

# Budget Briefing

City Manager Robert C. Bobb • CITY OF OAKLAND

The Mayor's Proposed Policy Budget FY 2003-05 • May 2003



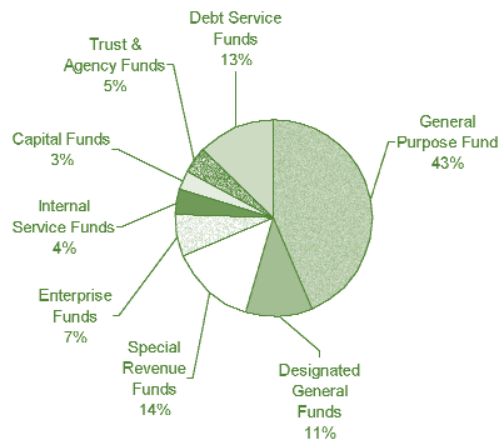
The Proposed Policy Budget for FY 2003-05 has been prepared under very challenging circumstances. Mayor Brown and I, assisted by the Budget Office and our professionals throughout the City, have considered many options and have crafted a sound plan for the next two years. Our overall approach is to restructure and flatten the organization, and adopt operational efficiencies in order to minimize cuts in public programs and services.

In this Budget Briefing, I would like to share with our residents, community organizations, businesses and City associates the background information that shaped our budget plan, and a summary of the proposals and their impacts. The Policy Budget will be discussed by the City Council at a series of budget workshops during May and June. We welcome your participation in the decisions to be made.

## How much is the City's Budget?

The City's total All Funds budget for FY2003-04 is \$889.4 million, and for FY 2004-05 is \$896.0 million. More than half of those funds are restricted for specific purposes. They come from restricted grants, fees, bonds, or revenues that are collected for specific services.

BUDGET SUMMARY BY FUND GROUP  
(FY 2003-04 Proposed Budget)

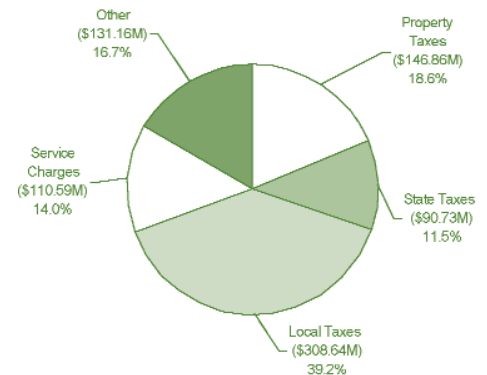


Restricted funds support:

- ▶ All Public Works programs, including recycling, street sweeping and repair, sewer service
- ▶ Kids First, golf course operations, some library services
- ▶ Job training, Head Start, and other services funded by federal, state and local grants.
- ▶ Parks and median landscaping, tree maintenance, street light maintenance, paramedic services
- ▶ Debt service, workers compensation, self-insurance
- ▶ Capital improvements, and facilities and equipment replacement
- ▶ Funds held in trust for a third party, primarily the Oakland Redevelopment Agency

**General Purpose Fund** - This is the City's operating budget that pays for many programs and services, as well as the business functions of municipal government. This is the fund where the City Council has the most spending discretion. The General Purpose Fund (GPF) budget is \$387.0 million in FY 2003-04, and \$401.0 million in FY 2004-05. This is the primary fund where we are closing a shortfall.

GENERAL PURPOSE FUND REVENUES  
FY 2003-05 Proposed Budget  
\$787.98 Million



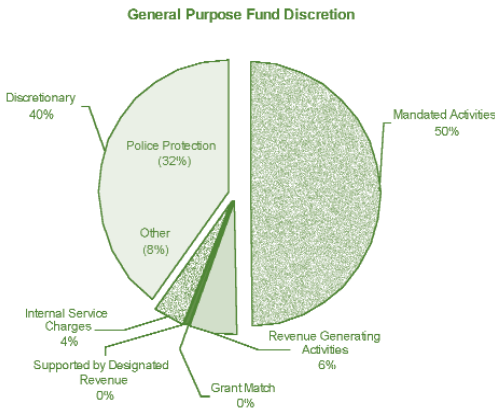
## What are the key sources for the money in the General Purpose Fund?

