

Monday, June 22, 2020

Oakland City Council
c/o Office of the Clerk
1 Frank Ogawa Plaza
Oakland, CA 94612

Re: SPUR comments on the proposed FY 2020-2021 Oakland budget amendments

Dear City Council:

It's June again, and in Oakland this means that it is time to consider the budget. But this is a June like no other, and a budget debate like no other. Last year a two-year budget was adopted after a tough debate that took place amidst plenty. Then the dominant issues were which growth projection was more realistic and how to distribute the growing revenue. This year all has changed and Oakland is now facing the following:

- major, and unpredictable, declines in consumer driven taxes (sales taxes, transient occupancy taxes, business license taxes, and parking taxes), user fees and fines
- uncertainty about the amount of property transfer fees that will be collected
- a projected all funds deficit of \$96.54 million, and a projected general-purpose fund deficit of \$53.78 million
- increased pressure from the public to examine the role and size of the police department in the City's budget and to ensure that racial equity is a central consideration in budgetary decisions

SPUR believes that a city's budget is one of the clearest statements of its priorities and as such it should reflect the city's values. The budget should also adhere, as should everything that the city does, to principles of good government. Rather than revising the second-year of the two-year budget, the Budget Director finds himself faced with having to rebuild the budget from scratch because the assumptions on which the initial budget was built are no longer valid. Complicating this task is the fact that there are no historical precedents for the type of downturn that we are now in, so revenue projections could be wildly off in either direction. This is an unnerving position to be in, and amidst this uncertainty SPUR would like to offer the following Budget Priorities Evaluation Framework to Council to help guide your deliberations. This framework incorporates the principles of Good Government with Oakland's stated values, and it can be used to clearly evaluate each potential budgetary move to see how well it adheres to these standards.

Budget Priorities Evaluation Framework

<i>Values</i>	Equity	Health & Safety	Community Investment & Economic Prosperity	Environment
<i>Good Government Principles</i>				
Rule of Law				
Transparency				
Accountability				
Representation				
Effectiveness and Efficiency				
Leadership				

Understanding the framework

The vertical column contains Good Government principles, which SPUR adopted in 2019. SPUR believes that the role of government is to deliver public services to residents and businesses operating within its boundaries. Delivering these services requires budget accountability, financial responsibility and the ability to navigate competing interests. Good Government, as we define it, is comprised of six principles that collectively establish trust between constituents and their representatives and city staff. Rules, policies, programs, laws, and budgets that are created and implemented with these principles in mind can build trust in local government. Those that run counter to these principles will erode trust and diminish the capacity of government to function effectively now and in the future.

The horizontal row contains the values, and these are borrowed from the Oakland Department of Transportation’s (OakDOT) Capital Improvement Program (CIP) (some have been left out). We used the OakDOT CIP because it is the clearest application of the values contained in Oakland’s Equity Indicators Report of 2018 to a budgeting exercise. The Equity Indicators Report, in turn, has been adopted by the City of Oakland as the official framework that is used to guide the adoption of policies to address disparities in Oakland.

To use this framework, we suggest that each potential move be plotted to ensure that it satisfies at least one of the values and one of the good government principles. Amendments which satisfy more than one

value and more than one good government principle should be prioritized. Amendments that do not satisfy at least one value and one principle, or that possibly violate some, should be avoided.

How to use the framework to evaluate the proposed amendments to the 2020-2021 budget

The midcycle budget as presented to council aims to preserve the most critical services and to close the deficit through a series of cuts which are detailed below.

- use of the entire Vital Services Stabilization Fund (VSSF) rainy-day fund balance to fund ongoing services – saving \$14.65 million
- temporary suspension of contributions to long-term liabilities – saving \$10 million
- restructuring payments of negative fund balances – saving \$1.96 million
- using one-time revenues to pay ongoing costs
- transfer of costs (both personnel and O&M) from funds with shortfalls to other funds with surplus resources
- temporary freeze of 89.70 Full Time Equivalent (“FTE”) (vacant positions only)
- reduction of \$6.52 million in operations and maintenance contracts, grants, equipment, supplies, etc.) with service and equity impacts described in the next section across all funds
- temporary concessions from labor – saving \$10.5 million

All of these steps, with the exception of the VSSF, can be implemented in a variety of ways, and that is where the framework can be used.

Example #1. Transferring costs from one fund to another

So, for example, when contemplating the transfer of costs from funds with shortfalls to other funds with surplus resources, SPUR urges council to consider if such a transfer would lead to preservation of a service or a program that is vital for the well-being of Oaklanders who might depend on it. If so, this move would satisfy the equity value and possibly the health & safety values as well. If, however, the fund with a surplus is one that was created via a voter approved measure, and the text of the measure explicitly promised that the funds would only be used for the purposes outlined in the measure, then a transfer of those funds could violate the rule of law principle and that action should be avoided.

Example #2. Alterations to the police department budget

Though not specifically highlighted among the proposed balancing measures contained in the proposed FY 2020-21 midcycle budget amendments, alterations to the police budget, which constitutes the largest single piece of the city budget, are included. These include a temporary freeze in hiring to fill 15 vacant positions in the Oakland Police Department (OPD) and a proposed transfer of the salaries of three officers

in the OPD Homelessness Unit from the general-purpose fund to the voter approved Measure Q fund. This latter proposal has generated debate as to whether or not funding the salaries of police officers is an appropriate use of Measure Q tax revenue meant for homelessness costs.

This is the same scenario that we played out in the example #1, and in a letter sent to City Council, the people who chair the commission monitoring the expenditure of Measure Q funds, indicate that the Measure was not intended to pay the salary of OPD officers. Given this, the transfer of the salaries of three police officers from the general fund to the Measure Q fund would appear to violate the rule of law principle and should therefore be avoided. A counter proposal from a member of council calls also for shifting \$25 million from the OPD budget to a variety of community programs. This could lead to the reduction in the use of armed officers to respond to non-violent calls for service. As council contemplates such a move, SPUR advocates use of the framework to lead to an outcome that upholds Oakland's values and that enhances the trust that Oaklanders have in their city government.

As noted in the text, the midcycle amendment is a significant tool for enabling the City of Oakland to deliver services and to mitigate the racial and economic inequities faced by many Oakland residents. As council deliberates on how to direct nearly \$1 billion in expenditure in this time of great economic and social stress and uncertainty, we urge use of a comprehensive set of values and principles in your decision-making process. We thank you for your dedication to public service and your leadership is noted and appreciated.

Sincerely,

A handwritten signature in black ink, appearing to be 'R. Ogilvie', with a long horizontal flourish extending to the right.

Robert Ogilvie
Oakland Director

cc. Mayor Libby Schaaf
City Administrator Ed Reiskin
SPUR Oakland Board of Directors