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BUDGET TRANSPARENCY, PERFORMANCE MANAGEMENT, AND STRONGER OVERSIGHT NEEDED TO ENSURE OAKLANDERS BENEFIT FROM THE 2020 PARKS AND RECREATION PRESERVATION, LITTER REDUCTION, AND HOMELESSNESS SUPPORT ACT

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December 21, 2023

Oakland's City Auditor is an elected official that works for, and reports to, the residents of Oakland. The Auditor's job is to provide oversight to the City's activities. The Auditor has the authority to access and audit City financial and administrative records, plus the policies and procedures of all City agencies and departments.

To make sure this work is done objectively and without bias, the City Auditor is not connected to any other City department and has no day-to-day financial management or accounting duties for the City of Oakland. This autonomy allows for independent analyses, ensuring tax dollars and other resources serve the public interest.

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December 21, 2023

RESIDENTS OF OAKLAND
HONORABLE MAYOR
HONORABLE CITY COUNCIL
HONORABLE CITY ATTORNEY
THE COMMISSION ON HOMELESSNESS
THE PARKS AND RECREATION ADVISORY COMMISSION
CITY ADMINISTRATOR

RE: Performance Audit Of Measure Q: Budget Transparency, Performance Management, and Stronger Oversight Needed To Ensure Oaklanders Benefit From The 2020 Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act

Dear Residents of Oakland, Mayor Thao, Council President Bas, Honorable Councilmembers, City Attorney Parker, Commissioners, and City Administrator Johnson,

Our Office completed a performance audit of the 2020 Oakland Parks and Recreation Preservation, Litter Reduction, & Homelessness Support Act, which Oakland voters passed as Measure Q (the Act) in March 2020. We conducted the audit in accordance with the Act, which mandates an audit by the City Auditor every two years.

The audit's objectives were to:

- determine whether the City spent Measure Q revenue in accordance with the Act,
- determine whether the City appropriated Measure Q revenue in accordance with the Act,
- determine whether Measure Q has improved park conditions, and
- assess the oversight of Measure Q activities and expenditures.

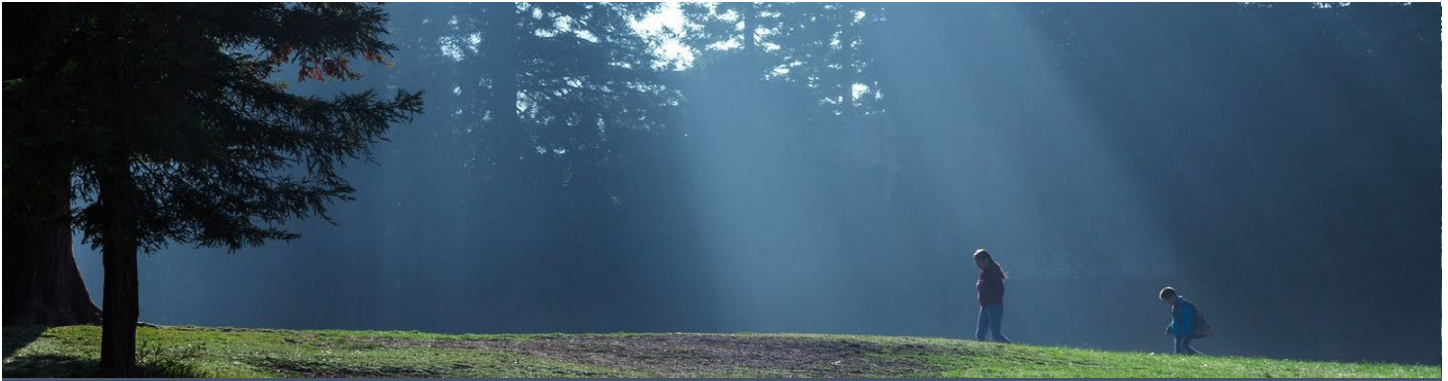
The audit report outlines 16 recommendations to improve budgeting for Measure Q funds, create outcomes-based performance measures for park conditions and homelessness services around parks, and strengthen oversight of Measure Q-funded programs. We presented the audit's findings, conclusions, and recommendations to the City Administration, including staff from the Finance Department, the Department of Human Services, and the Department of Public Works on November 21 and November 28, issued a final draft on December 4, and requested a written response by December 18. They indicated they agreed with all recommendations in the report and their written response is forthcoming.

We appreciate the City Administrator's Office, and the Finance, Public Works, and Human Services departments for their cooperation during this audit, and their commitment to address the audit's recommendations.

Sincerely,

A handwritten signature in black ink that reads "MCHouston". The signature is written in a cursive, flowing style.

Michael C. Houston, MPP, CIA
Acting City Auditor



REPORT HIGHLIGHTS

Budget Transparency, Performance Management, and Stronger Oversight Needed to Ensure Oaklanders Benefit from the 2020 Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act

Background

Since March 2020, the City of Oakland has collected \$82.5 million in taxes to fund park maintenance, litter reduction, and homelessness intervention in and around City parks. Oakland voters approved the tax, via Measure Q, by a vote of 68 percent. The Measure requires the City Auditor to review the tax's revenues and uses every two years.

