

May 3, 2007

City Council  
City of Oakland, California

## **CITY OF OAKLAND BUDGET PROPOSAL FOR FY 2007-09**

Dear President De La Fuente and Members of the City Council:

I hereby transmit to you the proposed 07/09 budget. Details of the budget are discussed in the accompanying letter from the City Administrator. This transmittal is a supplement to that letter.

The principal goal of the 07/09 budget process was to maintain fiscal prudence while avoiding cuts in current program levels. This budget meets that goal. This is a balanced budget that continues funding levels for most existing programs, but a budget severely constrained by rising costs, stringent spending requirements, and limited revenues.

I would like to make the following additional points:

- Budgets are reflections of ones priorities. My priorities are to increase public safety and reduce crime and violence; to foster sustainable economic growth and development for the benefit of Oakland and Oakland residents; to create a sense of hope and empowerment, especially among the youth; to give Oakland residents the opportunity to lead a healthy life; and to deliver City services in an open, transparent, effective and efficient manner.

While this budget touches on these priorities, it is neither a transformative budget nor an expression of my vision of Oakland as a 21<sup>st</sup> Century Model city. There are simply too few resources to address the magnitude of the problems facing Oakland.

- There is little flexibility in the allocation of Oakland's budget. Because so much spending is restricted, mandated, and pre-committed, almost no opportunity exists for reallocating spending, let alone funding new, innovative, initiatives.

To illustrate: In round numbers, 55% of the budget comes off the top for highly restricted purposes. The remaining 45%, the General Purpose Fund, is restricted as well. Only 21% of the General Purpose Fund, or about 9% of the entire budget, is considered “discretionary”. Even this discretion is limited. Almost 40% of this “discretionary” amount supplements police and fire funding. This leaves only 13% of the General Purpose Fund, or 5% of the entire budget. Even this 5% isn’t discretionary. After funding key programs for parks, social services, library, recreation, as well as various City departments out of that 5%, essentially nothing is left for new initiatives.

- With existing funds, we are not able to invest in our people or maintain our infrastructure. To address Oakland's short- and long-term needs, we need to develop our local economy to increase current revenue sources, as well as develop new sustainable revenue streams and program-specific funds. This is not a new discovery, but it is important for the residents of Oakland to understand that Oakland’s needs cannot be met solely through Oakland’s current budget.
- Despite the budget constraints I have laid out, I would like to call your attention to two types of initiatives in the budget: (i) initial consolidations and reorganizations of critical parts of City government; and (ii) a very limited list of new program initiatives. These are discussed below.
- It is important to note at the outset that it is my expectation that the 08/09 mid-cycle budget review will entail a more comprehensive re-evaluation of the budget than was the case for the 06/07 mid-cycle process.

## **Proposed Changes for FY07-09**

### **1. Reorganizations and Consolidations**

The agency reorganizations are part of an effort to provide substantially more effective programs and activities without increasing current funding levels. The City Administrator’s letter discusses four reorganizations. I want to emphasize the importance of two of them: the police department; and contracting and purchasing.

Police Department. Increasing public safety and reducing crime and violence are major priorities. I recently announced a reorganization of the police department from a centralized, "watch-commander" system to a more decentralized, geographically-accountable approach. I reaffirmed my commitment to community policing, but a community policing model in which the entire police force is involved in community policing, and not just a relatively few "community-policing" officers working in a relatively few police beats. While this reorganization is in its initial days, I believe that it will have important consequences for making the police more effective and more responsive.

Contracting and Purchasing. My goal is to make Oakland’s contracting and purchasing process more effective and more transparent. Oakland has many important policies governing the use of city funds, but because of major funding cuts in prior years, the enforcement of these policies has become problematical. We must enforce our policies promoting the hiring of, and contracting with, Oakland residents. We must also make it easier for Oakland residents to know about upcoming contracting opportunities and to be able to qualify for and apply for Oakland contracts. We need to pay special attention to ensuring that small business (particularly minority- and woman-owned business) is able to increase their contracting with the city.

In this proposal, we have consolidated the various purchasing and contracting divisions previously in various departments and have centralized this function in a single department. We also propose hiring additional staff to monitor and enforce compliance with Oakland’s purchasing and contracting policies. Finally, we propose software to facilitate more effective and transparent purchasing and contracting.

Other reorganizations and consolidations are under discussion and will be forthcoming. In particular, we need to expand the city’s ability to facilitate economic development both through city programs and by better leveraging Redevelopment funds. We also need to give greater priority to developing more sustainable and “green” practices, and to more explicitly looking at the health implications of City programs and development projects being undertaken in our city.

## **2. New Program Initiatives**

As I have detailed above, spending constraints severely limit the possibility of proposing new programs. That said, I want to call your attention to a very limited set of proposals in support of children and youth, health, police, violence prevention, and human rights.

- (1) Support for 21 additional part-time (afternoon/evening) recreation staff to staff and support after-school programs (\$0.6M)

We need to expand after-school services to as many children as possible. These funds will allow for part-time, after-school, staffing at City recreation centers. This is part of a larger effort to better coordinate after-school programs and services.

- (2) Additional staff to Personnel to reduce barriers to ex-offenders finding City jobs. (\$0.1M)

It is in our collective enlightened, self-interest to ensure that ex-offenders have access to permanent employment. Most potential jobs will be in the private sector, but we can’t ask the private sector to make a serious effort to hire ex-offenders if the City isn’t engaged in its own real effort to do so as well.

