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OFFICE OF THE CITY CLERK
OAKLAND

2015 JUN 19 AM 10:44 **AGENDA REPORT**

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: KIRAN BAWA

SUBJECT: Validation of Council President's Budget Proposal **DATE:** June 19, 2015

City Administrator
Approval

Date 6/19/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Receive an informational report transmitting the Administration's assessment of the budget figures and proposals in the Council President's FY 2015-17 proposed budget amendments.

OUTCOME

This is an informational report providing validation and assessment of items in the Council President's budget proposal as part of the FY 2015-17 budget development.

REASON FOR SUPPLEMENTAL

This report provides staff assessment to the Council President's FY 2015-17 budget proposal, which became available on June 19, 2015. *Attachments A* delineates line item assessment of the Council President's proposed budget amendments indicating the Administration's assessment of budget proposal, noting any concerns, and potential impacts.

ANALYSIS

Budget is a financial plan to implement policies and deliver City's services in the future years. Such plan is built upon a set of assumptions including the economic analysis, historical data, public policies, departmental subject matter experts and community input. Staff is responsible to provide the best professional projections in revenue and expenditure. Modifications of such projections, both revenue and expenditure, may result in impacts to the City's future operations. For example, if revenue is not realized as projected and/or expenditures are over the appropriation, the City will be required to take immediate balancing measures to maintain its operations.

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The Mayor and City Administrator's FY 2015-17 Proposed Policy Budget was published on April 30, 2015 and presented to Council on May 5, 2015 for community input and the City Council's consideration. Two errata have been issued subsequently to revise information based on the third quarter results as it became available in late May, to true-up grant funds since receiving actual grant award letters, and other minor corrections. The City Council President, as part of the budget development process, has presented budget amendments in accordance with the Consolidated Fiscal Policy (Ordinance #13279 C.M.S).

The Administration has provided a line-item assessment of the revenue categories, proposed reductions and additions/policy tradeoffs. Costing for expenditure line items has been validated.

This report along with other information related to the FY 2015-17 Proposed Budget is available at the budget website at www.oaklandnet.com/15-17Budget.

PUBLIC OUTREACH/INTEREST

As previously described, the budget process includes various methods for gathering public input and opportunities for public participation including a scientific poll and informal survey done in February, community budget forums in May; and upcoming budget hearings in June.

COORDINATION

This report was prepared by City Administrator's Office in coordination with Controller's Office Revenue Bureau, and other departments.

COST SUMMARY/IMPLICATIONS

There are no costs or fiscal impacts associated with the acceptance of this report.

SUSTAINABLE OPPORTUNITIES

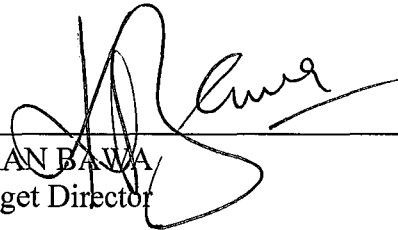
Economic: See the Proposed Policy Budget.

Environmental: See the Proposed Policy Budget.

Social Equity: See the Proposed Policy Budget.

For questions regarding this report, please contact Kiran Bawa, Budget Director, at (510) 238-3671.

Respectfully submitted,



KIRAN BAWA
Budget Director

Reviewed by:
Osborn Solitei, Finance Director/Controller

Sarah Schlenk, Agency Administrative Manager
City Administrator's Office

Attachments:

