 90 days.	The City Council should carefully consider the potential administrative costs of implementing this proposed tax and whether revenues would be sufficient to cover such costs.	Potential new revenues of \$157,622 to \$945,733 annually.
14	A proposed special tax of five percent on users of transportation network companies.	This proposal is a policy matter for the City Council.	Approximately \$2 million annually once commuting and traveling patterns return to pre-pandemic levels.
15	A proposed special tax of five percent on users of delivery network companies.	This proposal is a policy matter for the City Council.	Approximately \$9,881,572 annually.

10. Finance Department Structure

City of Oakland Finance Department Structure

The mission of the Oakland Finance Department is to provide quality government financial services. The Department is organized into five main bureaus: Administration, Budget, Controller, Revenue Management, and Treasury, as seen in the Department’s organization chart in Exhibit 42 below.

**Exhibit 42: Oakland Finance Department Organization Chart
with FY 2020-21 Midcycle Budgeted FTE Counts**



Source: City of Oakland, FY 2021-23 Proposed Policy Budget and City of Oakland Finance Department.

The mid-cycle adopted FY 2020-21 budget for the Department was \$40,706,769 with 156.0 budgeted FTEs. The proposed FY 2021-22 budget for the Department is \$39,978,772, a decrease of \$727,997 (-1.8 percent) relative to FY 2020-21. In FY 2022-23 the Department’s proposed budget increases to \$41,528,448, an increase of \$1,549,676 (3.9 percent) relative to FY 2021-22. In both of the upcoming proposed budget fiscal years, the Department’s FTE count is 156.8, a slight increase of 0.8 FTE relative to FY 2020-21. According to information provided by Finance Department staff, the Department currently has 24 vacant positions, including one person who is on leave, across four bureaus (Budget is the only bureau without vacancies) and one position that is vacant and frozen in the Administration Bureau.

Exhibit 43 below shows the budget and FTE counts in FY 2020-21 and proposed amounts for FY 2021-22 and FY 2022-23 by Bureau. Exhibit 44 further below shows the change in budget from FY 2020-21 to FY 2021-22, and FY 2021-22 to FY 2022-23. As shown in these two tables, the Budget and Revenue Management Bureaus experience decreases in their overall budgets in FY 2021-22 but all Bureaus see increases in FY 2022-23.

Exhibit 43: Oakland Finance Department FTE and Budget by Bureau

	FY 2020-21 (Mid-Cycle Budget)	FY 2020-21 (Budgeted FTE)	FY 2021-22 (Proposed Budget)	FY 2021-22 (Proposed FTE)	FY 2022-23 (Proposed Budget)	FY 2022-23 (Proposed FTE)
Administration	\$1,905,567	7.0	\$2,303,437	6.0	\$2,460,935	6.0
Budget	2,798,749	10.0	2,658,242	10.0	2,742,218	10.0
Controller	7,128,983	32.0	7,195,007	33.8	7,530,982	33.8
Revenue						
Management	21,373,480	81.0	19,183,456	79.0	19,660,287	79.0
Treasury	7,499,990	26.0	8,638,630	28.0	9,134,026	28.0
Total	\$40,706,769	156.0	\$39,978,772	156.8	\$41,528,448	156.8

Source: City of Oakland, FY 2021-23 Proposed Policy Budget

Exhibit 44: Oakland Finance Department Budget Change FY 2020-21 vs. FY 2021-22 and FY 2021-22 vs. FY 2022-23 by Bureau

	Change FY 2020-21 v. FY 2021-22 (#)	Change FY 2020-21 v. FY 2021-22 (%)	Change FY 2021-22 v. FY 2022-23 (#)	Change FY 2021-22 v. FY 2022-23 (%)
Administration	\$397,870	20.9%	\$157,498	6.8%
Budget	(140,507)	-5.0%	83,976	3.2%
Controller	66,024	0.9%	335,975	4.7%
Revenue				
Management	(2,190,024)	-10.2%	476,831	2.5%
Treasury	1,138,640	15.2%	495,396	5.7%
Total	(\$727,997)	-1.8%	\$1,549,676	3.9%

Source: Harvey Rose Analysis of City of Oakland, FY 2021-23 Proposed Policy Budget

Comparative Finance Department Structure and Staffing

We reviewed information from eight cities across California, including Oakland, related to the functions of their finance departments, staffing levels, the amount of budgeted revenues, and city population. All the city finance departments we reviewed focus on providing financial information to the city government, but the functions within the departments vary compared to Oakland’s Finance Department. For example, Los Angeles has a separate Controller’s Office. A number of cities, including Berkeley, Bakersfield, and Los Angeles appear to have budget functions housed in separate departments such as the city administrator’s office. In addition, some cities, like Sacramento, appear to have a treasury office separate from finance.

To compare relative size of finance departments and cities, we reviewed the number of finance department FTEs per \$10,000,000 in revenue and number of FTEs per 100,000 residents. Exhibit 45 below shows that across these eight cities, Oakland ranks third in number of FTEs in their Finance Department per \$10,000,000 in FY 2020-21 budgeted revenues (0.9). Berkeley and Long Beach rank the highest in number of finance department FTEs per \$10,000,000 in revenues (each at 1.0). The largest cities we

reviewed, San Diego and Los Angeles, rank lowest at 0.3, reflecting some possible economies of scale as well as the different functions their finance departments oversee.

