



## *MEMORANDUM*

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**TO:** HONORABLE MAYOR &  
CITY COUNCIL

**FROM:** The Budget Advisory  
Committee

**SUBJECT:** Report on the Mayor's Proposed  
FY 2015-17 Budget

**DATE:** May 26, 2015

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City Administrator  
Approval

Date

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The purpose of this memorandum is to transmit to the full City Council, Mayor, and public, the Budget Advisory Committee's (BAC) Report on the Mayor's Proposed FY 2015-17 Budget. The Report is submitted in accordance with the City's Consolidated Fiscal Policy (13279 C.M.S.); and was unanimously approved at the BAC's May 26<sup>th</sup> special meeting.

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### **BUDGET ADVISORY COMMITTEE REPORT**

In accordance with the Consolidated Fiscal Policy the Budget Advisory Committee submits to the City Council this response to the Mayor's proposed FY 2015-17 budget: This Policy states the Budget Advisory Committee (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."

We understand from the Mayor's April 29 letter presenting the FY 2015-17 proposed budget that the primary goal this cycle is to "build a solid financial foundation for a vibrant, equitable Oakland that grows responsibly." The budget, in the Mayor's words, will:

- "Close an estimated \$18 million annual funding gap...";
- "Address unfunded liabilities...";
- "Restore compensation to our workers..."; and
- "Preserve and start to enhance the delivery of services...."

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.

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

It is our understanding that the Proposed FY 15-17 budget is submitted by the Mayor as a transitional budget to stabilize city finances, build public confidence and move Oakland towards long term financial stability.

### A. Services

- *Prioritize Public Safety.* Improving public safety was the number one concern of the recent public opinion survey (discussed in section 2) and the proposed budget clearly reflects this priority. The proposed budget takes a “holistic” approach to public safety funding: “more police officers, better community policing, violence intervention and prevention programs, as well as addressing the root causes of crime, starting with better jobs and education.” The BAC supports the proposed budget’s comprehensive investments in public safety and, specifically, in more police academies and officers, a pipeline program for Oakland youth to enter the Police Academy, the Ceasefire Violence Prevention Strategy, and new positions to support police reforms.
- *Prioritize Racial Justice and Equity.* We recognize the existence of significant racial disparities and inequities within our City, with real and painful impacts on Oakland’s people and neighborhoods. We support the Mayor’s proposed Race and Equity Initiative as a starting point and a minimum investment. We further support efforts of the Council to determine an appropriate, effective, and strategic response, commensurate with the need.”
- *Invest in Other Priorities for Oakland.* Other priority areas reported in the public opinion survey include, in order of support: housing, streets, jobs, youth activities, homelessness and public transportation. The Mayor’s proposed budget reflects most of those priorities to a certain degree: it provides additional investment in housing and transportation (the latter with a new department) and makes no cuts to youth and senior services, recreation programs, libraries, and Head Start. We support these actions.
- *Fund Enacted Policies:* The BAC supports the proposed budget’s inclusion of money for enforcement of the new minimum wage and sick leave laws, and recommends additional enforcement monies be included for enforcement of other new laws like tenant protections.
- *Restore Support for Public Boards, Commissions, & Related Compliance.* Finally, we support the restoration of modest support for Commissions, to make the work of resident and stakeholder participation more effective and efficient. Practices needing additional support include: the on boarding of new commissioners, the City’s annual boards & commissions directory, and fair political practices compliance support for commission members.

## B. Debt & Long Term Obligations

- *Address Unfunded Liabilities.* The five-year forecast makes it very clear that our City has significant unfunded liabilities. We support efforts during the biennium to begin to address these liabilities, as well as to plan to fully meet them.
- *Address Negative Funds Balances.* We support the proposal to reduce negative fund balances. We believe this action improves the long-term financial health of the City by reducing the need in the future to use current funds to pay interest on these negative funds.

## C. Revenues

- *Review Revenue Estimations.* Often missed in the budget process is the fact that estimated revenues are as critical as estimated expenditures. Revenue presentations are often presented in summary charts with a limited discussion of the underlying basis for the estimates. We believe the budget process would be improved by much greater attention paid to explaining and understanding the current and potential sources of revenue in our City. Some sources state that the Mayor's budget estimates of revenue *may* be conservative and thus understate available funds, but we are not able to definitively reach that conclusion.]
- *Consider New Revenues if Needed for Enhanced Services.* The public opinion survey indicated that voters would rather see a budget shortfall addressed by raising revenue, rather than cutting services. The Mayor has prioritized "being responsive to requests for services" in every neighborhood but is targeting most funds on public safety and debts. Potential new revenue sources to consider, if needed to provide enhanced services, are: development impact fees short-term residential rentals; and transportation network companies.

## D. Employee Compensation

- *Separate Budget from Employee Bargaining.* In our report of June 10, 2013 we recommended separating the budget and employee bargaining processes to "improve openness, stability, and transparency." We support the proposed budget's inclusion of a lump sum amount for employee-compensation increases as a move in this direction and we look forward to seeing how the new approach works to accomplish our recommended objective.

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

Efforts to engage the public with the budget process this year are both deeper and wider than in recent budgets and can grow further in future cycles with continued, strategic efforts. 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.