A: Assessment/Validation of Council President's Budget Proposal

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REVENUE

Item #	Dept.	Purpose	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes	Administrations' Assessment / Validation
1	GPF	REV	ADD: Local Agency Mandate Reimbursement	\$ -	\$ -	\$ 3,248,900	\$ 3,248,900	<i>Pending State budget and confirmed by CA Dept. of Finance</i>	The State Controller has submitted to the Department of Finance a request to make payments to local agencies for the reimbursement of mandate related costs incurred before 2004. Oakland is recommended to receive \$3,248,931.
2	GPF	REV	ADD: Business License Tax (Correction)	\$ 1,000,000	\$ 1,051,300	\$ -	\$ 2,051,300	<i>Restores a portion of Administration's errata cut to biz tax revenue (\$2.8 million per year).</i>	This projection is very optimistic as it reflects a 7.3% increase to this revenue source in FY 2015-16 over FY 2014-15 projections. This is not staff's projection based on the 3rd Quarter results. Staff understands that the additional revenue is in part based on rental units. There are approximately 92,000 rental units in Oakland and roughly 65% fall under Costa/Hawkins Rent Control. Of the remaining 35% it is unknown how many are exempt from BLT due to non-profit status. In general, rental units where the landlord/owner is certified as a non-profit are exempt from the City's business license. (OMC 5.04.630). Any additional revenue resulting from the Land Lord Audit may produce more revenue in FY 2015-16, but FY 2016-17 would be lower, because the revenue potential from penalties and interest is one-time and would be exhausted.
3	GPF	REV	ADD: Enhanced collections of delinquent revenue	\$ 330,000	\$ 660,000	\$ -	\$ 990,000	<i>Additional staff support required. Each TEO generates \$220,000 per year in collected taxes</i>	To achieve this revenue, the department would require an additional 3 FTE Tax Enforcement Officer II (as proposed below), who can conduct field work and business discovery. The recruitment for these positions is expected to take 6 months which is reflected in the proposed amendment
4	GPF	REV	ADD: Litigation Payment(s)			\$ 500,000	\$ 500,000	<i>Results of Tow Audit</i>	This one-time payment is expected in FY 2015-16.
5	GPF	REV	ADD: Real Estate Transfer Tax - RETT (revised)	\$ -	\$ -	\$ 250,000	\$ 250,000	<i>One-time voluntary RETT payment</i>	This is a one-time Real Estate Transfer Tax payment that was received in FY 2014-15 after the third quarter report; therefore, the revenue in FY 2015-17 would be a transfer from fund balance.
6	GPF	REV	ADD: Revenue from Medical Cannabis production	\$ -	\$ 225,000	\$ -	\$ 225,000	<i>Policy: Tax growers/manufacturers for community safety, consistency</i>	This projection is subject to adoption and implementation of policy to tax cannabis growers and manufacturers. We advise against allocating these funds before the policy is adopted. Should this policy be adopted, revenues are not anticipated until FY 2016-17.
7	GPF	REV	ADD BACK: Reduction in Dispensary Revenue	\$ 125,000	\$ 125,000	\$ -	\$ 250,000	<i>Sales revenue is up in permitted clubs and economic projections show continued growth.</i>	The proposed budget adjusted the permit fee revenue based on historical average level of collections from permitted dispensaries. This revenue is not tied to sales revenue. Additional revenue totaling \$105,000 will be realized if all eight permits are continuously issued and operational
8	GPF	REV	ADJUST: Balancing Reserves - Rainy Day	\$ -	\$ -	\$ 212,891	\$ 212,891	<i>As required</i>	An adjustment to the Rainy Day Policy set-aside based on the changes in the GPF tax revenues included in this proposal, provided they are adopted. This is required by the City's Consolidated Fiscal Policy.
9	GPF	REV	LESS: Balancing Reserves - OFCY	\$ -	\$ -	\$ (105,489)	\$ (105,489)	<i>As required</i>	Three percent of additional unrestricted revenues are mandated for Kids First Oakland Children's Fund based upon the revenue changes included in this proposal provided they are adopted. This is required by the City's Charter.
Subtotal of Additional Revenues				\$ 1,455,000	\$ 2,061,300	\$ 4,106,302	\$ 7,622,602		

