



City of Oakland

BUDGET FACTS

Proposed Amended Policy Budget for FY 2011-13

The Proposed Amended Policy Budget, released on Monday, January 23, 2012, balances the City of Oakland's budget following the loss of the Redevelopment funding. This loss creates a potential annual budget gap of about \$28 million.

Per a California Supreme Court ruling, dissolution of the Oakland Redevelopment Agency and all other Redevelopment Agencies statewide must occur by February 1, 2012.

In total, this Proposed Amended Policy Budget will result in a loss of approximately 105 full-time equivalent (FTE) positions, resulting in fewer layoffs than originally projected. To achieve a balanced budget, this proposed budget eliminates \$8.2 million in FY 2011-12 (February-June 2012), and approximately \$20.3 million in FY 2012-13.

The following is a summary overview of the proposed changes to stabilize the City organization, plan for the future, and provide service within our limited resources.

Preserve Essential Services

- **Library services** remain intact. No branches will be closed and no service hours will be impacted.
- **Human Services** remain intact.
- **Public Safety** services, in both Police and Fire, remain intact.

Reconfigure Organizational Structures for Greater Efficiencies

This new budget reality presents an opportunity for the organization to retool itself through practical reorganizations, department consolidations, and merging functional services where a natural nexus exists. It is through this process that the Administration has been able to minimize service reductions and preserve positions to support those services.

- **Decentralize and reconfigure the Parking Division** to more closely align its individual operating units with competencies in various departments.
- **Consolidate Risk Management and Benefits** under the Department of Human Resources Management, and **transfer Retirement to Treasury**.
- In FY 2012-13, **consolidate key administrative functions in the** Finance & Management Agency, Department of Human Resources Management, Department of Information Technology, and the City Administrator's Office into a traditional **Administrative Services Department**. This will reduce duplication of effort that currently exists in the City, develop consistency in administrative functions, and lead to efficiencies and financial savings.
- In FY 2012-2013, consolidate the Office of Parks & Recreation and Department of Human Services, along with other like services such as the Neighborhood Services Division, to create a **new Community Services Department** entirely focused on direct service to residents.
- **Consolidate certain administrative functions in OFD and OPD** to promote efficiencies in public safety administration.
- **Reorganize the City Administrator's Office** to assume the administrative responsibilities of the Successor Agency, and to formally establish the traditional leadership areas needed to manage a large enterprise of our size: budget/fiscal management; operations; and, labor/employee relations.



Dissolve the Community & Economic Development Agency

Functions will either no longer be completed by the City, or will be decentralized to one of four new offices:

- Consolidate the Planning Division and Building Services Division into an **Office of Planning & Neighborhood Preservation**, which better reflects the mission and goals of these services.
- Convert CEDA Housing Services into an **Office of Housing & Community Development**, which will provide primary staff support for Housing Successor Agency activities.
- Establish a new **Office of Economic Development** to ensure that the City's economic development priority has adequate resources and is focused on business relations, retention, attraction, and development. This newly formed office will be positioned to grow as legislative activity emerges that supports economic development in light of the dissolution of redevelopment.
- Establish a new **Office of Neighborhood Investment** to transition from a Redevelopment Agency to a functional unit focused on implementing qualifying projects outlined in the Enforceable Obligation Payment Schedule (EOPS) and to support Successor Agency activities as detailed in the EOPS report that accompanies the proposed Budget.
- Approximately **45% of CEDA Redevelopment staff will be retained** as part of the Successor Agency to complete the wind-down of projects. A total of 42 FTEs are eliminated from the former Agency for FY 11-12 and an additional 2 FTEs in FY 12-13.

Other Proposed Budget Reductions

The FY 2011-13 Proposed Amended Budget proposes to eliminate functions, positions and non-position expenses across most City agencies and departments. The proposed reductions are across many City funds, not just the General Purpose Fund.

