

# CITY OF OAKLAND

## BUDGET ADVISORY COMMISSION

Notice is hereby given that a **special meeting (date)** of the City of Oakland Budget Advisory Commission (BAC) is scheduled for **Monday, May 22, 2017** at **6:00 pm** In **Hearing Room 4, City Hall, 2<sup>nd</sup> Floor**, at 1 Frank Ogawa Plaza.

### **Committee Members:**

Lori Andrus, Brandon Baranco, Jon Bauer, Ken Benson, Margurite Fuller, Ed Gerber, Ken Houston, Alicia John-Baptiste, Geoffrey Johnson, Darin Ranahan, Noelle Simmons, Adam Van de Water, Danny Wan, & Jennifer West

### **City's Representative:**

Brad Johnson – *City Administrator's Office*

### **Meeting Agenda:**

1. Administrative Matters
  - Welcome & Attendance
2. Discussion & Possible Action: Discussion and possible approval of a written report from the Ad-Hoc working group researching the public engagement during the FY 17-19 budget cycle on their proposed report, conclusions, or questions. [50min]
3. Discussion & Possible Action: Discussion and possible approval of a written report from the Ad-Hoc working group researching the proposed budget on their proposed report, conclusions, or questions. [50min]
4. Open Forum
5. Adjournment
  - Tentative Meeting if required Wednesday May 31<sup>st</sup>
  - June Meeting: Wednesday, June 14<sup>th</sup> 2017

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BAC Report revised 3:51 5/11/17 ERG

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BAC Report revised 9:30 pm 5/14/17 NES

BAC report revised 9pm 5/16/17 NES

BAC report revised 11:30 AM 5/17/17 ERG

BAC Report Revised 2 PM 5/17/17 ERG

**TO:** HONORABLE MAYOR & CITY COUNCIL

**FROM:** The Budget Advisory Commission

**SUBJECT:** Report on the Mayor's Proposed FY 2017-19 Budget

**DATE:** May 26, 2015 TBD

City Administrator Approval \_\_\_\_\_ **Date:**

The Budget Advisory Commission's (BAC) pursuant to the Consolidated Fiscal Policy (13279 C.M.S.) submits this Report on the Mayor's Proposed FY 2017-19 Budget. The Report was unanimously approved at the BAC at a Special Meeting on \_\_\_\_\_.

## **BUDGET ADVISORY COMMISSION REPORT**

In accordance with the Consolidated Fiscal Policy the Budget Advisory Commission submits to the City Council this response to the Mayor's proposed FY 2017-19 budget: This Policy states the Budget Advisory Commission (BAC) "shall be requested to submit a published, written report to the full City Council regarding the proposed budget with any suggested amendments no later than June 1 in the budget adoption years."

~~The Mayor's~~The Mayor's April 28, 2017 transmittal presenting the FY 2017-19 proposed budget states that the primary goal this cycle is to prevent cuts in services, invest in staffing to meet urgent challenges, and improve financial stability.

~~Page 1~~

This report is divided into three parts.

- Section A consists of recommendations relating to the three BAC priority areas. The BAC provides comments and recommendations to the proposed budget as relates to our three areas of focus for Oakland: 1) strengthening our City's fiscal health; 2) increasing public engagement in the budget process; and 3) improving fiscal transparency and accountability.
- Section B consists of recommendations specifically relating to the Capital Improvement Program.
- ~~Section C~~Attachment 1 is a schedule showing ~~of~~ the City Administration and Council's progress towards following prior Budget Advisory Commission recommendations.

## **SECTION ~~A~~B**

### **Goal #1: Strengthening Our City's Fiscal Health**

The Proposed FY 17-19 budget is submitted by the Mayor to the City Council and should provide guidance on how to achieve fiscal stability and improve the sustainability of service delivery.