- Expanded Professional Survey of Public Priorities. During this FY 2015-17 budget process, the City conducted a professional public opinion poll (also known as the community survey). This was an item that was promoted and developed by the BAC and was included in the City's Consolidated Fiscal Policy. Feedback from the Council and the public has been favorable on the integrity and completeness of the survey. The most often heard feedback is that, in the future, all Oakland residents should be included in the survey, rather than just registered voters. We support such an expansion. The City should also consider whether the survey was offered in enough languages and whether this should be expanded. We strongly support the Mayor's inclusion in the proposed budget of modest funding \$90,000 for a more inclusive survey.
- Distinct Mayor's Survey. In addition, the Mayor conducted her own budget survey this year. While we appreciate the creative and robust efforts of the Mayor to get community feedback on her proposal, we recommend that in the future there be a clear distinction between 1) the public opinion poll and 2) the community survey outlined in the Consolidated Fiscal Policy and 3) a survey coming from an elected representative. As noted above, the public opinion poll (run by a professional) and the community survey (the same questions promoted by BAC and others for community engagement) should remain objective and trusted, for maximum public education and engagement.
- Continued Variety of Format and Location of Budget Forums, including educational, town hall, and "straight talk" formats, among others.
- 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.
- Continued Support for Translation of Public Documents and Interpreters at Public Events. We are pleased that the public summary documents are translated into Chinese and Spanish -- namely, the Budget Fact Sheet, 5 Year Forecast, and Town Hall flyers -- and recommend that additional languages (and, per below, budget documents) be provided in future years. We also request shorter RSVP time for interpreters at public events, whenever possible.

### **Goal 3: Improving Fiscal Transparency & Accountability**

Overall, the proposed budget and the accompanying process –to date- represent a significant improvement in transparency and public accessibility. Organization of budget documents on the City’s website, as well as the ease of reading materials and organization of budget web pages have also improved. As more people become interested in the budget process and accessing materials on-line, it is important to continue this trajectory.

The BAC is also requested to submit, by September 30<sup>th</sup> 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:

- Continued Commitment to Open Data. The Mayor’s budget was posted online in an open-data format and has been accessed by the members of the public to have a more informed budget debate. More guidance is needed to decipher raw budget data and the open data portal data.oaklandnet.com will need continuous improvement each budget cycle.
- Consistent Use of Standardized Templates by Council. Council members have access to a standardized template to indicate priorities and amendments to the Mayor. Only five of eight council members submitted publicly available priorities and, to our disappointment, only two of those used the standardized template, neither of which was available except as a PDF. We urge all Council members to begin using the standardized template, in the interest of transparency and better public engagement.
- More Metrics on Outcomes. We believe that the entire budget process would be greatly strengthened if it contained metrics for each of the City Departments and their principal operating units indicating a) measurable activities and accomplishments in the prior budget and b) anticipated outcomes for the proposed budget. A clear description of activities and outcomes would provide needed information for the Mayor in preparing the proposed budget, the Council in evaluating it, and the public in understanding the accomplishments of our City government.
- More Context. This budget states that it maintains service levels, but is that in comparison to the previous biennial budget or other benchmark? What were service levels before the great recession? A generation ago? The BAC would like comparative analytics to better understand what the historic service levels were – not just comparing money spent, but other metrics as well, perhaps full time equivalent employees, percent of budget, and more.
- More Trend Data\*. While Revenue and Expenditure summary tables in the Financial Summaries (starting on page E-65 and E-91, respectively) show four years of data (prior year actuals, current year budget, and the two years of the proposed budget),

Departmental Summaries do not show prior year actual financial data. Consider showing this information at the Departmental level so the public can compare spending within departments to past trends.

- More Percent Changes\*. Include year-over-year percent changes in charts. To enhance the value of the trend data presented in revenue and expenditure Financial Summaries, consider including the percentage increase or decrease for each line item and the totals from the current year budget to the first year of the proposed budget and from the first year of the proposed budget to the second year.
- Detailed List of Vacant Positions Proposed for Elimination. The BAC recommends that this list should be made available, either in the proposed budget or as an additional resource. This cycle, the Mayor has provided this list, subsequent to the release of the proposed budget, in response to a Council request.
- More Definitions\*. Central terms like “structurally balanced budget,” “balanced budget,” and “negative funds” require clear, up-front explanations, in addition to the more detailed discussion in the complete budget documents.
- Easier Navigation\*. A budget document is a very large set of information to read and process. The public is greatly aided by a Table of Contents that is comprehensive and designed to help readers locate information. The use of a letter-number system for paginating the document hinders readers’ ability to quickly assess how far into the document a particular section is as listed in the table of contents (example: how far into the document is page E-89?). Consider using a standard pagination format that starts with the number 1 and proceeds upwards from there until the end of the document. Especially as more of the public switches to reading documents on-line, being able to enter a page number from the Table of Contents into a page finder is helpful, and also helps readers who still use printed documents. Also, pdf files should not be scanned documents, as those lack searchability.
- Greater Accessibility of the Source Budget Documents: We recommend that the source budget documents be translated into in at least Spanish and Chinese and also made accessible for those with disabilities.

Several of these recommendations (\*) are included in the Government Finance Officers Association recommendations for building a better budget document for all public agency budget documents.

## **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 2015-17. We look forward to further discussion and debate as we all work towards greater fiscal health, transparency, and public engagement in Oakland.