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CITY OF OAKLAND

MEMORANDUM

TO: HONORABLE MAYOR & CITY COUNCIL

FROM: Sarah T. Schlenk
Interim Budget Director

SUBJECT: FY 2014-15 Midcycle Budget Questions

DATE: June 6, 2014

City Administrator Approval **/s/ Donna Hom**

Date **6/6/14**

The purpose of this memorandum is to transmit to the full City Council and public, responses to questions raised by City Councilmembers regarding the Fiscal Year (FY) 2014-15 Proposed Midcycle Policy Budget (proposed budget). We have answered as many questions as possible; however, some questions require more data, analysis, etc. and as such, will be answered through an additional supplemental memo. To the extent additional information becomes available on any of the responses below, we will provide updates accordingly.

DISCUSSION:

General

1. **If the Council were to adopt the 2014-15 Midcycle Policy Budget as proposed under existing law, would the Council be required to determine that there is a fiscal emergency?**

   A: Yes, or elimination of $19.9 million of on-going operating expenditures from the proposed budget would be required.

2. **Can the Development Services Fund (2415) be used to offset some of the proposed allocation for six (6) Information Technology Department (ITD) positions? See Row E3 in Exhibit 1.**

   A: At this time, it cannot be determined whether any of the proposed new 6.0 FTEs are expected to work on systems that directly impact or support Planning and Building in an extraordinary level that would justify direct funding by the Development Services Fund (DSF/2415). The proposed budget already includes funding for 1.03 FTE IT positions (portions of three (3) positions) from the DSF that provide direct and extraordinary support to Planning and Building systems, such as Accela, which is the City's new permit tracking system. Fund 2415 also pays a Central Service Overhead (CSO) rate of 32.84% back to the General Purpose Fund (GPF) that helps offset a portion of ITD costs for typical/normal support.

Police

1. **Since we are anticipating consideration of moving the Animal Shelter out of the Oakland Police Department (OPD), how do we ensure that proposed allocations in Exhibit 1 to OPD for the Animal Shelter move to the Department ends up performing or administering the Animal Shelter functions?**

   A: The Animal Shelter is separated from the other portion of OPD's operating budget by organizational code (103130). If the City Council made the decision to move the Animal Shelter operations out of OPD, the Animal Shelter budget would be moved as well given. Additionally, the proposed augmented funding of $400,000 could be put into a separate project account to further ensure funds are spent appropriately.

2. **With respect to civilianization, please provide a status update on implementation of the positions added in the budget last year. Are there any other positions in the Police Department that can be civilianized? Please specify the civilian classification and cost, as well as the sworn position that would be freed up for patrol assignment.**

   A: The Oakland Police Department has been working to civilianize appropriate positions filled by sworn personnel. The table below provides the current status of the positions added in the FY 2013-14 budget as part of the civilianization effort.

FTE	Position(s) Added	Cost	Sworn Position(s) Reassigned	Assignment	Status
5	Intake Technicians	$477,133	Police Officer (5)	Internal Affairs	3 hired; 1 in background; 1 (Selective Language-Spanish) pending eligibility list from DHRM
20	Police Service Technicians II	$1,620,194	Police Officer (20)	Patrol	20 hired— pending full deployment (waiting on necessary equipment)

Note: Costs are based on FY13-14 salaries and benefits and do not include O&M, overtime, or premiums associated with these positions.

As mentioned in the Informational Report dated December 2, 2013 from OPD regarding civilianization, which was presented at the December 17, 2013 Public Safety Committee meeting, the following positions are additional positions that can be civilianized in the future with approved funding.

FTE	Position(s) Added	Cost	Sworn Position(s) Reassigned	Assignment
3	Systems Programmer II	$396,918	Police Officer (3)	Police Information Technology
1	Management Assistant	$132,306	Sergeant of Police (1)	Identification Detail
1	Management Assistant	$132,306	Sergeant of Police (1)	Property and Evidence
1	Police Services Manager II	$227,523	Captain of Police (1)	Internal Affairs
3	Management Assistant	$396,918	Sergeant of Police (3)	BFO Admin
1	Public Information Officer II	$132,306	Police Officer (1)	Public Information

Note: Costs are based on FY14-15 salaries and benefits and do not include O&M, overtime, or premiums associated with these positions.