~~Items to Cover~~

- ~~Measure HH We recommend that the budget contain a schedule indicating all expenditures made from Measure HH funds and the manner in which such expenditures conform to the intent of the measure~~In a Supplemental report dated 5/12/17 the Mayor set aside all Measure HH revenues pending the recommendations of the Measure HH Advisory Committee and further Council action. We concur in that -amendment. We **further** recommend that the Council adopt a clear guidelines for Measure HH to provide advice to both the Administration and measure HH Advisory Committee in determining the expenditure of these funds.~~policy on future measure HH expenditures~~
- **Housing – 20 new positions in operating budget ???budget???**
- The Budget Transmittal Letter acknowledges that possibility of an economic contraction but assumes continued (albeit slower) revenue growth on top of a revenue base that has already exhibited steady growth for 8 ~~for several~~ consecutive years. The BAC recommends that the City take advantage of such periods of sustained growth to plan prudently for inevitable future downturns. Unfortunately, the~~The~~ proposed budget falls short in this regard by two key measures. First, the budget continues the practice of funding ongoing services (e.g., the ASSETS program and park maintenance) using one-time funding sources, even as it reduces existing services (e.g., the Shotspotter program, Eastmont Child Development Center, WIOA programs) that cannot be sustained due to exhaustion of the one-time funding sources that supported them. Second, the proposed budget does not adhere to the Part 1, Section C of the Council-adopted Consolidated Fiscal Policy, which calls for 25% of excess real estate transfer tax revenue to be transferred to the ~~Rainy Day~~Rainy Day Fund. The projected excess RETT amount for FY 17-18 and 18-19 is a total of \$17.2M. Rainey Day fund. The budget proposes to suspend the transfer of divert \$4.3M\$\$\$ of this total from the Rainy Day Fund “in order preserve critical services, primarily Park Maintenance and ASSETS-funded Senior Center Workers.” The ~~from excess RETT funds. We believe the Rainey Day~~ Fund was created to provide protection against

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the time when city revenues drop due to circumstances beyond the control of the City of Oakland. It is to use the good times to protect against the bad times. We are still in the 8<sup>th</sup> year of economic growth and Oakland continues to see very significant growth in all property based revenues. If deposits to the Rainy Day Fund are not made in good revenue years such as these, it is difficult to imagine when they will be. The FY 16-17 3<sup>rd</sup> Quarter Revenue & Expenditures Report notes on page 8 that the current year set-aside and reserve amounts are equivalent to approximately one month of GPF operating expenditures, as compared to the recommended standard of two months. Therefore, ~~the BAC we believe and recommends that~~ (1) that the City refrain from funding ongoing services with one-time fund sources, and (2) that statutorily mandated deposits of excess ~~there be no diversion from~~ RETT revenues into the Rainy Day Fund be made ~~funds.~~ ~~(This statement will need revision to insert amounts and related fund effects.)~~

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- The Emergency Reserve Fund is capitalized at an amount equal to 7.5% of GPF appropriations, as required by the Consolidated Fiscal Policy.

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- ~~Rainey day fund transfer Adherence to the Consolidated Fiscal Policy (see Noelle's notes) Calculation of and Use of Excess RETT Revenue (S.1, Part C). Are the last two year's audits of Excess RETT revenue available?~~

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- 3) ~~Use of one-time revenue and unallocated GPF balance (S1, Part D and E) Is GPF emergency reserve policy target met? (S.2, Part A)~~

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- 4) ~~Use of Vital Services Stabilization Fund — is it being tapped in this budget? (S.2, Part B)~~

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- 5) • Is Capital Improvements Reserve Fund balance being maintained? Are required deposits being made? Is it being tapped in this budget? (S.2, Part C)??????Checking with Brad

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- ~~Homelessness TBD.~~ The 2017 Budget Priorities Survey found that 82% of respondents would pay more in taxes to increase

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homeless services, and 13% of respondents identified homelessness as one of their top two budget priorities. The proposed budget provides a relatively modest increase of \$250K in increased funding for homeless services. Given the City's limited resources to address this high priority issue, the BAC recommends that current and future investments in this service area be made in close coordination with Alameda County, leveraging the existing county health and human services delivery system wherever possible rather than creating a parallel delivery system.

• **Housing affordability-TBD**

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- The FY 16-17 3rd Quarter Revenue & Expenditure Report revealed that current year expenditures on overtime (\$54.07M) are projected to exceed the budgeted amount of \$33.22M by 63 percent. The proposed FY 17-18 budget includes \$M for overtime.

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- Recommendations related to the process for creating new City departments? E.g., require that a cost benefit analysis be completed each time a new department is proposed? Should this be deferred to later report

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~~Recommendations related to extent to which the City is adequately planning for the next economic downturn? Are revenue projections peer tested? Are reserves adequately funded?~~

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- The proposed budget continues the fiscally inadvisable practice of relying on one-time funds to support ongoing expenses. In fact, excess RETT is proposed to pay for ongoing services (park maintenance; senior services) even as the budget proposes to reduce other services (WIOA; child care) that were funded in prior years with one-time funds. **Redundant to above RDF discussion??**

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## Goal #2: Increasing Public Engagement in the Budget Process

The FY15-17 budget process saw deeper and wider efforts to engage the public with the budget process. This effort continues in the FY17-19 budget process as illustrated by open data portal and the numerous public meetings by the Mayor and City Council

The recommendations in this report are intended to further increase the ability of residents and stakeholders of Oakland to have meaningful participation in helping to shape the budget.