- **Mayor and City Council:** Reductions are proposed in both offices in an amount equal to 40% of the redevelopment funding previously appropriated to each office.
- **City Administrator:** Reductions in Administration, KTOP, and the Oaklanders' Assistance Center.
- **City Clerk:** Eliminate one vacant administrative position.
- **City Attorney:** Transfer positions to align the distribution of staff with the services they actually provide. A total of 5.89 FTEs will be moved to other funding sources. At the same time, a reduction target has been proposed in an amount equal to 40% of the redevelopment funding previously appropriated to the Office.
- **Finance & Management:** Freeze the Agency Director position in coordination with the consolidation efforts of the Administrative Services Agency. Absorb many of the duties previously performed by CEDA administration in a more centralized payroll, accounting and budget role. Eliminate the Parking Director position and replace with an Administrative Services Manager, who will manage Parking Enforcement. Transfer Parking Enforcement to OPD.
- **Information Technology:** As part of the Administrative Services Department consolidation, freeze the Director of IT position. Transfer 1.3 FTEs to other funds and reclassify some positions. No position reductions other than the Director are proposed.



- **Human Resources:** Eliminate two Human Resources Manager positions. Provide funding for the Equal Access language and interpretation contract, as well as staff training and support, at a fraction of the level that was previously provided.
- **Police & Fire Services:** Sworn positions and essential public safety functions are being preserved, in line with the Mayor and Council goals. However, to reduce costs and increase efficiency, a consolidation and reduction of some administrative positions are being proposed in this budget. In addition, the number of Neighborhood Service Coordinators is reduced from nine (9) to five (5), and the Neighborhood Services Division would move to the proposed new Community Services Department as part of the consolidation of the Office of Parks & Recreation and Department of Human Services.
- **Human Services:** A number of budget-balancing measures are proposed, including reclassifying positions, eliminating the Youth Commission staffing, reducing administrative support, and eliminating the 211 Program subsidy. All Community Housing staff remains until at least July 1, 2012, at which time the program funding structure will be evaluated and any proposed changes will be presented to Council.
- **Parks & Recreation:** Preserve the essential Parks & Recreation programs and services. However, measures required to balance the budget include the elimination of 6.77 positions through the adjustment of Recreation Center hours and the reprogramming of the San Antonio Recreation Center and Davie Tennis program. Annual subsidies for the Oakland Zoo, Children's Fairyland and Hacienda Peralta – whose contracts are administered by OPR – are being decreased by 40%. The subsidy for the Jack London Aquatic Center is being eliminated entirely.
- **Public Works:** A reduction of 23 FTEs is proposed across several different funds, including the elimination of the 7 FTEs previously funded by redevelopment, as well as Administration, Facilities, and Equipment. The reductions will cause the shift for illegal dumping to be reduced from 7 days/week to 6 days/week. Response times to service calls for illegal dumping will increase from 3 business days to 4-5 business days. The freezing of vacant positions in the Equipment Fund may cause slower vehicle turn-around.
- **Non-Departmental:** This category has limited discretion due to the nature of its expenditures, as most of the budget is for debt and lease obligations, and transfers to other funds, including Kids First. Balancing measures within Non-Departmental include a 40% reduction to both the art grants and the Symphony in the Schools programs.

Implementation Timeline

January 18	City issues layoff notices citywide to provide 10-day notice
January 23	Mayor and City Administrator submit budget-balancing proposal to City Council
January 25	City Council presented with budget-balancing proposal
January 31	City Council considers proposal and approves a balanced budget
February 1	Redevelopment Agency dissolved; all assets and close-out activities transferred to Successor Agency
February 3	Layoffs take effect
February 6	Begin implementation of Adopted Policy Budget for FY 2011-13
May 1	Deadline for Oversight Board to be established



Budget-Balancing Categories

In development the Proposed Amended Policy Budget, the Mayor and City Administrator evaluated budget-balancing options in four categories to contain costs and minimize ongoing service cuts:

- **Cost Containment**—Immediate measures that the City can put in place to contain expenditures in an effort to minimize on-going service cuts included 5% budget reduction proposals from City agencies and departments, and implementation of an immediate moratorium on hiring City employees and in purchasing non-essential purchases.
- **Labor**—Initiated communication with all bargaining groups to explore additional compensation concessions or other cost reduction measures, subject to the meet and confer process, where applicable. No bargaining group affirmatively responded to the City's request.
- **Revenue Enhancement**—As part of the FY 2012-2013 Amended Budget, in summer/fall 2012, the Administration proposes to evaluate the City's fees, rates, and charges to present the City Council with adjustments that achieve 100 percent, or a higher rate of, cost recovery. Staff will be mindful of the balance between affordability of rates, fees, and charges for residents and the need to seek a higher return of revenue.
- **Alternative Service Delivery Options**— This category outlines organizational restructuring, service reductions or eliminations, and alternative service delivery methods that are recommended to reduce costs and achieve a balanced budget.

Guiding Budget Principles

The following principles guided the Administration's decision-making in developing this proposed amended two-year budget:

- Comply with the Court ruling that calls for the dissolution of redevelopment agencies.
- Develop a budget that balances the City's delivery of the most essential services to the community with the resources available.
- Resolve the shortfall with ongoing revenue to fund ongoing expenditures. Allow for onetime funds to be used for the transition of City services.
- Minimize the negative impact on Oakland residents, businesses, and employees.
- General Purpose Fund revenues shall not be earmarked for any particular purpose, unless required by law or generally accepted accounting principles.
- All Enterprise Funds shall work to become fully self-supporting from revenues generated by rates, fees, and charges.
- Rates, fees, and charges should become fully cost recovering.
- Ensure that budget-balancing approaches have no negative impact, or minimal impact, on future budgets to ensure high standards of fiscal integrity and management--along with the goal and interest of preserving the City's credit ratings.
- Focus on services for both the short- and long-term that are unique to what a full-service local government should offer.
- Explore personnel services cost savings, subject to the meet and confer process where applicable.
- Make every effort, if operationally feasible, to eliminate vacant positions, rather than filled positions, to minimize the number of employee layoffs.
- Defer any new program commitments and initiatives or program expansions, unless those programs stimulate the local economy, create jobs, generate new revenues, have a significant return on investment for the General Purpose Fund, are cost neutral, and/or are funded through redeployment of existing resources.



Background

On December 29, 2011, the California Supreme Court upheld two bills that were part of the State of California's efforts to close its significant budget deficit last year. In its ruling, the Court upheld ABx126, which eliminated Redevelopment Agencies throughout California. It also struck down ABx127, which would have allowed redevelopment agencies to remain in operation as long as they made payment to the State. The Court's ruling set February 1, 2012 as the dissolution date for Redevelopment Agencies, and left no mechanism for reinstatement.

These are unprecedented circumstances. Like many California cities, the City of Oakland had anticipated the possibility that the Court would uphold the bill eliminating Redevelopment Agencies, and had put aside funds accordingly to pay the State to remain in operation. Yet the Court's decision to strike down the option to pay took cities across the state by surprise. As a result, California cities are faced with the Herculean task of dismantling complex Redevelopment Agencies in just under five-weeks' time, an unreasonable yet unavoidable timeline.

In Oakland, the Court's ruling will have a devastating impact—not just on the Community and Economic Development Agency, which is primarily charged with carrying out our Redevelopment activities—but on the entire City. Geographically about half of Oakland is located in a Redevelopment area, so Redevelopment funds have been used to support staff, projects, and programs throughout the City organization.

Redevelopment is the only tool that Oakland—like other urban centers in California—can use to turn vacant and underutilized properties into productive, tax revenue-generating and job-producing use. It has also served as a catalyst for private investment to breathe life into areas burdened with deteriorated buildings, environmental contamination, and aging infrastructure that would otherwise lay vacant and nonproductive.

Until the Court's ruling, the City's budget was balanced for this fiscal year and next. Yet the elimination of Redevelopment funding forced the City to re-open the budget and make significant reductions to achieve a balanced budget. As a result of the deadline set by the Court, the City has had only a few weeks to complete a budget-balancing process that normally takes about eight months to complete. It is also forcing the City to act out of sequence, without the usual and necessary community and workforce engagement that typically accompanies budget decisions, especially decisions of this magnitude.

You can direct your ideas or concerns about the proposed budget to your City Councilmember:

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