3. **The FY 13-15 Budget approved last year added 1 FTE HR Analyst to address the backlog of hiring Police Department vacancies and an additional $400,000 in one-time funds to improve hiring time. Regarding the $400,000, the March 31, 2014 Budget Implementation Matrix states, "The Department of Human Resources Management has finalized the contract and engaged CPS HR Consulting to assist with Police Department hiring." How much of the $400,000 has been spent? Has the HR Analyst been hired?**

   A: To date, OPD has spent or committed approximately $120,000 in the current fiscal year for support of Police department hiring. This includes the contract with CPS HR Consulting for $200,000 over two years, which was finalized in early December 2013. From this contract, OPD has committed approximately $95,000 for recruitment "events," such as: physical agility testing, written testing, oral board interviews, etc. and classification work in the current fiscal year. OPD has also used some of the funding for a limited duration Human Resource Clerk position to provide clerical and technical support to Police recruiting. This position was filled at end of March 2014 at a cost of roughly $20,000 in the current fiscal year and $80,000 in FY 2014-15. In addition, OPD utilized a small amount of the funding (roughly $4,000) to purchase much needed equipment (computers for staff and testing equipment for the Dispatch exam). Finally, full time Human Resource Analyst position added in the FY 2013-15 budget was filled in December 2013.

   Below is additional information from the May 27, 2014 report to the Public Safety Committee regarding OPD hiring activities. Beginning in January 2014, OPD moved to a "continuous" testing schedule for Police Officer Trainees. Since that time, OPD has conducted 13 recruitment events, all of them supported by CPS. Continuous testing cycles and the staff to support them are required to keep an active group of candidates in the pipeline for subsequent academies. Typically it takes approximately four test groups to fill an academy. Since a year ago, the Department of Human Resources Management Department (DHRM) has processed more than 10,000 Police Officer Trainee applications

and administered four (4) agility tests, eight (8) written exam sessions and multiple days of oral interviews consisting of 85 (85) interview panels. Once the eligible candidates were referred to OPD, the OPD Recruitment & Backgrounds Division conducted background screening for nearly 1200 candidates. Keeping recruitment activities running continuously, maintaining current staffing levels in DHRM and civilian support in OPD, and with the funding to support the academies, staff anticipate sworn personnel reaching a count of 720 following the 172nd Academy in January 2016.

Fire

1. **What would be the cost of adding a 1 FTE Fire Inspector?**

   A: The cost of adding 1 FTE Fire Inspector (Classification: Fire Suppression District Inspector) is $99,505, this includes salary/benefits, etc.

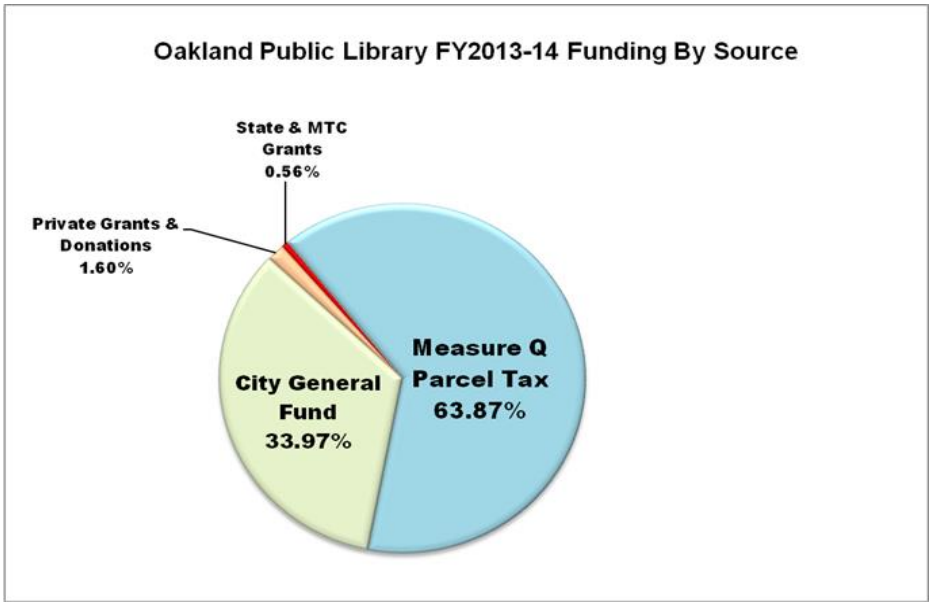
Library

1. **With regard to future library shortfalls, is there a non-GPF fund that can hold and not spend GPF funds until FY 2015-17 when the funds can be used to maintain library spending?**