Exhibit 45: Comparative Finance Department FTEs per \$10,000,000 in Revenues and 100,000 City Residents

City	FY 2020-21 Finance Dept. FTEs	FY 2020-21 Budgeted City Revenues	City Population	FTE per \$10,000,000 in Revenue	FTE per 100,000 Residents
Anaheim	55	\$1,575,583,089	350,365	0.3	15.7
Bakersfield	32	630,329,431	384,145	0.5	8.3
Berkeley	49	495,878,032	121,363	1.0	40.4
Long Beach	247	2,573,828,626	462,628	1.0	53.4
Los Angeles	354	10,531,278,041	3,979,576	0.3	8.9
Oakland	156	1,713,143,407	433,031	0.9	36.0
Sacramento	91	1,144,867,000	513,624	0.8	17.7
San Diego	106	3,894,694,470	1,423,851	0.3	7.4

Source: Harvey Rose analysis of city adopted FY 2020-21 budgets

Note: City population estimates are population estimates as of July 1, 2019 from the U.S. Census Bureau

Comparing Oakland and Long Beach

The scope of our analysis included a variety of cities of different sizes and different core functions within their finance departments, as described above. One city that is closer in size and has a finance department that mirrors many of the same finance functions as Oakland is Long Beach. Oakland and Long Beach appear to overlap in finance department functions to a greater degree than the other cities we reviewed.

Long Beach’s Financial Management Department’s core functions include Controller’s Office/Accounting Bureau, Budget Management, Commercial Services, Treasury Management, Business Services, Fleet Services, and Financial Controls. Exhibit 46 below compares Oakland directly to Long Beach and shows that when comparing just these two cities Oakland has fewer finance department FTEs per \$10,000,000 in revenue (0.9 in Oakland vs. 1.0 in Long Beach) and 100,000 residents (36.0 in Oakland vs. 53.4 in Long Beach). While the two cities are close in FTEs per \$10,000,000 in revenue, the number of overall FTEs and FTE per 100,000 city residents is much higher in Long Beach.

Exhibit 46: Comparative Finance Department FTEs per \$10,000,000 in Revenues and 100,000 City Residents

City	FY 2020-21 Finance Dept. FTEs	FY 2020-21 Budgeted City Revenues	City Population	FTE per \$10,000,000 in Revenue	FTE per 100,000 Residents
Long Beach	247	\$2,573,828,626	462,628	1.0	53.4
Oakland	156	1,713,143,407	433,031	0.9	36.0

Source: Harvey Rose analysis of city adopted FY 2020-21 budgets

Conclusion

A number of cities, including Berkeley, Bakersfield, Los Angeles, Sacramento, and San Diego, appear to have budget functions and/or controller functions housed in other departments, whereas in Oakland these functions all fall under the Finance Department. Given the variety of functions of different finance departments it can be challenging to compare across such a large group of cities. Of the cities we reviewed, we believe Long Beach to be the most appropriate comparison, given the cities' similar size and overlapping department functions. Looking at just these two cities, Oakland has a lower staffing ratio per \$10,000,000 in budgeted revenues and per 100,000 residents.

11. Contract Contingencies, Encumbrances, and Multi-year Projects

Contract Contingencies Actual and Proposed Spending

According to discussions with the Finance Department, the “Contract Contingencies (Budgetary Only)” account line is used to set aside funding for non-personnel expenditures when the accounts are unknown at the time of budgeting or when future action by the City Council is needed before the funds are assigned to an account and used, such as in anticipation of a grant. Departments are unable to use these funds without the Finance Department’s approval of a budget change request, providing a control before a department may use these funds while still allowing the anticipated expenditure to be included in the budget. Exhibit 47 below shows the proposed amounts by Department for these purposes, along with details for contingency amounts over \$800,000 per department.

Exhibit 47: Contract Contingencies (Budgetary Only), General Purpose Fund

Contract Contingencies	FY 2021-22 Proposed	FY 2022-23 Proposed	Notes
Non-Departmental	\$17,667,257	\$180,624	Primarily a one-time unallocated contingency amount; see discussion in Section 5 of this report.
Fire	4,022,419	4,236,389	\$3 million annually for the Emergency Services Program, and \$2 million over 2 years for MACRO
Police	3,260,000	1,790,000	Primarily programmed for police academy costs (see section #4 of this report)
Violence Prevention	800,000	-	One-time funding for space planning and other operational infrastructure needs
Finance	619,500	619,500	
Public Works	480,000	660,000	
City Administrator	339,629	189,193	
Capital Improvement Program	293,887	300,646	
Police Commission	233,000	233,000	
Transportation	132,000	0-	
City Council	94,436	94,436	
Workplace & Emp. Standards	50,000	223,550	
Economic & Workforce Dev.	25,000	25,000	
Human Services	25,000	25,000	
Total	\$28,042,128	\$8,577,338	

Source: City of Oakland Department of Finance

Finding savings within these line items varies depending on the use of funds. See the earlier sections on the Police Department and Non-Departmental budgets for discussion of specific contract contingency line items and recommendations.