REDUCTIONS

Item #	Dept.	Purpose	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes	Administrations' Assessment / Validation
10	CAO	REV	REDUCE: OPEB contribution	\$ (1,347,773)	\$ -	\$ -	\$ (1,347,773)	Maintain \$20 million total commitment to long-term liabilities. This reduces the additional amount proposed for allocation in the Errata.	Oakland has a signification amount of long-term liabilities. The intent of the additional contribution to OPEB is to reduce the City's' accrued liabilities. Through this additional funding and the Rainy Day Policy, the City is attempting to improve its fiscal sustainability. Without additional contributions the OPEB liabilities will contribute to grow.
11	CAO	REV	Swap one-time with Ongoing OPEB funds	\$ (1,350,476)	\$ -	\$ 1,350,476	\$ -	Release on-going funds from OPEB allocations	While it is fiscally responsible to commit ongoing funds for the repayment of long-term liabilities, use of one-time funding will require additional resources to be identified beyond this biennial budget.
Subtotal of Reductions/Reallocations				\$ (2,698,249)	\$ -	\$ 1,350,476	\$ (1,347,773)		
Funds Available for Programming				\$ 4,153,249	\$ 2,061,300	\$ 2,755,826	\$ 8,970,375		

ADDITIONS/TRADE-OFFS/COUNCIL PRIORITIES

Item #	Dept.	Purpose	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes	Administrations' Assessment / Validation
12	CAO	Trustworthy / Responsive Gov't	ADD: CAO Discretionary Pool for Labor Negotiations	\$ -	\$ 147,901	\$ -	\$ 147,901	Compensation consideration	Additional funds towards employee compensation.
13	CAO	Trustworthy / Responsive Gov't	ADD: CAO Discretionary Pool for TPT conversion	\$ 375,000	\$ 350,000	\$ -	\$ 725,000	Additional funding to reduce temporary positions	In conjunction with the amounts included in the Proposed May Revise, this would allow for roughly \$1 million over two years for conversion of TPT positions to Permanent Part Time.
14	CAO	Trustworthy / Responsive Gov't	ADD: Increase Oakland Animal Shelter staffing	\$ 194,630	\$ 197,416	\$ -	\$ 392,046	Improve public service; reduce need for euthanasia	Adding 2.0 Public Service Reps (PSR) & 0.5 PSR, PPT; Costing confirmed at Step 3. These additional 2.5 FTE will allow Animal Control Officers more time in the field and increase the hours of operation and staffing of phones at the animal shelter
15	CAO	Promote Equity & Inclusion	ADD: Establish a Dept. of Race, Human Rights & Equity with 2 FTE (1 Director and 1 Analyst)	\$ 154,077	\$ 312,566	\$ -	\$ 466,643	Augments \$150k in Mayor's budget for Director & Admin Assistant to create work plan for establishment of a permanent office	Costing confirmed for Director and a Program Analyst.
17	FIN	Trustworthy / Responsive Gov't	ADD: (1) Revenue Assistants	\$ 87,000	\$ 88,100	\$ -	\$ 175,100	Improved efficiency and customer service	Costing confirmed at Step 3, to improve customer service for revenue collections.
18	FIN	Trustworthy / Responsive Gov't	7.5% GPF Emergency Reserve	\$ -	\$ -	\$ 335,400	\$ 335,400	In accordance with the Consolidated Fiscal Policy	An allocation for 7.5% GPF emergency reserve is required for any increase in the GPF appropriations in accordance with the City's Consolidated Fiscal Policy.