   A: Yes, if the Council makes a policy decision to set-aside funding in FY 2014-15 to help address future shortfalls in Measure Q funds , these funds can be set aside in a project account within the GPF until such time as they are needed to support Library staffing and programs.

2. **Please explain the sources of library funding and, in particular, how General Funds and Measure Q funds interact now and have interacted in the past.**

   A: The Oakland Public Library's (OPL) FY 2013-14 operating budget is funded as follows:

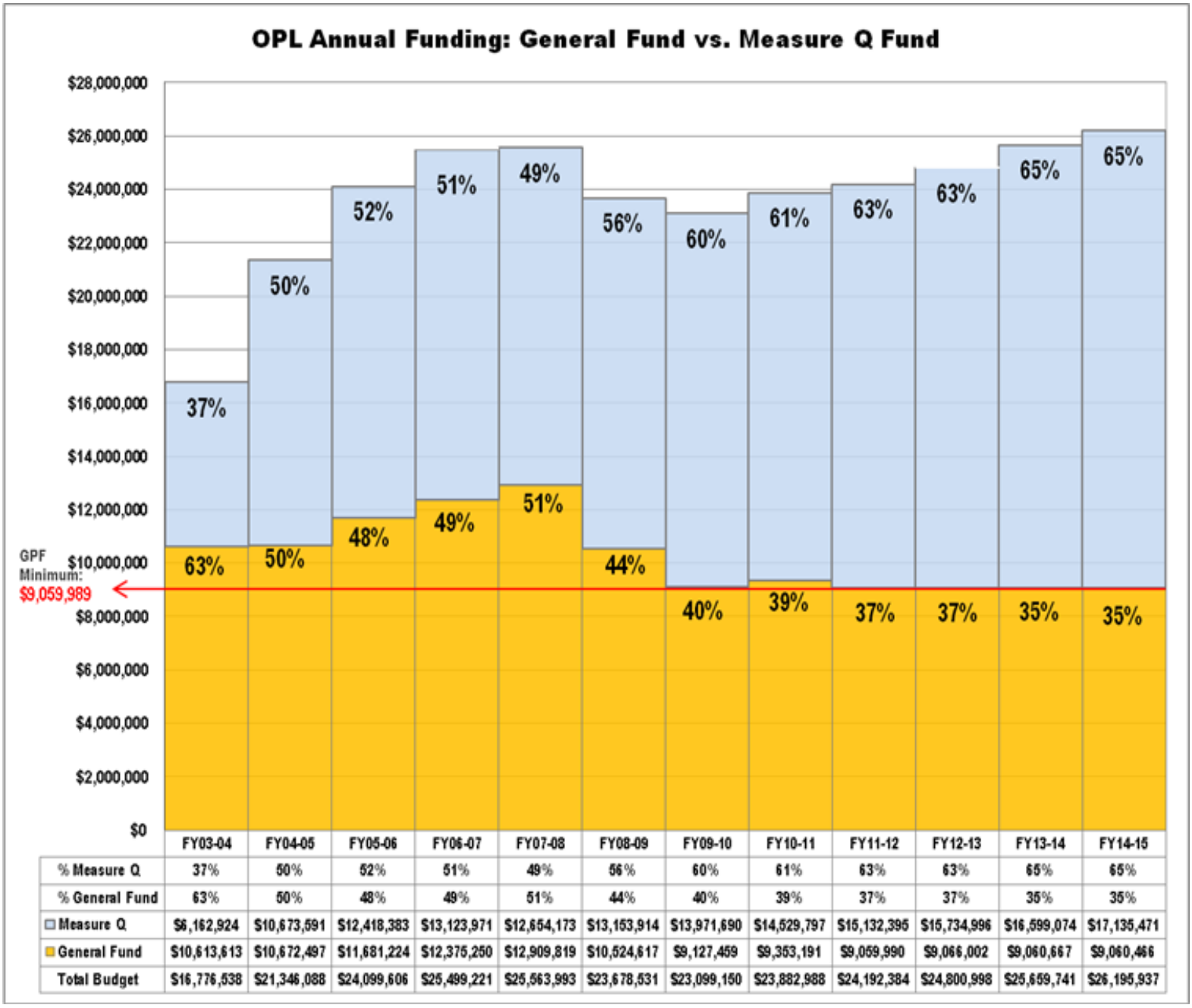


Section 8 of the "Library Services Retention and Enhancement Act of 1994, as amended in 2004" (Measure Q) stipulates the following as a "prerequisite" for annually collecting this parcel tax revenue for library services in Oakland:

> For any year during which this tax is in effect, the City Council may collect this tax only if the General Fund appropriation for Library services is maintained at a level that is no lower than the General Fund appropriation for fiscal year 2000-01. The General Fund appropriation for Library services for fiscal year 2000-01 was $9,059,989.

As indicated above, the majority of annual funding for library services in Oakland comes from a mix of General Fund appropriations and Measure Q parcel tax revenue. However, as indicated below, since its passage in 2004, Measure Q parcel tax revenue has gone from a means to both "retain" and "enhance" library services in Oakland, to mere retention of basic services.

In FY 2003-04, the General Fund provided 63% of the Library's annual funding, while the parcel tax provided 37%. However, by FY 2011-12, the percentage of General Fund support for library services had declined to 37% of the Library's annual funding, while dependence upon the parcel tax grew to 63%. Although General Fund support for library services increased to just under $13 million in FY 2007-08, since FY 2009-10 General Fund support has effectively been reduced to and held at the FY 2000-01 minimum:



	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15
% Measure Q	37%	50%	52%	51%	49%	56%	60%	61%	63%	63%	65%	65%
% General Fund	63%	50%	48%	49%	51%	44%	40%	39%	37%	37%	35%	35%
