



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Sarah T. Schlenk
Interim Budget Director

SUBJECT: FY 2014-15 Midcycle Budget Questions
Response #2

DATE: June 13, 2014

City Administrator	Date
Approval /s/ Donna Hom	6/13/14

The purpose of this memorandum is to transmit to the full City Council, the public and interested parties, 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. All proposed budget related documents can be retrieved on the City's Budget Homepage, accessible via the following link: <http://www2.oaklandnet.com/OAK040588>.

DISCUSSION:

General

1. Regarding the transfer of 2 Communications Staff from Fund 1760 to the General Fund, is this transfer legally mandated?

A: It is anticipated the transfer of these two positions is legally required beginning July 1, 2014. An ordinance to re-restrict two percent of the cable franchise fee revenue is scheduled to for a second/final reading at the City Council meeting held on Tuesday, June 17. If approved, two percent (2%) of the cable franchise revenue will be restricted "for expenditures on KTOP Television and cable-related non-regulatory activities, including, but not limited to, funding public, educational, and government access programming" beginning July 1, 2014. The primary purpose and responsibility of both positions (1.50 FTEs) is to serve the City and Mayor's Office by writing and disseminating public information through press releases, news and features articles, and website content. The proposed budget is an appropriation of anticipated revenue beginning July 1, 2014, so these positions would not be eligible for funding from the Telecommunications Fund (assuming the ordinance passes), because they do not support the operations of KTOP.

It should be noted that revenues placed into the Telecommunications Fund (1760) between December 18, 2007 and June 30, 2014 are unrestricted. If there was fund balance available resulting from revenue during these years, it could be used to fund the 1.50 FTEs on a one-time basis; however the FY 2012-13 year-end gross fund balance totaled \$319,650 and most of these funds are needed to transfer amounts owed to Kids First! to reconcile for amounts owed during the years the revenues were unrestricted (estimated to be \$280,000 and included in the FY 2014-15 proposed budget amendments).

Finance

- 1. In the information dated June 6, 2014, titled “FY 14-15 Midcycle Budget Questions,” the Administration answered the following question: “If the Council was to adopt the FY 14-15 Midcycle Policy Budget as proposed under existing law, would the Council be required to determine that there is a fiscal emergency.” In response, the Administration stated, “Yes, or elimination of \$19.9 million of on-going operating expenditures from the proposed budget would be required.” Does this mean that the proposed budget intends to use one-time revenue to pay for on-going expenditures, this creating a structural deficit? How is this sound fiscal policy and in keeping with the spirit of the concessions already made by employees?**

A: One-time revenues/resources should be viewed in the context of existing policy – how these resources are defined in that policy, and how they are allocated in the budget process. The current financial policy defines that Real Estate Transfer Tax (RETT) beyond \$40 million each fiscal year as one-time. As an alternative to declaring a fiscal emergency or eliminating \$19.9 million from the budget, the full staff report discussed at the Special City Council meeting on June 2, requests the City Council to consider modifying the current financial policy (ordinance). Staff has asked City Council to consider adopting the State’s model by using a percentage of RETT revenue in comparison to GPF tax revenue rather than an absolute amount of \$40 million to define one-time RETT. As an example, RETT for the last 10 years averaged approximately 14.6%; in the last 15 years the average is approximately 14.4% of the GPF tax revenue. Fifteen years covers revenue data for two complete economic cycles (i.e., economic growth and recessions). This policy revision would eliminate the current \$40 million threshold for calculating excess RETT that can only be used to fund one-time expenses. Based on previous year RETT actuals, staff recommends a percentage that is between 12% and 14%. If this new methodology were applied to the projected GPF revenue for FY 2014-15, 12% would equate to \$46.3 million, while 14% would equate to \$54 million. *This policy change would lower the use of one-time revenue for ongoing expenditures from \$19.9 million to \$13.6 million or \$6.9 million, respectively.* It should be noted that the City recently came out of a recession, and as such, it is necessary to reinvestment in basic critical city services, including public safety. While securing funding for public safety, we need to continue to invest in economic growth of our city, which, in turn, will inherently grow our on-going revenue base.