General Purpose Fund Revenues come from multiple sources, shown above.

## How is the General Purpose Fund spent?

Of the total two-year GPF budget, half is restricted to pay for "mandated" programs and functions. These include City Charter requirements, local voter mandates, state or federal mandates, some debt service and lease obligations, and contractual obligations. Another 4% pays internal charges for services among departments, such as fleet maintenance and building maintenance. Approximately 6% represents cost-covering programs supported by grants or fees, such as development permits or facility rentals.

The "discretionary" portion of the GPF budget is, therefore, approximately 40%. In this budget, we have approximately \$155 million, over two years, from which we must make choices.



The General Purpose Fund pays for:

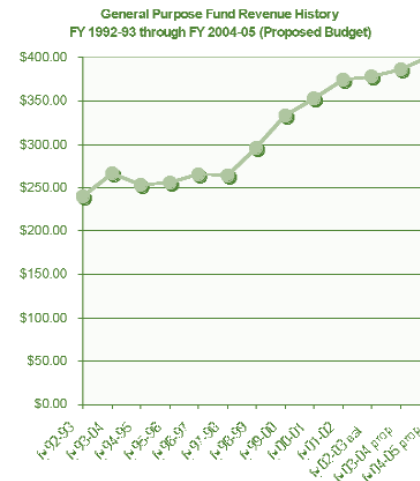
- ▶ Most Police and Fire services, as well as programs and services in Community & Economic Development, Parks & Recreation, the Oakland Public Library, the Oakland Museum, Human Services, and Finance & Management;
- ▶ Most of the cost of the City's business functions, such as purchasing, information technology, and human resources;
- ▶ The City's Charter offices, such as the Mayor, City Council, City Manager, City Attorney and City Auditor; and
- ▶ Non-departmental obligations such as convention center leases, Coliseum support, debt service, and support for arts, parades, festivals and community organizations.

### Why is there a budget problem in FY 2003-05?

#### Flat revenues

We believe most of our tax revenues will show only minimal growth, due to current economic conditions. The economic slowdown has forced difficult budget adjustments twice since the last budget was adopted: \$28 million in June 2002, and \$19.5 million in March 2003.

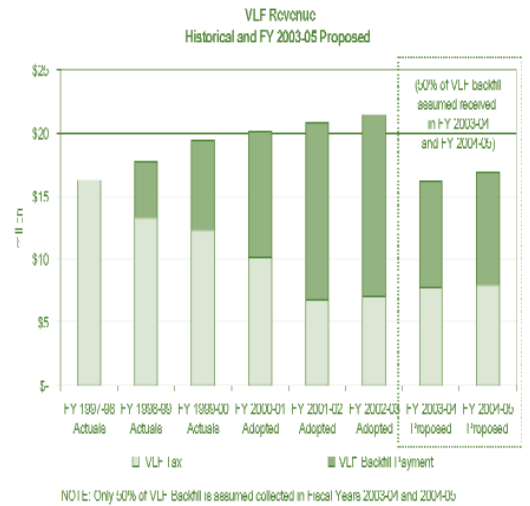
We are projecting GPF revenue increases of only 2.2% in FY 2003-04, and another 3.6% in FY 2004-05. This is dramatically lower than the average annual growth rate of 4.6% we saw from 1992-2002 (which resulted partly from new voter approved assessments and new fees). The reason is that we are projecting little or no growth in business license, hotel and real estate transfer taxes. We see modest growth in property tax, utility tax and service charges – the latter mainly due to fee increases and a comprehensive parking meter repair program.



#### Loss of vehicle license fee (VLF) backfill

In the years since the State reduced the annual fee you pay for your car license by 67.5%, Oakland and other cities have received backfill revenues from the State General Fund. This backfill is now jeopardized by the State's own fiscal crisis.

For Oakland, losing all of the vehicle license fee backfill would mean a loss of approximately \$17 million in the first year of our budget cycle, and \$18 million in the second. To place this figure in context, \$18 million is the equivalent of funding 140 police officers, or the entire GPF portions of the Parks & Recreation budget and the Department of Human Services budget.



The outcome of the vehicle license fee debate will not be known until the State passes its own budget. With this uncertainty, the FY 2003-05 Proposed Policy Budget makes a prudent assumption that we will receive 50% of the vehicle license fee backfill.