- (3) Funds to support City/County collaboration on Children, Families and Youth. (\$0.4M)

We need to expand our collaboration with the County particularly in the provision of social services and developing wrap-around services for our children and youth. This would set-

aside funds for matching contributions to leverage new and expanded collaborations, particularly those supported by external funders. This is in addition to support for the current Safe Passages City/County/OUSD collaboration.

- (4) Providing funds to support a City/County HIV/AIDS initiative (\$0.1M)

This would support HIV/AIDS testing, counseling, and treatment efforts.

- (5) Adding 5 non-sworn staff positions to support geographic policing (\$0.4M)

This provides staff support for the Police Department geographical reorganization.

- (6) Additional Mayor’s Office inter-governmental relations staff (\$0.3M)

This additional allocation in inter-governmental relations staff is an investment in obtaining increased funding from federal and state governments and philanthropic organizations.

- (7) Middle school sports program (\$0.2M)

This was a Council funded program supported by one-time funds. This provides for a continuation of these programs.

- (8) Increased support for Chabot Space and Science Center (\$0.2M)

The Chabot Space and Science Center is an important Oakland resource deserving of our support. This minimal increase is in line with proposed support for Fairyland and the Zoo.

- (9) Initial funding to support a Human Rights Commission (\$0.1M)

We need to reestablish a city commission on human relations and human rights. The amount proposed is seed funding to initiate the process.

To put this \$2.4 million proposal in context, it should be noted that the list of unfunded Program Changes contains over \$50 million in proposals from the Mayor’s Office in addition to the roughly \$40 million in proposals proposed by members of the Council and by various Departments.

### **The Magnitude of the Problem**

It is important for Oakland residents to have a sense of the magnitude of the problems facing Oakland and the scarcity of available resources to address these problems. Most budgets and policies are designed based on the magnitude of available resources rather than the magnitude of the problem. In that light, I asked each Department head to try to give me an accurate sense of the specific requirements in their program areas. Knowing the magnitude of the problem allows

us to engage in an informed advocacy based on real needs rather than simply based on available resources. Following are three examples.

In Public Works, the 2006 Storm drainage Master Plan estimated \$221 million in needed, though still unfunded, improvements. Our streets are currently on an 85-year resurfacing cycle (compared to a 25-30 year standard). It would take over \$500 million over 20 years to reach the standard. While we have a 25-year capital improvement plan for sewers, much of the sewer system is not even addressed by this program. Similarly, the list of unfunded capital projects for the FY07/09 period is \$113 million and this list excludes many critical projects that didn’t even make the unfunded list including the development of needed sports fields throughout the city.

We are also grossly underfunding the maintenance of our city buildings, electrical services, parks and recreation areas, sidewalks and more. In addition, ABAG recently determined that Oakland, along with San Francisco and San Jose, had to greatly increase their housing stock. This may make sense for reasons of “smart growth”, but it is only feasible if substantial new resources are made available for the necessary infrastructure to support that new development.

The Fire Department has determined that their real needs over the next three years include some \$100 million in fire station construction and equipment, and an additional \$23 million in Wildfire district tree and vegetation removal.

DHS provides some \$56 million annually in program services for low income and vulnerable families (the vast majority funded by grants and voter initiatives, not from the General Fund), these efforts only reach a limited population of those in need. After a study of various programs, DHS determined that to provide access and services to the most vulnerable residents, an estimated additional investment of \$125 million would be required. This \$125 million excludes important services such as mental health care, substance abuse treatment, comprehensive housing needs and economic development to support family self-sufficiency for which estimates have not yet been completed.

This gross mis-match between the magnitude of the issue and the magnitude of available resources repeats itself through every City department.

## **New Revenues**

As I have indicated, we need to develop our local economy to increase current revenue sources, as well as develop new sustainable revenue streams and program-specific funds. It is primarily through leveraging public/private partnerships, philanthropy, and inter-governmental cooperative relationships, that we can begin the process of stimulating development and addressing the challenges confronting Oakland and Oakland's residents.

To that end, on the day the budget reaches the Council, we are holding a joint public sector, private sector, community, economic summit in which economic development strategies and public/private partnerships will be the main topics of discussion. This summit will be the kick-

off of a joint public/private venture to help define specific measures for furthering the economic development in Oakland.

The Mayor’s Office, together with the City Administrator and staff, is working with the state legislature to ensure that Oakland receives its share on Prop 1 bond funds. Also, substantial funding requests have been submitted at the federal level, which require continuous follow-up to increase our chances for obtaining additional funding. In addition, grant and funding possibilities are being explored at all legislative levels and with various philanthropic organizations.

Finally, it is important to note that it was only possible to cover the FY 07/08 \$3.5 million shortfall in the LLAD through the use of one-time revenues and by fund reallocations. This will not be possible in FY08/09 when the one-time sources are no longer available and when the shortfall is estimated at \$6 million. Moreover, the shortfall estimate assumes continuing current service levels when the reality is that substantially greater resources are needed for street lighting, parks, fields, medians and trees. There seems to be little choice but to go back to the LLAD voters for an increased LLAD assessment.

I look forward to working with you over this next budget cycle as we unite around the common objective of moving towards making Oakland a 21<sup>st</sup> Century model city.

Sincerely,

Ronald V. Dellums  
Mayor