Measure Q	$6,162,924	$10,673,591	$12,418,383	$13,123,971	$12,654,173	$13,153,914	$13,971,690	$14,529,797	$15,132,395	$15,734,996	$16,599,074	$17,135,471
General Fund	$10,613,613	$10,672,497	$11,681,224	$12,375,250	$12,909,819	$10,524,617	$9,127,459	$9,353,191	$9,059,990	$9,066,002	$9,060,667	$9,060,466
Total Budget	$16,776,538	$21,346,088	$24,099,606	$25,499,221	$25,563,993	$23,678,531	$23,099,150	$23,882,988	$24,192,384	$24,800,998	$25,659,741	$26,195,937

3. **What is the projected library budget shortfall during fiscal year 2015-2016 if financial support from the General Fund is not increased?**

A: Assuming a 2.0% rate of inflation, holding Library General Fund support at the current amount with Measure Q absorbing the increase, Measure Q is facing an estimated revenue shortfall in FY 2015-16 of somewhere between $2.5 to $3.5 million.

4. **Please detail what such a financial shortfall would mean in terms of loss of current library services.**

   A: The loss of $2.5 to $3.5 million each year, is comparable to:
   - The closure of six (6) to eight (8) branch libraries; or,
   - Elimination of the Library's entire budget for new materials (books, audio-books, e-books, cds, dvds, etc.) as well as closure of up to three (3) branch libraries.

5. **Please detail which, if any, library services that have been eliminated or reduced during the past 6 years**

   A: Since FY 2007-08, the Library has:
   - Eliminated the Bookmobile, which brought library services and programs to those who could not easily travel to a library, making over 50 stops each month at various locations throughout the City, including, senior living facilitates, schools, rehabilitation center, etc.
   - Reduced the number of days branch libraries are open each week, from six (6) to five (5) days, a 16% reduction;
   - Although adding a new branch library in 2011 (81st Ave), the Library has had to eliminate 35 FTE since FY2004-05;
   - Reduced Second Start Adult Literacy services and staff;
   - Library's total budget for new materials has not increased in the last ten (10) years – a purchasing loss of approximately 20%; and,
   - Since Measure Q may not be used for capital improvements, the library has only been able to begin deferred library building maintenance and making needed improvements when limited private grants and donations become available.