• ~~Measure HH again?~~

•

- **Do we have Comments on future enhancements to the public survey? Does the budget for it need to be increased? What was the cost in this current fiscal year? Are we just using the survey going forward for biennial benchmarking purposes?**

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- ~~New-What are our comments or~~ **recommendations on budget forums?**

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### Goal 3: Improving Fiscal Transparency & Accountability

The FY15-17 budget process saw improvements ~~to~~in transparency and accountability. So far during the FY17-19 budget process ~~.....the BAC has noted a back sliding in the amount of data presented and available to the public on the city's website and in local media.~~ this effort has continued as illustrated by the Budget Explorer and the significant increase in the number of Budget Forums. ~~???(DO WE AGREE??)~~

The BAC is also requested to submit, by September 30th following budget adoption, an Informational Report to the Council's Finance and Management Committee containing an analysis of the budget adoption process. Many of the items contained in this report address these issues and it is our intention is to more fully develop these ideas at that time.

The BAC recommends:

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- Development of a Measure HH policy.
- The Statement of council member priorities MUST be submitted by each Council member, posted on the budget website and contained within the budget ~~document~~ document.
- The BAC recommends that appropriations for overtime be budgeted and clearly listed in the Budget.
- ~~See Noelle's comments on the budget book~~
- 
- 
- ~~Open data portal added.~~
- Include a section in ~~budget book~~the Budget on adherence showing adherence to the Consolidated Fiscal Policy. ~~(audit results)~~
- Use fund names in addition to ~~fund numbers~~ fund numbers in the budget



- Do we want to comment on the set-aside of \$5.69M in budget year 1 and \$2.96M in budget year 2 for employee compensation pending the outcome of labor negotiations?
- Adding data from the Capital Improvement Budget to the online Budget Explorer open data portal

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## SECTION B

### Capital Improvement Program (CIP)

At \$120M, the 2017-19 CIP is proposed to be funded at nearly double the level from two years ago. very significant than any in recent budgets.

This is due to the passage of measure KK, infusion of measure B and BB funds and the recent passage of state legislation (SB1). \$62M of the proposed two-year capital budget is backed by Measure KK funds. In

our report ~~of April~~ of April 25, 2017 we submitted a comprehensive report on the implementation of Measure KK and the future development of the CIP. City staff is in agreement with these recommendations and will be implementing them in both the Budget and related administrative ~~actions~~ actions. One of the recommendations is to designate the BAC as the measure KK oversight body. We recommend that Council take action to implement this recommendation.

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## Appendix 1: Progress on Implementation of 2015 Budget Advisory Committee Recommendations

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On May 26, 2015, the Budget Advisory Committee submitted a report on the Mayor's proposed FY2015-17 Budget. The following is a brief summary of the recommendations and progress made on those items.

### Strengthen the City's Financial Health

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Recommendations included strengthening public safety and racial justice and equity, prioritizing investments in housing, streets, jobs, homelessness, youth, and public transit, enacting new labor laws and tenant protections, and restoring support for public input such as commissions. The following were accomplished:

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- Passage of Measure Z
- Addition of police academies
- Implementation of Ceasefire Violence Prevention Strategies
- Creation of the Dept. of Race and Equity
- Passage of measure KK the Infrastructure Bond
- Creation of a Department of Transportation
- Enactment of additional Tenant protections
- Unfunded liabilities continue to be reduced
- Enactment of Measure HH the Soda Tax
- Enactment of Measure JJ fees for Rent Adjustment Program

### Increase Public Engagement in the Budget Process

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Recommendations in this area included: expanding the professional survey of public priorities and eliminating the distinct Mayor's survey; expanding the use and format and advertising of the budget forums; and introducing more translation and interpreters at public events related to the budget. The Committee notes that following on the implementation of these recommendations:

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- The professional survey used all Oakland residents as one of two survey populations, the other being all registered voters.

- Very clear notice of public budget forums in the budget submission itself.
- [more from public engagement committee?]