19	FIN	Trustworthy / Responsive Gov't	ADD: (3) Tax Enforcement Officers	\$ 170,000	\$ 345,000	\$ -	\$ 515,000	TEO to begin January 2016	TEOs can conduct field work and business discovery to enhance collection of revenues. Costing confirmed at Step 3 and reflects 6 months recruitment time in FY 2015-16.
20	HSD	Holistic Community Safety	ADD: City/County Neighborhood Initiative (CCNI)	\$ -	\$ -	\$ 50,000	\$ 50,000	Critical support for a public health and safety initiative focused on impoverished neighborhoods.	It will help augment the current budget by providing O&M funds for summer parks program, neighborhood initiative and community program.
21	HSD	Holistic Community Safety	ADD: Quality Preschool for all	\$ -	\$ -	\$ 200,000	\$ 200,000	For training to enhance teacher quality; part of a collaborative effort with philanthropic partners to increase Head Start slots and improve outcomes	This will help enhance the quality of HeadStart programming including family child care providers.
22	HSD	Holistic Community Safety	ADD: Matching funds to establish City/County Re-entry Job Corps Pilot Program	\$ -	\$ -	\$ 350,000	\$ 350,000	Funds to be used to establish a direct-pay program for probation/parole, formerly incarcerated persons in partnership with the County.	Program needs to be established before funds are allocated. Staff will work with Council to identify the full scope of this program and any matching funds from the County.
23	HSD	Holistic Community Safety	ADD: Funding to reduce chronic absenteeism to strengthen partnership with OUSD	\$ 84,000	\$ 112,000	\$ 196,000	\$ 392,000	Fund two social workers starting in October 2015. OUSD will match these funds; will reduce likelihood of delinquencies; interrupts school-to-prison pipeline.	The program should be fully defined and operational impacts and staff capacity must be evaluated prior to the implementation of the program. If fully implemented, the program will focus on improving attendance in elementary school.
24	HSD	Protect Vulnerable	ADD: Homeless/PATH report high priority areas	\$ 260,000	\$ 260,000	\$ -	\$ 520,000	\$260,000 to fulfill PATH recommendations 1, 2, and 3	Per PATH staff report. HSD recommend flexibility in use of the \$260K such that we maximize resources to secure housing resources for outreach program.
25	HSD	Protect Vulnerable	ADD: Housing services for Commercial Sexual Exploited Children	\$ 110,000	\$ 110,000	\$ -	\$ 220,000	Transitional housing for exploited youth with case management services. These funds will be issued through the Measure Z RFP Process	Staff agrees to include this funding in the Measure Z RFP for allocation.
26	OCA	Holistic Community Safety	ADD: (1) Deputy City Atty III and (1) Paralegal	\$ 321,000	\$ 325,798	\$ -	\$ 646,798	To support Code Enforcement services	Costing confirmed at Step 3.
27	OCC	Trustworthy / Responsive Gov't	RESTORE: prior-year staffing cuts for each Council office (.14 FTE), increase Administrative OH (10%); add (.44 FTE) Administrative Support for Office of President	\$ 293,775	\$ 294,834	\$ -	\$ 588,609	Improve constituency services and legislative analysts; commensurate with citywide restorations of staffing in the Administration and Mayor's offices	Costing confirmed for 0.14 FTE increase per Council Office; 10% overhead increase in Administration; and 0.44 FTE in Council President's Office.

