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OAKLAND

2018 APR 19 PM 4:58

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Katano Kasaine  
Finance Director

**SUBJECT:** Revised BAC Letter Regarding Using  
Capital Funds for Job Training

**DATE:** April 12, 2018

City Administrator Approval

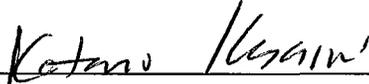
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4/19/18

This cover letter is to transmits to the City Council the Budget Advisory Commission's (BAC) Letter in response to the proposal to use capital improvement funds to support job training initiatives. The BAC's letter is included as **Attachment A**.

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

Respectfully submitted,

  
KATANO KASAINE  
Finance Director

Prepared by:  
Bradley Johnson,  
Assistant to the City Administrator

Attachments (1):

(A): Budget Advisory Commission (BAC) Revised Letter

Item:

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Community & Economic Development Committee  
April 24, 2018

April 12, 2018

To: Honorable Members of the Oakland City Council:

From: Budget Advisory Commission

Re: Opposition of Set aside of Capital Funds for Job Training

The Budget Advisory Commission respectfully submits to the City Council this letter recommending against proposed legislation as contained in the proposed ordinance submitted to the City Clerk on Mar 26, 2018 to set aside City capital improvement funds for job training purposes. This letter is submitted pursuant to a unanimous vote of a quorum of the Commission at its April 11, 2018 meeting.

In our opinion this Ordinance should not be enacted for the following reasons:

1. It violates the fundamental purposes for which taxpayers thru their votes have entrusted the City to use public infrastructure and housing funds.
2. It dedicates public funds to private organizations for their private purposes and administrative costs and impermissibly transfers control over these public funds from the City Council to private bodies that are not accountable to the taxpayers.

The Commission has not reviewed and does not comment on the quality or effectiveness of the designated private organizations and recognizes the Council's power by appropriate means to provide support for job training programs.

The Commission's concern is a fundamental one - that public funds dedicated for public capital projects may not be used for operations of private organizations without violating both the taxpayers' trust and the responsibility of the City Council to account for the use of the funds. Without usurping the City Attorney's role to opine on the legality of the proposals, the Commission's concerns relate to the accountability to voters and transparency of purpose for the use of public moneys.

Measure KK is a specific illustration of the Commission's concern. The voters passed the \$600 million general obligation bond (the largest one-time property tax increase in Oakland's recent history) on the promise that the moneys are to be spent on capital infrastructure and housing. The City Council ordinance authorizing the bond election states clearly that the bonds funds would be used **specifically** for:

- Street paving and reconstruction, bikeways, sidewalks, paths, stairs, streetscape, curb ramps, and traffic calming improvements - \$350 million;
- Construction, purchase, improvement or rehabilitation of City facilities including fire and police facilities, libraries, parks, recreation and senior facilities - \$130 million;
- Water, energy and seismic improvements consistent with the City's Energy and Climate Action Plan - \$20 million;
  
- Anti-displacement and affordable housing preservation projects including acquisition, rehabilitation, or new construction of affordable housing according to the City's Affordable Housing Bond Law Ordinance - \$100 million.

In addition, the use of the Measure KK funds is subject to review by a citizen oversight committee and audits. This function would be difficult, if not impossible to perform, if funds are transferred to private organizations.

The use of the money for job training programs, let alone the transfer of funds to private organizations that are not subject to citizen oversight or public audit, is not authorized. Other capital improvement measures that taxpayers passed contain similar promises to voters. Measure B funds are to be used for designated transportation projects. Measure DD are to be used for Lake Merritt, Bay Trail and other specified recreational facilities. All these measures demand public oversight and accountability. None of these measures allow for use for job training or for general operation and administration of private organizations.

If the City Council wishes to fund job training we recommend that it identify and appropriate funds which are not restricted in use or seek new funding which specifically authorizes their use for job training. Such action should be transparent about the specific fund uses, accountability measures and transferability to private entities.

Even if some of the capital funds sources other than the ones mentioned above allow for use for job training, the transfer of such moneys to a private organization for general operations and administrative costs lacks public transparency and accountability. How is the public assured that the money would be used for the **public benefit** rather than private gain? How can the public hold the organization accountable for any abuse or impropriety when a private organization's decision-making and accounting are not open to public input or review? What is the "remedy" if the moneys are improperly used? When the City

spends public funds, the City's public and elected officials are held accountable through public hearings, open records, audits and, ultimately, elections. Private organizations and their officers are not accountable to the public.

As the City Council may know, the Budget Advisory Commission has done a great deal of work in reviewing, studying and drafting recommendations to the City Council regarding the City's implementation of its fiscal policies and its budget processes. Two of the fundamental fiscal principles that the City Council has charged the Commission to safeguard are **accountability** and **transparency**. It is the Commission's belief that the Set-Aside Ordinance and other similar proposals currently under consideration violate these basic principles.

We are available at your convenience to provide further information about our concerns.

Respectfully Submitted,  
ED GERBER  
Ed Gerber  
Chair, Budget Advisory Commission

CC:

Mayor Libby Schaaf  
City Administrator Sabrina Landreth

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COMMUNITY & ECONOMIC  
DEVELOPMENT CMTE.

**APR 24 2018**