### Improve Fiscal Transparency and Accountability

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Recommendations in this priority included commitment to open budget data, consistent use by council of standardized budget submission templates, use of performance metrics of each city department, and other suggestions to make the budget document more accessible and understandable to the public. The Committee notes the following in the implementation of these recommendations

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- Mayor's proposed budget is well indexed and organized, including page numbers for easy reference.
- The Budget Continues to make progress in providing data. The addition of the open data link is a significant improvement. (<http://budgetdata.oaklandca.gov/#!/year/default>)
- Councilmember are to submit up to seven priorities by March 15 per the Consolidated Fiscal Policy. Apparently only 3 of these were submitted and were not made available in a single location in the budget.
- There is still an absence of performance matrix from departments of goals and outcomes. It would be helpful to have measures of service levels or dollars invested per impact as performance measures.
- Lack of trend data (prior year data) on number of positions or FTEs. Each table in the budget should include year-over-year percentage changes so that readers have point of reference for trends in budgeting.

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Neither the city's legacy nor beta budget web pages contain archives of prior Revenue and Expenditure reports or budget outlook messages or budget calendar/timeline. [See Noelle's notes as starting point.] ~~what needed???~~

[Or can this go in the fiscal health section?]

## SECTION C

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### Progress on Implementation of Prior Recommendations

~~On May 26, 2015, the Budget Advisory Committee submitted a report on the Mayor's proposed FY2015-17 Budget. The following is a brief summary of the recommendations and progress made on those items.~~

#### Strengthen the City's Financial Health

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~~Recommendations included strengthening public safety and racial justice and equity, prioritizing investments in housing, streets, jobs, homelessness, youth, and public transit, enacting new labor laws and tenant protections, and restoring support for public input such as commissions. The following were accomplished:~~

- ~~• Passage of Measure Z~~
- ~~• Added police academies~~
- ~~• Implementation of Ceasefire Violence Prevention Strategies~~
- ~~• Creation of the Dept. of Race and Equity~~
- ~~• Passage of measure KK the Infrastructure Bond~~
- ~~• Creation of a Department of Transportation~~
- ~~• Enactment of additional Tenant protections~~
- ~~• Unfunded liabilities continue to be reduced~~
- ~~• Enactment of Measure HH the Soda Tax~~
- ~~• Measure JJ fees for Rent Adjustment Program~~

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#### Increase Public Engagement in the Budget Process

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~~Recommendations in this area included: expanding the professional survey of public priorities and eliminating the distinct Mayor's survey; expanding the use and format and advertising of the budget forums; and introducing more translation and interpreters at public events related to the budget.~~

The BAC notes that the professional survey used all Oakland residents as one of two survey populations, the other being all registered voters.

### **Improve Fiscal Transparency and Accountability**

<b>Recommendation</b>	<b>Score</b>
Continued commitment to Open Data	The Budget Continues to make progress in providing data. The addition of the open data link is a significant improvement. ( <a href="http://budgetdata.oaklandca.gov/#!/year/default">http://budgetdata.oaklandca.gov/#!/year/default</a> )
Consistent Use of Standardized Templates by Council	Councilmember are to submit up to seven priorities by March 15 per the Consolidated Fiscal Policy. Apparently only 3 of these were submitted and were not made available in a single location in the budget
Expanded Metrics to Measure Outcomes	????
More context on service levels	Noelle: include reference to dollars invested per impact.
More Trend Data in revenue and expenditure tables	Lack of trend data (prior year data) on # of positions or FTEs.
More year-over-year percent changes in tables	Noelle: lacking in F-2.
Include proposed eliminated vacant positions	Contained in the budget.
Provide more definitions of financial terminology	Contained in Glossary Pages J1-11
Make the budget document easier to navigate	Page numbers were added to the budget
Provide greater	Neither the city's legacy nor beta budget web

accessibility to source budget documents	<del>pages contain archives of prior Revenue and Expenditure reports or budget outlook messages or budget calendar/timeline.</del>
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## Conclusion

The BAC welcomes the opportunity to offer these recommendations to the Council, as they work with the Mayor to finalize the budget for FY 2017-19. We look forward to further discussion and debate as we all work towards greater fiscal health, transparency, and public engagement in Oakland.

## **2017-19 Budget Cycle Public Outreach Assessment**

\*This report is based on review of the public outreach process from the April 28, 2017 release of the Mayor's Proposed Budget through May 17, 2017, including 5 community budget forums. As a number of community budget forums are being held after the deadline for submission of this report, the drafters intend to supplement and/or revise this portion of the report following the conclusion of the budget process.