6. **Page 5 of the Special City Council Report, the GPF Expenditures for the library in fiscal year 2014-15 are listed as totaling $7.39 million. Has the $9.059 million baseline general funding required by Measure Q in order to collect Measure Q taxes changed? Please explain the discrepancy in these numbers.**

   A: The $7.39M in GPF expenditures does not include the departments' Internal Service Funds (ISF), those are captured elsewhere on the pie chart. Total 1010 expenditures for the Library are $9.26M.

Human Services

1. **What would be the impact of a $25,000 one-time allocation to support the hunger relief program?**

A: An additional $25,000 would allow the Hunger Program to distribute an additional 3,000 brown bags of groceries to low income Oakland households. Brown Bags of groceries (primarily proteins and fresh whole foods) are distributed by the community-based EFPAC (Emergency Food Providers Advisory Committee). The EFPAC consists of 14 volunteer agencies throughout the City who put in their time and effort to collect, bag and give out the brown bags of grocery to low income members of the community. It should noted that if CDBG funds are provided to this Program, this allocation will come at the expense of other CDBG funded programs, such has a low-income loan program.

As background, the City of Oakland allocates $100,000 in GPF annually to fund the City's Hunger Program, which provides 3,400 brown bags of groceries per distribution Citywide, free of charge to low income Oakland residents, through the community volunteers of the Emergency Food Providers Advisory Committee (EFPAC). Brown Bags of groceries are purchased by the City on behalf of EFPAC through the Alameda County Food Bank. The foods are delivered to 14 volunteer agencies throughout the City who give out the food to the public. EFPAC has, since its inception more than 20 years ago, worked to provide a brown bag of groceries every month to low income residents in all 7 districts. To accomplish this, EFPAC does fundraising to supplement City funding with other sources, including donations, to increase the number of food distributions it can provide each year. For several years EFPAC experienced severe budget reductions that took them down to 5 distributions a year, primarily due to a loss of CDBG funding. EFPAC also faces a constant struggle with rising food prices. CDBG funds have traditionally been used in hunger relief efforts, both in Oakland and in other jurisdictions. Over the years, CDBG funds have made up approximately half of the Hunger Program budget. The loss of CDBG funds during the FY 2013-14 funding cycle severely curtailed the activities of the Hunger Program. EFPAC hopes to secure CDBG funds for hunger relief purposes during the FY 2015-16 budget cycle. The average cost of a single citywide distribution is approximately $15,000. To be fully funded, and deliver a food distribution every month, the Hunger Program needs approximately $150,000 per year. For the 2013-14 fiscal year, the Hunger Program is about $40,000 short of that goal.

Housing

1. **Please provide the detail regarding the new 5.45 FTEs for the Housing Department.**

HUD-CDBG Fund (2108)		Dept.	Amount	FTE
J5	Upgrade vacant Account Clerk III to Accountant II; increase allocation	Housing	37,258	0.1
J6	Add 1.15 FTE for CDBG Coordination - grant management and support	Housing	159,181	1.15
J7	Add 2.30 FTE to support Residential Lending	Housing	257,840	2.3
J8	Add 0.75 FTE (Management Assistant) to CDBG/2108 in Strategic Initiatives unit	Housing	122,183	0.75
HUD-Home Fund (2109)				
K5	Upgrade vacant Account Clerk III to Accountant II; decrease allocation	Housing	1,058	-0.06
K6	Transfer 0.25 FTE (Housing Development Coordinator III) from DSF/2415	Housing	40,952	0.25
Rent Adjustment Program Fund (2413)				
S4	Add Senior Hearing Officer	Housing	196,405	1
S5	Upgrade vacant Account Clerk III to Accountant II; adjust allocation	Housing	58	-0.04
			TOTAL NET NEW	**5.45**