#### Rising pension costs

The third challenge is an increase in the pension contributions we make on behalf of our City associates. Increased benefits were negotiated with our employee labor unions and, for the first time, City associates, except for sworn police, are contributing to their pension accounts. However, the net effect of the new benefits, coupled with the recent investment performance of the pension portfolio, means the City's pension contribution will increase by about \$10 million in FY 2003-04, to a total of \$37 million; and will increase another \$8 million in FY 2004-05 to \$45 million.



## The Budget in Brief

The budget development process begins with estimating the cost of continuing every program and activity funded in FY 2002-03 (i.e. the "baseline"). Given our assumptions of relatively flat revenues, increased pension costs, and the probability of losing some or all of the vehicle license fee backfill, we projected a significant shortfall in the General Purpose Fund, ranging from \$29.5 million to \$46.5 million in FY 2003-04 (depending on the level of VLF backfill received), and another \$10.8 million in FY 2004-05 (primarily due to increased pension costs taking effect). **The Proposed Policy Budget assumes that we will receive 50% of the vehicle license fee backfill.**

The General Purpose Fund revenues and expenditures total \$387.0 million in FY 2003-04 and \$401.0 million in

FY 2004-05. The GPF supports 2,667 Full-Time Equivalent positions (FTEs) in FY 2003-04, a decrease of 206 positions from the prior year. Approximately 80 of these are filled as of May 2003. In FY 2004-05, the GPF contains funding for 2,662 FTEs, a decrease of an additional 5 positions. Most reductions in spending and FTEs that were implemented in March 2003 are incorporated and made permanent in the FY 2003-05 budget proposal.

At the All Funds level, FY 2003-04 proposed appropriations of \$889.4 million support 4,229 FTEs. FY 2004-05 appropriations of \$896.0 million

support 4,211 FTEs. This is a decrease of 279 FTEs the first year (approximately 115 of which were filled as of May 2003), and an additional 18 the second year. In effect, this budget returns Oakland to an overall staffing level similar to that of FY 2000-01, when the City had 4,216 total FTEs.

Historical & Proposed Budget Summary



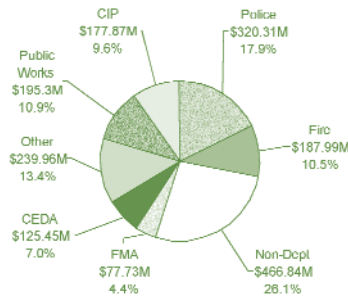
## What steps were necessary to balance the budget?

As the Mayor and I prepared this budget, our objective was to minimize cuts in programs and services to our residents and businesses, while closing the funding gap.

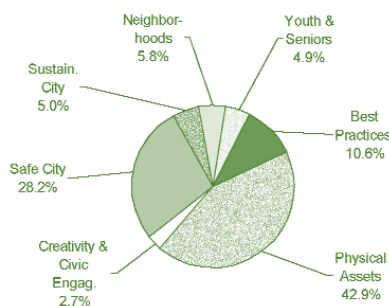
### This budget proposal

- ▶ Restructures and flattens the administrative organization in most departments.
- ▶ Changes ways we do business that reduce costs and increase organizational effectiveness.
- ▶ Establishes and makes modest increases in fees and fines.
- ▶ Reduces staffing, services and programs.

APPROPRIATIONS BY AGENCY / DEPT  
FY 2003-05 Proposed Policy Budget  
\$1.785 Billion Total



APPROPRIATIONS BY COUNCIL GOAL  
FY 2003-05 Proposed Policy Budget  
\$1.785 Billion Total



**The proposed budget is guided by the Mayor and City Council's seven goals.**

- ▶ Make Oakland a safe city
- ▶ Ensure that all Oakland youth and seniors have the opportunity to be successful
- ▶ Improve Oakland's neighborhoods
- ▶ Develop a sustainable city
- ▶ Model best practices to improve customer service and to be a fiscally sound and efficiently run city
- ▶ Inspire creativity and civic engagement
- ▶ Maintain and enhance Oakland's physical assets



## Reorganizations and new business practices will produce savings of \$38.7 million in All Funds

### **Community & Economic Development:**

Eliminates Executive Director's office and its administrative support positions. Reduces administration and management in Building Services. Redirects Planning & Zoning staff to Major Projects.