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28	OFD	Holistic Community Safety	RESTORE: Wildfire Prevention Funding	\$ -	\$ -	\$ 500,000	\$ 500,000	Fire prevention inspection staff and mitigation efforts, and/or vegetation management plan; OFD will report to the Public Safety Committee no later than January 2016 on spending for 2015 and plans for 2016 spending	Staff will work to develop an implementation plan for this item.
29	OPD	Holistic Community Safety	RESTORE: Funding for NCPC Community Engagement and Outreach and West Oakland Biz Alert	\$ -	\$ -	\$ 85,000	\$ 85,000	\$80,000 divided evenly throughout the police beats for outreach and events that increase engagement in our community policing organizations, \$5,000 for merchant watch in West Oakland which was not funded in baseline. This reflects a 20% reduction from the original proposal in the President's budget to adjust for the adequate increases in OPD personnel (2 Crime Analysts and 2 Police Evidence Technicians - lines 25 and 26)	OPD staff will work with community members on utilization of these funds.
30	OPD	Holistic Community Safety	ADD BACK: Neighborhood Services Coordinator	\$ 102,000	\$ 104,000	\$ -	\$ 206,000	To restore critical representation in Chinatown community	Costing confirmed at Step 3.
31	OPD	Holistic Community Safety	ADD: (2) Police Evidence Technicians	\$ 206,666	\$ 209,534	\$ -	\$ 416,200	Improves OPD responsiveness to help solve crimes	Costing confirmed 2 FTE at Step 3
32	OPD	Holistic Community Safety	ADD: (2) Crime Analyst	\$ 232,956	\$ 236,296	\$ -	\$ 469,252	To improve solve rate; expand capacity to investigate crimes	Costing confirmed Administrative Analyst II 2 FTE at Step 3
33	OPL	Holistic Community Safety	ADD: Expand library hours	\$ -	\$ 500,000	\$ -	\$ 500,000	Additional service hours effective July, 2016; additional hours to be prioritized for branches that serve the greatest number of youth from under-served and disadvantaged communities. Effort should be made to add hours among branches that are geographically dispersed throughout the city	Staff will work to develop an implementation plan consistent with the Council's direction to identify the branches and hours of expanded services.
34	OPR	Improve Quality of Life	RESTORE: OPR subsidy for Feather River Camp	\$ -	\$ -	\$ 40,000	\$ 40,000	One-time grant	Will be implemented per Council direction.
35	OPR	Improve Quality of Life	ADD: Administrative Grant to OPR Foundation	\$ -	\$ -	\$ 50,000	\$ 50,000	For capacity building & increased fundraising capabilities for the non-profit organization that raises critical funds for Oakland Parks and Recreation	Will be implemented per Council direction.
36	OPR	Improve Quality of Life	ADD: Grants and scholarships for low income youth to participate in OPR programs	\$ -	\$ -	\$ 79,426	\$ 79,426	Camperships for low income youth to participate in OPR Programs; This should include additional outreach to youth who may not have participated in OPR camps or programs due to lack of resources.	Will be implemented per Council direction.
37	OPW	Improve Quality of Life	ADD: Parks Prioritization study and conceptual plans	\$ 15,000	\$ 15,000	\$ 170,000	\$ 200,000	Creates the opportunity for OPR to receive grants and in-kind services for needed repairs and upgrades to neighborhood playgrounds and community parks. Such plans clearly depict our needs to potential funders.	Costing is identical to Policy Tradeoff #22.
38	OPW	Improve Quality of Life	ADD: Lake Merritt Maintenance Money to maintain Measure DD Investment	\$ -	\$ -	\$ 400,000	\$ 400,000	Support's the Mayor's maintenance fund but begins in Year 1	This would fund the Lake Merritt park maintenance for both the years of the biennial budget.
39	OPW	Improve Quality of Life	Mattress recycling pilot program grant match	\$ -	\$ -	\$ 100,000	\$ 100,000	Collaborative effort with Stop Waste to reduce illegal dumping	In addition, a recent state law requires mattress manufacturers to give a rebate on old mattresses - the state will have funds available for mattress collection.

