

# CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA, 3<sup>rd</sup> FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Administrator  
Deanna J. Santana  
City Administrator

(510) 238-3301  
Fax (510) 238-2223

**Subject: Message from City Administrator to Clarify Budget Questions and Numbers**

Dear City Staff,

As public discussion of the City's proposed budget evolves, there appears to be some confusion regarding several important terms and erroneous numbers relative to revenue and expenditures. The purpose of this letter is to clarify terms and numbers so that everyone addressing City finances and the related budget is on the same page.

The City Administration has remained completely transparent throughout the budget development process, and we have initiated a number of unprecedented efforts to more broadly report updates on the City's financial condition to heighten community and employee engagement. For the first time ever, we posted the raw budget data on the City's [open data portal](#) so that residents and employees can explore the budget data directly, and we have gone above-and-beyond by inviting employee labor groups to look at the City's books. In short, we have nothing to hide.

These are a few key issues that have raised questions and are in error:

- **The City did not receive \$10.8 million from the reversal of the Kaiser land sale.** Earlier this month, the State of California ordered the reversal of land sales between the City and the former Redevelopment Agency, including the Henry J. Kaiser Convention Center. As a result, Alameda County refunded the City's share of those reversed land sales, which totaled \$9.5 million, not \$10.8 million. This transaction is explained in an [Information Memo](#) issued on June 4, 2013.

It is possible that all or a portion of the \$9.5 million will be needed to honor third-party contracts already authorized by the City, which may be subject to reimbursement by the General Fund. Because this process exposes the General Fund to financial risk, the Administration recommends that those funds be placed on hold and set aside until other funding sources can be confirmed. By doing so, we minimize additional negative impacts to the General Fund and maintain stable City operations. This is exactly what we did when we set aside \$32.5 million in anticipation of the State reversing these land sales. Had we not done so, we would have had to reduce costs by \$32.5 million through significant service reductions or layoffs. Our goal is to secure City services and staffing levels by safeguarding the organization from any negative fiscal impacts that we can proactively plan for and avoid.

- Hiring civilians in the Oakland Police Department does not free up funds.**  
 OPD has reduced sworn staffing by 27% and civilians by 34% over the past six years. OPD needs both sworn and civilian staffing to improve service delivery. There are no net savings that come with civilianizing because we propose to hire more officers AND more civilians. It is true that sworn staff can be freed up to perform sworn police duties rather than backfilling administrative tasks due to lack of civilian staffing, but this does not result in net savings—it is just a cheaper way of providing service. Hiring more civilian staff will cost money, not save it, although in the long term it is more efficient to use civilian staff rather than trained officers to perform desk duties. For example, more 9-1-1 dispatchers will speed up response to emergency calls, but it will not reduce the number of police officers on the street. In short, we pay for both, but it will improve service delivery.
- Costs in the City Administrator’s Office have remained flat or declined.**  
 Due to the budgetary impacts the City faced with the dissolution of redevelopment agencies last year, the City Council approved a number of reorganizations to cut costs, streamline operations and flatten management staffing by consolidating functions under fewer managers. As a result, some operations were moved under the City Administrator’s Office (CAO). These reorganizations resulted in lower costs to the City. Specifically, staff that moved to the CAO include: Neighborhood Investment (former Redevelopment Agency) (27 FTEs) and Economic & Workforce Development (21.5 FTEs); the increase of 48.5 FTEs resulted in a higher associated budget—which looks like a budget increase, but is the result of moving FTEs and related costs.
- The City has accounted for additional parking revenues in the proposed budget.**  
 As noted in the [Third Quarter Revenue and Expenditure Report](#) (May 20, 2013), parking citation revenue is down. This is due to more drivers using multi-space kiosks, and people appear to have changed their behavior to avoid getting parking citations. Several new parking initiatives are proposed, and the additional revenue has already been accounted for in the proposed policy budget. It’s not clear how an additional \$5.5 million could be collected, but we are always eager to hear suggestions about ways to generate new revenue.
- City policy mandates a 7.5% General Purpose Fund reserve.**  
 City Council made a policy to mandate the General Purpose Fund reserve at 7.5% of the appropriation level (Ordinance #13008 C.M.S.). This reserve fund “may be appropriated by Council only to fund unusual, unanticipated and seemingly insurmountable events of hardship of the City.” Holding sufficient reserves and planning ahead for financial uncertainty is critical to the City’s long-term stability and allows us to maintain the City’s good credit rating, which in turn makes it more affordable to fund City services and maintain staffing. We remain committed to preserving the City’s financial well-being through prudent and responsible fiscal practices. The current General Purpose Fund reserve at 7.5% equals about \$32 million.
- City policy requires that Real Estate Transfer Tax revenues over \$40 million be used to further stabilize the City’s financial condition.**  
 Real Estate Transfer Tax (RETT) is the tax charged to buyers and sellers when there is a transfer of real estate properties. The current rate is 1.61%: Oakland’s share is \$1.5% and Alameda County gets 0.11%. By ordinance, the City Council mandates that Real Estate Transfer Tax revenue over \$40 million will be used to increase the General Purpose Fund reserve to 10%,

then used to make payments to negative fund balances, pay for capital improvements, and fund unfunded liabilities (like retiree medical costs) [Ordinance 13008 C.M.S.]. A City Council-approved policy amendment is required to depart from the above RETT revenue use.

The City's budget is enormously complex, and budget data always represents a snapshot in time, as revenues and expenditures are not static. The City Administration bears the fiduciary financial responsibility for the wellbeing of the City's financial condition. We make every possible effort to provide accurate, timely, and responsible financial data to all Oakland's stakeholders. Staff attended five town hall meetings to present proposed budget and answer questions, and have also attended labor union meetings to answer questions. All presentation materials were posted on a [section of the City's website dedicated to the budget](#). We have also produced a volume of information/publications on the City's budget, listed below.

In closing, this budget must be an open and honest collaboration with all Oakland stakeholders, including residents, employees, businesses and City officials. In that spirit, we welcome ongoing dialogue with all stakeholders and will continue to make the City's financial information open to public review.

Sincerely,

Deanna J. Santana  
City Administrator

#### **Links to Relevant Budget and Financial Documents**

We urge you to look into the budget and finance-related documents on the [City's website](#). Here are links to relevant documents and reports issued to date:

1. [FY 2013-15 Proposed Policy Budget](#). Released by Mayor Quan and City Administrator Santana on April 17, 2013.
2. Two factsheets in English, Spanish, and Chinese: [Budget Backgrounder](#) and FY2013-15 [Budget in Brief](#).
3. Errata #1. April 17, 2013.
4. Errata #2. April 30, 2013.
5. [Information Memo on questions from the City Council](#). May 13, 2013.
6. [Information Memo on City's Credit Rating and Unfunded Liabilities](#). February 27, 2013.
7. [Police Academy Costs](#). March 27, 2013.
8. [Additional Information re: Policy Academy Costs](#). April 2, 2013.
9. [Information Memo about CalPERS Rate Change](#). April 5, 2013.
10. [3<sup>rd</sup> Quarter Revenue and Expenditure Report](#). May 20, 2013.
11. Errata #3. May 23, 2013.
12. [Information Memo on second set of responses to City Council questions](#). May 23, 2013.
13. [Information Memo on State Department of Finance's Due Diligence Review/ Boomerang Funds](#). June 4, 2013.
14. [Information Memo about Parking Revenue Estimates](#). June 4, 2013.
15. Proposed FY 2013-15 data was uploaded to the [open data platform](#) at: <https://data.oaklandnet.com/>.