### *Publicity*

Publicity of community budget forums should be an area of greater focus for City staff in future budget cycles. In the Budget Advisory Committee's May 26, 2015 report on the 2015-17 budget cycle, we recommended "Even More Outreach and Communication on the Budget Forums, involving extensive social media outreach and a network of partner organizations with bases, to help spread the word about the range of opportunities to participate."

In the 2017-19 budget cycle, the sort of sustained, focused outreach necessary to publicize these forums did not take place. For example, to the Commission's knowledge, City staff made no utilization of Facebook, Eventbrite, Nextdoor, or other commonly used methods for publicizing events. These services have the added advantage of allowing City staff<sup>1</sup> to assess likely turnout and adjust the location as necessary.

On a related note, one measure of the success of the events' publicity is whether each Community Budget Forum's attendance is reflective of its respective Council District's demographics. For example, while District 1 is roughly 54% white, *see* <http://www2.oaklandnet.com/oakca1/groups/ceda/documents/report/oak049456.pdf>, attendance at its May 13, 2017 Community Budget Forum was roughly 70-80% white. Staff should be mindful of how attendance reflects the demographics of a neighborhood when evaluating siting and promotion of future community budget forums.

### *Location*

The forums took place at various community centers and religious facilities spread

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<sup>1</sup> One source of confusion among the public, based on comments voiced at community budget forums, appears to be who bore ultimate responsibility for organizing and publicizing each community budget forum: City staff, working under the Mayor, or the offices of the City Councilperson presenting at each event. Accordingly, designating clear, publicly disclosed lines of responsibility for organizing these meetings would lend itself to greater transparency in the process. The Commission does not present any recommendation as to who should bear ultimate responsibility, but suggests consideration of both the practical efficiencies of centralizing organization in a single staff member and the optics of City staff working under the Mayor organizing events involving City Councilmembers who, under the City Charter, bear ultimate responsibility for setting the City budget.



throughout Oakland. One problem with the locations, which relates to publicity for the meetings, is that there was no advertised method for determining last-minute location changes. For example, the May 8, 2017 meeting changed locations, but there was no set method for advertising the change, short of showing up at the meeting and being redirected elsewhere.

### *Budget Basics*

At some, but not all, meetings there was a helpful primer on how government budgeting works in California, including issues specific to Oakland, e.g., Oakland's two-year budget cycle, the difference between the general fund and restricted funds, unfunded liabilities, what responsibilities belong to Alameda County, etc. The Commission urges City staff to include such presentations at every community budget forum, as a basic understanding of the process would enhance community members' ability to engage with the budget process. The Mayor's multi-colored "Budget Facts 2017" handout (provided during the Reid/Kaplan forum on May 17) is a good example of how to communicate budget priorities in a top-level manner that is easy to understand.

### *Council Priorities*

The priorities of attending Council members were difficult, or, in some cases, impossible, to determine at the community budget forums. The Commission encourages the Council to bring handouts and/or prepare presentations to discuss their budget priorities, including changes they intend to propose to the Mayor's proposed budget.

### *Budget Trends and Comparisons*

A repeated concern of attendees was a desire to understand budget trajectories over time, as well as how our budget compares to similarly situated cities in California. The Commission urges staff to make such trends and comparisons available in either handouts shared at the forums or in the Powerpoint presentation itself.

### *Community Input*

There was no clear method for community members to express their feedback on budget priorities, aside from an open mic at each forum. The Commission urges City staff to clearly communicate how community members may provide feedback on the budget, whether through an online poll, cards to be filled out by attendees, or other means. Similarly, there was no clear communication from City staff regarding what the follow-up would be to public input.

### *Timekeeper*

The Commission urges staff to clearly communicate ground rules for the open mic portion of each meeting, including time limits, and to gently enforce such ground rules. For time-limited meetings with large numbers of attendees, such as the District 1 meeting, certain speakers took a disproportionate amount of the limited time for comment, to the detriment of other participants.

### *Department Representatives for Major Expenditures (Especially Police Department)*

The public was particularly interested in police expenditures at virtually every forum, but City staff did not appear prepared to discuss department-level budgetary decisions. Because the OPD budget is the focus of considerable interest it would be useful to have a more comprehensive police budget overview.

The Commission further urges department representatives to be in attendance at future forums for all departments where expenditures exceed a certain percentage of total anticipated City expenditures. The Commission suggests a threshold of 10% of City expenditures.