Economic & Workforce Development

1. **With regard to Row D6 in Exhibit 1, we are concerned about allocating GPF moneys to project costs, though we certainly do not want the West Oakland Resource Center to be shut down. Are there other program costs that could replace the $250,000 allocation? If not, could the City structure the allocation as a loan and not spend the funds until a loan agreement is executed?**

   A: There should be enough future billboard revenue to pay off a loan of $250,000 over a number of years. However, there is still some uncertainty about the timing of billboard revenue and some ambiguity as to the amount of funds needed to adequately staff the West Oakland Job Resource Center (WOJRC), Contract Compliance and the Oversight Commission. It will likely cost more than the initial $500,000 requested in April 2013 ($300,000 for the WOJRC and $200,000 for contract compliance).

   The billboards are estimated to generate roughly $550 - $800K per year. Staff estimates that billboards 3, 4 and 5 will generate revenue beginning in June 2015 (roughly $350-400,000). However, negotiations are still in progress with Caltrans on billboards 1 and 2 and their timetable is uncertain. Staff currently estimates that they could be generating revenue in September 2015 (which leaves a potential gap in FY 2014-15). It is also possible that Caltrans will push for revenue sharing for these two billboards, which would decrease the share for the City.

   A loan of this type could be documented with a footnote in the budget. According to the City Attorney's Office, since it is an internal, fund to fund loan – a formal note or loan agreement would not be required.

2. **What is the total amount of Workforce Investment Act (WIA) funds that the City is anticipating in FY 2014-15? What are the City's overhead/expenditures (i.e. system administration costs)? Please provide a detailed breakdown of the $1.48M allocated for City staffing. Please provide a clear description of the duties of the City staff. What program costs are eligible under WIA requirements? Do all of the funds allocated to the System Administrator count against the 10% for overhead?**

   A: Revenue and Allocations
   Staff has not presented the FY 2014-15 budget to the Workforce Investment Board (WIB), and as such, numbers presented below may change. Staff's goal is to maintain the City's portion of the WIB budget at the FY 2013-14 figure of $1,488,728. This figure includes $1,223,716 for staff costs for 7.0 FTE, $121,000 in facilities costs, $75,000 for training, technical assistance and program design services, and $46,500 for Operations and Maintenance costs.

   Total anticipated revenue, which includes FY 2014-15 WIA Formula funding, FY 2013-14 carry-forward, and a new discretionary grant of $988,000 totals $6,626,555. The City's portion of the proposed budget would amount to 22.5%. Historically, the average

cost for System Administration of Oakland's WIA funds has averaged 24.7% from FY 2004-05 to FY 2013-14 of total budgeted revenues.

By federal law, the WIB and the Mayor must approve WIB budgets. By the City Charter, the City Council must approve all funding allocations. This is why staff brings WIB budgets to the City Council outside of the City's budget process. The WIB Executive Committee and full WIB have three meetings scheduled to complete the FY 2014-15 budget process by June 26, 2014. Staff anticipates presenting the WIB FY 2014-15 budget to the CED Committee on July 8, 2014, and to the full City Council on July 15, 2014.

Recently, as required by the WIA, the Oakland WIB Youth Council approved staff's recommendation for FY 2014-15 youth activities funding, which is $1,511,247. This allocation represents the same level of funding for youth programs as it is for FY 2013-14, and also includes a reserve wage pool for youth work experience in the event of an Oakland minimum wage increase. That recommendation will now go to the WIB for its consideration.

Staff is also contemplating a similar strategy of relatively flat funding from FY 2013-14 to 2014-15, with the exception of an additional $360,000 for Dislocated Worker training.

History of Compliance

The City has always been deemed in compliance with the 10% administrative cost cap by the State Employment Development Department (EDD), the Department of Labor and the City's auditors, according to the City's Finance Department, which oversees fiscal monitoring visits and the City's Single Audit. Per the Code of Federal Regulations (2 CFR 225 Appendix A) the City must uphold the following requirements in administering WIA funds:

- Efficient and effective administration of Federal awards through application of sound management practices;
- Administration of Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award; and,
- Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques necessary to assure proper and efficient administration of Federal awards.