Encumbrances

According to information provided by the Department of Finance, there is approximately \$18.8 million across all departments from open purchase orders that has been encumbered but not billed on contracts that were entered into prior to July 1, 2019, as shown in Exhibit 48 below. Discussions with the Finance Department reveal that closing out encumbrances that are no longer needed can be a challenging process as it requires initiation by the department and manual completion by the Controller.

**Exhibit 48: Encumbered Amounts Unbilled by Department for
Contracts Older than July 1, 2019, All Funds reported as of May 11, 2021**

Department	Encumbrance Amount	Amount Billed	Amount Remaining	% of Enc. Amt Remaining
City Clerk	\$11,791	\$720	\$11,071	93.9%
Capital Improvement Projects	36,699,333	21,747,312	14,952,021	40.7%
Planning and Building Department	131,367	86,531	44,836	34.1%
Fire Department	807,825	577,363	230,462	28.5%
Oakland Parks and Recreation Department	120,575	95,810	24,765	20.5%
Oakland Public Works Department	10,801,400	8,736,898	2,064,502	19.1%
Human Services Department	2,708,212	2,218,857	489,355	18.1%
Information Technology Department	1,648,884	1,385,474	263,410	16.0%
Finance Department	988,909	854,034	134,875	13.6%
Police Department	1,659,735	1,436,008	223,727	13.5%
Department of Transportation	3,058,568	2,736,741	321,826	10.5%
City Administrator	564,579	529,761	34,818	6.2%
Oakland Public Library Department	741,141	707,791	33,350	4.5%
Non-Departmental and Port	4,581,496	4,567,141	14,355	0.3%
Total	64,523,815	45,680,441	18,843,373	29.2%

Source: City of Oakland Finance Department.

*Encumbrance amounts under \$10,000 for a given Department were removed

The majority of the remaining funding left in open encumbrances is in other funds outside of General Purpose. Encumbered but unbilled funds in General Purpose monies total just over \$560,000. However, by tightening up the process for closing out encumbrances that are open but will not be drawn down would provide the opportunity to create savings. Two departments with the largest remaining encumbrance amounts are Capital Improvement Projects and Public Works, which aligns with the larger, long-term capital projects they oversee. Disputes or delays in billing can contribute to the larger amount of unbilled encumbered money.

Some of these older encumbrances are tied to longer-term projects, so closing these encumbrances may not be an option because the funds may still be needed. However, if only 10 percent of the outstanding encumbrance amount across all funds could be closed, it would generate savings of approximately \$1.9

million in all funds. If roughly half of the open but unbilled encumbrances in the General Purpose Fund were closed, it would result in savings of approximately \$280,000.

Multi-year Projects

According to information provided by the Department of Finance, \$2,039,501 was approved in General Purpose Fund supported multi-year projects in FY 2020-21. Of that amount, \$819,991 remains unspent, as shown in Exhibit 49. While there is additional funding budgeted and remaining in the non-General Purpose Fund, for this particular section we focus on multi-year projects funded through General Purpose Fund.

Exhibit 49: Multi-year Projects, FY 2020-21 Budget, Spent to Date

	FY 2020-21 (Approved)	FY 2020-21 (Spending as of 5/12/21)	FY 2020-21 Amount Remaining
General Purpose Fund	\$2,039,501	\$987,535	\$819,991
All Other Funds	333,720,993	44,597,293	237,091,529
All Funds	\$335,760,494	\$45,584,829	\$237,911,520

Source: City of Oakland Department of Finance

The majority of the projects funded through General Purpose Funds appear to be Capital Improvement Program projects, including museum improvements and ADA upgrades. Of the FY 2020-21 General Purpose Fund supported multi-year projects, approximately 40 percent of approved funding remains; however, there does not appear to be opportunities for significant savings in the General Purpose Fund supported projects in future budget years. Of the projects identified in the General Purpose Fund in FY 2020-21, only one appears to be funded in the proposed FY 2021-22 and FY 2022-23 budget: this project is funded for “Museum minor improvements” at approximately \$300,000 each year through an MOU with the City, which is in line with projected spending of \$280,000 in FY 2020-21.

Conclusion

Opportunities for savings appear most fruitful in working with departments and the Controller’s Office to go through the current open encumbrances and determine which ones can be closed out. Based on our initial review, savings to the General Purpose Fund could be roughly \$280,000 and savings to all other funds could be upwards of \$1.9 million by closing out older encumbrances.

Issues and Recommendations

#	Issue	Recommendation	Impact
16	There is an estimated \$18.8 million in encumbered but unbilled funding across all departments and all funds from contracts older than July 1, 2019.	Request that the Finance Department review departmental encumbrances and encourage departments to close out those that are no longer needed and can result in savings.	Closing out 10 percent of remaining encumbrances across all funds could result in savings up to \$1.9 million. Closing out 50 percent of remaining encumbrances in General Purpose Funds could result in savings of \$280,000.