The second change staff is requesting is to replace the need to declare a “fiscal emergency” to use one-time revenue on ongoing expenditures with a separate resolution that would require a super majority vote (6 out of 8 Councilmembers). This policy still demonstrates the seriousness of using one-time revenue on ongoing expenditures, but allows more flexibility in funding priority programs of the City.

In addition to the above two proposed changes to the financial policy, Council has agreed to consider establishing a Rainy Day fund. If approved, a Rainy Day fund would set-aside specific one-time funds in order to mitigate service impacts and city layoffs in future economic downturns. This is a matter of policy that shapes the City’s financial wellbeing and resource allocation.

- 2. Please explain if the tax revenue from the ballot measure commonly known as “Measure Y” is accounted for as on-going revenue in the proposed budget even though the measure is set to expire this year? In the event that this continued revenue is included in your projects for the FY 14-15 budget, regardless of the renewal of the tax measure, what is the City’s plan to fund the Oakland Police Officers that are now funded directly by that measure should the revenue not be renewed by the voters? Recent comments by the Chief of Police seem to suggest a plan to lay-off Police Officers if the measure is not renewed.**

A: The revenue derived from the Safety and Services Measure of 2004 (Measure Y) is deposited in a restricted fund separate from the City’s GPF. The proposed budget continues to fund Measure Y services without assuming the passage of a renewal measure in November 2014. The services are funded through the following revenue sources: revenues from parcel taxes enrolled in 2014 (the City will receive the full 10th year’s parcel tax); parking taxes from July 1, 2014 through December 31, 2014; and, use of Measure Y Fund balance. These sources are projected to be sufficient to continue Measure Y services until the beginning of FY 2015-16. If a renewed measure is not approved by the voters, funding for these services would need to be weighed against other priorities during the FY 2015-17 Biennial Budget Process.

The polling survey of likely November 2014 Oakland Voters conducted by EMC Research suggests that voters are favorable to renewing the resources provided by Measure Y at the current rate. 82% of likely voters in a recent telephone survey are supportive or lean toward supporting a ballot measure that does not increase the tax rate and continues to provide services to enhance public safety. ¹

The City is grateful to all labor groups for concessions that minimized impacts to service levels during the Great Recession. The City will adhere to its memoranda of understanding with all City bargaining units.

¹ www2.oaklandnet.com/w/OAK046498

- 3. If we set the RETT limit for defined ongoing funds at 12.8% of revenue how much would that mean for the FY 14-15 budget adjustment?**

A: If 12.8% were used as the threshold for the proposed methodology in comparing RETT to GPF tax revenues for the purpose of defining how much RETT is considered ongoing versus one-time, the amount of ongoing RETT would equal \$49.4 million of the total proposed RETT budget of \$53 million. This would lower the use of one-time revenue for ongoing expenditures from \$19.9 million to \$10.5 million.

- 4. In Exhibit 2, the Mandatory Refuse Fund category lists a revenue loss of over \$1 million. To what does “Program revenue adjustment based on proposed lower fee” refer to? In addition, Row C4 indicates a negative expenditure amount for “Transfer positions to GPF;” where does that show up in the GPF budget allocations?**

A: Under State law, the City is allowed to charge cost recovery fees associated with a specific benefit or service provided directly to the customer. This fee cannot exceed the City’s reasonable costs to provide service. In the case of Mandatory Refuse, a fee is charged to customers with delinquent garbage bills.

Under the current structure per the agreement with Waste Management, the City steps in when a bill becomes delinquent. For instance, the City subscribes for service on the delinquent customer’s behalf, and manages the collection of the bill(s) up to and including, placing a lien against the property, if necessary. Because it provides this service, the City charges the delinquent customer a fee to manage the collection process of the delinquent bill. Currently, this fee is set at \$70 in the Master Fee Schedule. However, a recent analysis of the reasonable costs associated with this service show that the fee should be set at \$50, which has been adjusted in the FY 2014-2015 Master Fee Schedule. This necessitates the transfer of positions and costs from the Mandatory Refuse Fund (1700) to other funds (including the GPF) based on eligible work projected to be performed for those funds during FY 2014-15.