To comply with this Federal mandate, the WIB, Mayor and City Council have approved the transition of all System Administration duties to the City, which is consistent with the way WIA funds are managed throughout the country. In doing so, the City had to expand its Workforce Development office to properly and efficiently administer the WIA funds through the performance of required and essential administrative and program support functions, which are outlined below.

Administrative Duties
Generally, the rule is that most activities conducted by a contracted service provider are all program costs. As the WIA Sub-grant recipient, the City is required to perform extensive administrative functions. These functions include the following:

- Accounting of WIA funds including required State reports;
- Budgeting of WIA funds processed through the WIB, Mayor and City Council;
- Executive functions associated with WIA System Administration and staffing of WIB;
- Fiscal services, such as invoice processing and project set-ups in Oracle;
- Personnel services, such as staff hiring;
- Monitoring of service providers; and,
- Procurement of contracts and services.

Administrative costs based on the current year's Expenditure Reports submitted to the Employment Development Department through March 31, 2014 and projected out through June 30, 2014, are estimated at $456,039, which equals 8.5% of total projected WIA expenditures of $5,358,433

Program Duties
While some of what the City is required to do as the WIA Sub-grant recipient falls under the category of Administration, a significant amount of the work WIB staff performs are categorized as program costs, which includes the following:

- Program support: Program Analysts' work is focused on supporting our service providers;
- Program design and over-sight, such as leading the process of obtaining the $988,000 On-the-Job Training grant from EDD;
- Program coordination, such as the Mayor's Summer Jobs Program;
- Program staff's role in supporting the strategic program and service delivery initiatives of the City's largest policy Board;
- Training and technical assistance for staff and service providers; and,
- Pilot business services initiatives in response to employer and state requests for WIB staff's direct participation in developing customized recruitment and placement programs and project oversight.

Estimated City program costs based on this fiscal year's Expenditure Reports are $1,032,689. Nearly all other WIA-funded costs outside of the City are classified as program costs, and as such, the City has not received a finding for exceeding the 10% administrative cost cap for the City's WIA-funded System.

In Summary
- The total amount of WIA funds projected for the FY 2014-15 WIB budget is $6,626,555.
- The City's projected allocation of WIA funds for FY 2014-15 is $1,488,728.
- Based on current fiscal year Expenditure Reports, administrative charges are estimated at 8.5% of the total WIB budget.

- The majority of the funds allocated to the City are charged as program costs.

Public Works

1. **In Exhibit 2, the Multipurpose Fund category (1750) shows $2,330,029 expenditure for "Transfer to fund balance." What does that mean and what flexibility does the City have regarding spending from that fund?**

   A: The change in the transfer to fund balance is actually an increase of $1.5 million for a total proposed transfer to fund balance of $1.88 million (the FY 13-15Adopted Budget included a transfer to fund balance of almost $380,000). The Multipurpose Reserve Fund (1750) has a negative fund balance (approximately $4.56 million as of the end of FY 2012-13), so there is no fund balance available to spend. This transfer to fund balance will help pay down the negative fund balance over time. Below is a slightly revised summary of the changes to Fund 1750:

F1	**Multipurpose Fund (1750)**				
F2	Negotiated and approved Cost of Living Adjustment	City-wide	$ -	$ 38,863	-
F3	Increase parking garage revenue per May 20th Council direction	Public Works	$ 2,867,520	$ -	-
F4	Approximate savings from proposed parking garage operator contract	Public Works	$ -	$ (200,000)	-
F5	Add Program Analyst III to manage garages and parking lots per May 20th Council direction	Public Works	$ -	$ 176,442	1.00
F6	Move restricted ORSA garage revenues and associated expenses to bond funds	EWD	$ (336,300)	$ (336,300)	-
F7	Net additional operating funds per May 20th Council direction	Public Works	$ -	$ 1,360,265	-
F8	Various minor position allocation changes	Various	$ -	$ (11,705)	0.10
F9	Increase transfer to fund balance to pay down negative fund balance	City-wide	$ -	$ 1,503,655	-
F10	**SUB-TOTAL**		**$ 2,531,220**	**$ 2,531,220**	**1.10**

For questions, please contact Alex Orologas, Assistant to the City Administrator, at 238-6587.

Respectfully submitted,

/s/

SARAH T. SCHLENK
Interim Budget Director