**Finance & Management:** Merges the Office of Personnel and Office of Information Technology with Financial Services, eliminating 11 management and administrative positions.

**Police:** Reorganizes civilian and sworn management throughout the department. Implements provisions of "Riders" settlement for increased supervision and oversight. Establishes Neighborhood Services Division that combines Alcohol Beverage Action Team, Community Services, Beat Health and Neighborhood Services Coordinators to focus on community-oriented problem-solving. Increases overtime budget.

**Fire:** Closes Station 2 (Jack London) and fireboat. Eliminates vegetation management program in second year. Reduces two senior management positions. Staff restructure or station closure in second year.

**Public Works:** Eliminates two Assistant Director positions and reduces 10 administrative and management positions. Significantly reduces costs of fleet maintenance and building maintenance.

**Library:** All branches remain open five days per week; some have reduced hours and staff.

**Parks & Recreation:** All recreation centers remain open, but program directors are eliminated. Reduces central administration. Closes Feather River Camp. Adds \$400,000 for after-school middle school programs.

**Human Services:** Transfers in responsibility for Hunger and Homeless programs. Adds \$500,000 for Head Start, to offset reduced federal funding.

**Mayor:** Consolidates Crafts and Cultural Arts, Marketing, Museum Services, KTOP, Film and Web into a new Department of Cultural Arts and Marketing, reducing eight administrative positions. Creates position to lead sustainability efforts citywide.

**City Attorney:** Reduces staff and other expenses.

**City Manager:** Reduces management and administrative positions. Assumes leadership of CED Agency with no increase in staff.

**Business closure:** Closes City government one work day every month, both fiscal years. Retains essential services such as police patrol, fire suppression, paramedic, and 911 dispatch services, but closes all other services. Implementing this closure will require the City to meet and confer with labor representatives.

**Auto allowance:** Reduces or eliminates management employees' auto allowances and parking privileges.

## New and modestly increased fees and fines will increase GPF revenues by approximately \$7 million.

**Security alarm permit:** Establishes new annual permit and fines for false alarm responses, which currently represent 15% of police calls for service. Raises \$600,000 and focuses police on true calls for service.

**Parking:** Increases parking meter rate by 25 cents per hour. Ends parking ticket "give-back" practice in which ticket has been voided if driver returns while it is being written. Increases citation fines for parking at expired meters, and parking during street-sweeping hours. Raises \$3.1 million per year.

**Garbage surcharge:** Increases the surcharge on garbage rates to pay for maintenance and clean up activities. Raises \$3 million per year.

**Blight:** Assesses new fines for "repeat offenders" who chronically fail to comply with the City's blight ordinance. Raises \$300,000 per year.

**Cost-covering fees:** Increases in fees that pay for the services rendered. Examples include development permits, facility rentals, document purchase.

## How to participate in budget decisions

The budget proposal is online at [www.oaklandnet.com](http://www.oaklandnet.com) or available at the Office of the City Clerk for \$25. Copies are also available in public libraries.

The City Council has established a schedule for discussing the budget proposal and receiving public input. The meetings are organized around the Mayor and Council's seven goals. The schedule is subject to change and should be verified with the City Clerk, at 510-238-7370. All meetings are held in the Council Chambers at City Hall.

### **May 13, 6:00 p.m.**

- ▶ Budget Presentation by Mayor and City Manager

### **May 15, TBD**

- ▶ Make Oakland a safe city
- ▶ Ensure all Oakland youth and seniors have the opportunity to be successful

### **May 22, TBD**

- ▶ Develop a sustainable city
- ▶ Improve Oakland's neighborhoods

### **May 29, TBD**

- ▶ Model best practices to improve customer service and to be a fiscally sound and efficiently run city
- ▶ Maintain and enhance Oakland's physical assets
- ▶ Inspire creativity and civic engagement

### **June 5, 6:00 p.m.**

- ▶ Budget amendments and adjustments

### **By June 10, TBD**

- ▶ Budget wrap up

### **By June 24, TBD**

- ▶ Final vote on budget adoption