Police

- 1. 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: *Revised response from 6/6/14 Information Memo, titled “FY 14-15 Midcycle Budget Questions”*: To date, the Human Resources Management Department (HRM) 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, HRM 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. HRM 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, HRM 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, the 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 Oakland Police Department (OPD) hiring activities. Beginning in January 2014, HRM moved to a “continuous” testing schedule for Police Officer Trainees. Since that time, HRM 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 (4) test groups to fill an academy. Since last spring, HRM 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 interview panels. Once the eligible candidates were referred to OPD, the OPD Recruitment & Backgrounds Unit conducted background screening for nearly 1200 candidates. Keeping recruitment activities running continuously, maintaining current staffing levels in HRM and civilian support in OPD, and with the funding to support the academies, staff anticipate sworn personnel reaching a count of 714 when the 170th Academy graduates in October 2014, 712 when the 171st Academy graduates in May 2015 and 710 following the graduation of the 172nd Academy in January 2016.

2. For the following issues, what recommendations can be made in which non-sworn staff can be assigned to handle enforcement of a range of Oakland ordinances (such as issuing tickets for fines) or to handle tasks for special events, to free sworn officers to focus on crime:

- **Dogs off-leash in on-leash areas (and possibly lack of dog license)**
- **Traffic control/barricades for parades and sports, and other events**
- **Illegal use of a disabled parking placard**
- **Illegal dumping**
- **Non-permitted mobile vendors**

A: Dogs Off-Leash in On-Leash Areas (and Possibly Lack of Dog License):

Civilian Animal Control Officers (ACO) have the authority to issue citations for animal-related Oakland Municipal Code (OMC) section violations and have the equipment to deal with animal control enforcement. While out in the field, ACOs can issue citations for leash law violations, and they can also cite for dog licensing violations. If Oakland Animal Services transitions to a standalone organization, fines associated with license violations will need to be billed to violators by shelter staff.

Traffic Control/Barricades for Parades and Sports, and Other Events:

During parades and sporting events, it is current and past practice that the OPD Special Events Unit deploy civilian Police Services Technician (PST) II positions for traffic control, and Police Officers for Security. However, there are instances in which sworn personnel are utilized for traffic control as well. This occurs either when the third party vendor who hires the city personnel for their event prefers sworn officers to conduct traffic control and/or given the type of event, it has been deemed more effective that an officer is assigned to traffic control because they can be easily reassigned to designated assignments which require a sworn enforcement response. It should be noted that these types of special event assignments involve voluntarily overtime and are paid for by third party vendors that fully cover the PST II and Police Officer overtime costs.

Illegal Use of a Disabled Parking Placard:

Traffic's Parking Enforcement team deploys civilian Parking Control Technicians (PCT) who cite for parking violations such as meter violations and parking in restricted areas. These offences require PCTs to issue a citation and place on the vehicle and/or tow a vehicle. However, the enforcement of disabled placard violations requires a higher level of due diligence than the simple confirmation of whether a car has a disabled placard visible while parked in a disabled parking location. This is because most offenses originate from individuals who inappropriately use disabled placards (i.e. using cards that do not belong to them; expired/foraged cards; no longer have medical need for placard; falsify reason for need of the placard, etc). As such, a civilian employee in an enforcement role would need to witness the offender in the act, and issue an offender citation. This causes an inherent potential safety concern given that issuing these types of citations would require person to person contact and will require the offender to sign their ticket. For example, if the offender receives a citation, refuses to sign the ticket and becomes hostile, a civilian PCT is not equipped (both training and equipment-wise) to handle such an incident. Also, it should be noted that in order effectively combat the illegal use of disabled parking placards, the enforcer (whether a PCT or a Sworn Officer) would need to conduct sting operations, which require allocated resources – both monetary and City staff time. Sting operations have been conducted by OPD in the past and a PST II was used to observe the violation; however, a sworn officer was still utilized to conduct the questioning and issuance of the citation.