Item #	Dept.	Purpose	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes	Administrations' Assessment / Validation
40	WIB	Holistic Community Safety	ADD: GPF investment in Workforce Investment Strategies & Programs to leverage additional support	\$ -	\$ -	\$ 200,000	\$ 200,000	Ongoing funds to WIB for service providers and employee training and placement	All funds for service providers must be allocated via a competitive RFP process . As an alternative, the \$100,000 could be allocated to City operations, thereby freeing an equivalent amount of grant funds for service providers. This will more directly align grant funding with service provision. The allocation of these funds and/or the reallocation of other funds freed are subject to approval of the Oakland WIB as part of the workforce investment budget.
Subtotal of Additional GPF Investments				\$ 2,606,104	\$ 3,608,445	\$ 2,755,826	\$ 8,970,375		
Surplus (Deficit) after modifications				\$ 1,547,145	\$ (1,547,145)	\$ -	\$ -		

NON-GENERAL PURPOSE FUND ADJUSTMENTS

Item #	Dept.	Purpose	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes	Administrations' Assessment / Validation
1	OPD	Holistic Community Safety	ADD: Funding for Crossing Guards at schools with most significant pedestrian safety and traffic, safety problems	\$ 200,000	\$ 200,000	\$ -	\$ 400,000	Funded using Traffic Safety Fund Balance (one-time funds)	Staff understands that this will be funded from projected available fund balance within the Traffic Safety Fund.
2	OPW	Vibrant Sustainable Infrastructure	Alternative CIP Plan - -Reduce allocations fro non-paving projects and reprogram funds for paving projects	\$ -	\$ (1,950,000)	\$ -	\$ (1,950,000)	See detail in Budget Q&A batch 4; p.23, With 2 exceptions 1) Maintain traffic calming and 2) Maintain school area pedestrian safety. These savings must be re-directed to street repaving. Paving projects include pothole blitz overtime; pothole/seam sealing; road repairs and miscellaneous paving projects.	This is consistent with the alternative provided by staff to augment CIP funds for paving.
3	OPW	Vibrant Sustainable Infrastructure	Reduce Department of Transportation increase and reprogram to paving projects	\$ (250,000)	\$ (500,000)		\$ (750,000)	The \$250,000/\$500,000 reduction in non-GPF (BB) funds for Dept. of Transportation should say in the notes section that these BB funds shall be re-programmed into streets and road repaving.	NOT RECOMMENDED: These funds will be used for creation of new positions to leverage external funds and deliver timely capital projects.
4	OPW	Vibrant Sustainable Infrastructure	ADD to amount of work on pothole blitz with overtime	\$ 50,000	\$ 50,000		\$ 100,000		This is consistent with Policy Tradeoff #20.
5	OPW	Vibrant Sustainable Infrastructure	ADD pothole/seam sealing crew	\$ 462,000	\$ 462,000		\$ 924,000		OPW will develop an implementation plan for optimal utilization of these funds.
6	OPW	Vibrant Sustainable Infrastructure	ADD road repairs (seam sealing) weekends OT	\$ 30,000	\$ 30,000		\$ 60,000		OPW will develop an implementation plan for optimal utilization of these funds.
7	OPW	Vibrant Sustainable Infrastructure	ADD funds for paving projects		\$ 1,616,000		\$ 1,616,000		This is consistent with the alternative provided by staff to augment CIP funds for paving.
8	OPW	Vibrant Sustainable Infrastructure	ADD Front-load revolving fund for sidewalk repair which then bill private property owner			\$ 400,000	\$ 400,000	Use CIP Fund Balance using carryforward funds for cash flow purpose	Staff will need to develop an implementation plan that addresses: financial concerns, revenue collection processes & procedures, and operational impacts.
9	OPW	Improve Quality of Life	UNFREEZE: (3) Positions in Fund 1720 for illegal dumping and to conduct litter abatement throughout the City through the Keep Oakland Clean and Beautiful Program	\$ 347,434	\$ 351,353		\$ 698,787	Funded using Comprehensive Clean-up Fund Balance (1720)	Comprehensive Clean-up Fund (1720). These positions will be funded by using projected available fund balance.
10	OPW	Improve Quality of Life	HVAC Improvements to City-owned facility OACC	\$ -	\$ -	\$ 100,000	\$ 100,000	Use Central District Bond Funds (5612)	Funds from the Central District Redevelopment Bond Fund have already been appropriated for public facilities; staff understands this to be an allocation of those funds.
11	OCA	Protect Vulnerable	ADD BACK: (1) Paralegal in Rent Adjustment Program	\$ 122,898	\$ 125,878	\$ -	\$ 248,776	Funded using Rent Adjustment Program Fund Balance (2413)	Staff understands that this will be funded from projected available fund balance within the Rent Adjustment Program Fund (2413); and thus a limited duration annointment is annonriate.
12	DHS	Protect Vulnerable	ADD: Provide admin grant for Meals-on-Wheels	\$ -	\$ -	\$ 50,000	\$ 50,000	Funded using CDBG Fund (2108)	CDBG funds are fully appropriated; in order to fund this proposal sufficient offsetting expenditure reductions would need to be identified.