Illegal Dumping:

Currently, the enforcement of illegal dumping relies on evidence collected after the fact by Public Works or other channels and is forwarded to the City Attorney and City Administrator. If the evidence proves to be strong, the City Administrator's Office issues an administrative penalty. Similar to the issuance of a disabled placard, a civilian employee in an enforcement role (such as a PST) would need to witness the offender in the act of illegally dumping material, issue an offender a citation in person and have he/she sign the ticket. As noted above, this poses a potential safety concern for the civilian employee issuing a ticket. If there is a refusal to sign the ticket and hostility

arises, a civilian PST may be put in a situation compromising his/her safety given they are not equipped to handle such an incident.

Non-Permitted Mobile Vendors:

At this time, while any enforcement by sworn officers of non-permitted mobile vendors relies on complaints received, enforcement of these complaints is inherently deficient based the prioritization of OPD's current public safety priorities. Similar to the illegal use of a disabled placard and illegal dumping, a civilian employee in an enforcement role would be required to issue an offender a citation which he/she is required to sign, which in turn, reveals various safety concerns for civilian employees (as noted above).

It should be noted that if the City Council chooses to make it a policy priority to expand/refine the enforcement role of certain civilian positions for any of the enforcement categories above, staff can work with Human Resources to refine the classification through the Civil Service Board, meet any necessary meet and confer obligations and provide any necessary training and equipment available to civilian staff to protect their health and safety.

Economic & Workforce Development

1. Please explain the duties of the proposed Program Analyst II to support the Youth Internship Program. How is this position proposed to be funded?

The duties of the proposed Program Analyst II position including the following:

- Create continuity and sustain growth year-round rather than summer only; in the past, the funding came from fundraising (donation) and there was no funding for a permanent position;
- Develop funding opportunities to support youth internship year-round program operations and subsidized wage pool;
- Develop and nurture employer relationships to increase the number of unsubsidized jobs for the summer program or year-around;
- Plan and coordinate special events and other activities to promote the youth internship program to raise awareness and broaden support;
- Develop and nurture strategic partnerships with key service providers and funding partners, starting with the Oakland Unified School District's Academies program and the United Way's Match Bridge program; and,
- Standardize program services to the extent possible to ensure quality experiences for the youth participants and employers.

This position is proposed to be funded by the GPF. In the longer term, fundraising for the Youth Internship Program could potentially partially fund this position. Please note that the position is not considered an allowable cost for the Workforce Investment Act (WIA) fund.

Human Resources

1. What are the duties of the training coordinator position?

HRM is in the process of reinstating a modest city-wide staff development program. Upon the City Council approval of funding for the Training Coordinator position, HRM will initiate the recruitment process and likely fill the position permanently by October 2014. In consultation with line departments, the Training Coordinator will be responsible for identifying and implementing staff development programs for city employees. As part of the effort, this position will help identify suitable internal and external providers for the various staff development programs.

HRM intends to provide training in the general areas of Supervision, Microsoft Office software, job-related training and soft skills. A planned Supervisory Academy will occur over several weeks and help supervisors and managers improve their skills, motivate employees and create more effective teams. Other sessions targeted to supervisors will include training in the areas of sexual harassment, discrimination, workers compensation, safety and other employment related best practices and laws. In partnership with the Risk Division of HRM, there will be a general emphasis on programs that are designed to reduce City liability such as a more robust driver training program and other safety related training.

Employees and department representatives have also expressed an interest in software and soft skills. In partnership with the Library, the HRM will provide software training, TED talks, and a Book Club to city employees. In addition to job specific training sessions, the Training Coordinator will also coordinate webinars from ICMA, as well as the Institute for Innovation and personal enrichment sessions. The availability and scope of the various staff development efforts described above will be dependent upon demand for such services and the ability of the HRM to engage in cost-recovery from line departments. An informal (and incomplete) survey of line-departments has indicated that departments want to send at least 181 employees to a Supervisory Academy and an additional 91 new supervisors who need to be trained in the art of supervision.

For questions, please contact Alex Orologas, Assistant to the City Administrator, at 238-6587 or at aorologas@oaklandnet.com.

Respectfully submitted,

/s/
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