What We Found

We found the City underspent collected taxes, accruing a fund balance of nearly \$22 million as of June 30, 2023. Otherwise, the City has spent funds in accordance with the Measure's spending restrictions. While the Measure authorizing the tax outlined objectives to support equitable park maintenance services to decrease disparities in life outcomes of marginalized communities, address homelessness in and around City parks, and improve water quality by reducing litter, we found that the City did not have a baseline to assess the effectiveness of Measure Q funds in reaching its parks or homelessness goals, and park visits show ongoing maintenance issues and encampments at parks. Additional performance measures would enable assessment of park conditions against a baseline and outcome goals and allow managers to identify substandard park facilities in the City's equity priority areas to prioritize maintenance. Additionally, the City has not fully implemented oversight measures outlined within the measure.

What We Recommend

We made 16 recommendations to improve budgeting for the funds, create outcomes-based performance measures for park conditions and homelessness in and around parks to measure progress against a baseline, and implement oversight measures for Measure Q funded programs.

TABLE OF CONTENTS

INTRODUCTION & BACKGROUND	1
Introduction.....	1
Background.....	2
AUDIT RESULTS.....	6
Finding 1: The City Underspent the Measure Q Budget by \$14 Million in FY 2020-21 and FY 2021-22 But Otherwise Spent Funds in Accordance with Measure Requirements	6
Finding 2: The City Needs More Performance Data to Evaluate the Effectiveness of Measure Q Funds Towards Improving Park Conditions, Stormwater Quality, and Homelessness Services	17
Finding 3: The City Needs to Strengthen its Oversight and Reporting of Measure Q Funds.....	26
OBJECTIVES, SCOPE, & METHODOLOGY	31
STATEMENT OF COMPLIANCE.....	32
APPENDICES.....	33
Appendix A: Parcel Tax Rates For Measure Q Between FY 2020-21 & FY 2023-24.....	33
Appendix B: Property Tax Exemptions For Measure Q By Category In FY 2020-21 & FY 2021-22.....	34
Appendix C: Number of City Staff Budgeted Under Measure Q By Department & Fiscal Year.....	35
CITY ADMINISTRATION'S RESPONSE	37
City Administration's Response	37
City Administration's Recommendation Implementation Plan	38

TABLE OF EXHIBITS





Exhibit 1: With the Introduction of Measure Q, Budgeted Funding for Parks, Trees & Ballfields Increased by 22 Percent and Staffing Increased to 134 Positions	3
Exhibit 2: Measure Q Allocates 64 Percent of Revenues to Parks Maintenance	3
Exhibit 3: Budget for Measure Q Increased by Over \$9 Million Between FY 2020-21 & FY 2024-25	4
Exhibit 4: The City Collected More Measure Q Revenue Than it Spent.	6
Exhibit 5: The City Budgeted \$23.3 Million But Spent or Encumbered Only \$19.6 Million in FY 2020-21 ..	7
Exhibit 6: The City Budgeted \$40.2 Million (Including Carryforwards) But Spent or Encumbered Only \$29.8 Million in FY 2021-22	8
Exhibit 7: Compared to Other Special Taxes, the City Encumbered Relatively More Measure Q Funds, Effectively Rolling Over Funds Year Over Year	9
Exhibit 8: Measure Q Fund Balance Increased to Nearly \$22 Million	10
Exhibit 9: The City’s Carryforwards for Homelessness Services Went 26 Percent (Or \$1.75 Million) and 32 Percent (Or \$3.8 Million) Over Budget in FY 2020-21 and FY 2021-22.....	11
Exhibit 10: The City Met or Exceeded the Maintenance of Effort Thresholds for Homelessness Services and Stormwater Quality in FY 2020-21 and FY 2021-22	13
Exhibit 11: The Threshold for the Parks Maintenance of Effort Changes Year to Year.....	14
Exhibit 12: The Service Levels for Existing Parks Maintenance Services in FY 2020-21 Were \$40,000 Lower Than FY 2019-20.....	14
Exhibit 13: The City Overspent its Budget for Ballot Measure-Related Costs in Both FY 2020-21 and FY 2021-22	16
Exhibit 14: System Tracking and Reporting Method for The Four Measure Q Deliverables	18
Exhibit 15: San Francisco (Left) and San Jose (Right) Make Park Condition Equity Scores Publicly Accessible Online	20
Exhibit 16: Maintenance Concerns at a High Service Level Park	21
Exhibit 17: Encampments and Homelessness in and Around City Parks	23
Exhibit 18: The Parks and Recreation Advisory Commission (PRAC) Has Received Many More Reports on Measure Q from City Staff than the Commission on Homelessness (COH)	28

INTRODUCTION & BACKGROUND

Introduction

In March 2020, the Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (“Measure Q” or “the Act”) passed by a vote of 68 percent. In passing Measure Q, voters authorized an annual special tax for 20 years to support parks, water quality, and homelessness reduction.¹ The special tax is an annually-adjusted parcel tax on property owners, with exemptions for low-income households, senior households, certain religious organizations, schools, and distressed homeowners.² The Act requires the City Auditor to review the tax’s revenues and uses every two years.

Measure Q outlines objectives for the taxes collected:

-  1. Support the equitable distribution of maintenance services to parks and recreational facilities throughout Oakland in order to decrease disparities in life outcomes of marginalized communities and to facilitate equity of opportunity throughout Oakland;
-  2. Provide ongoing maintenance and facilitate the use and operation of parks and recreational facilities for Oakland residents and visitors;
-  3. Improve and increase maintenance, tree, and landscape services for parks and recreational facilities throughout Oakland;
-  4. Maintain fixed assets within parks and recreational facilities to avoid more costly repairs;
5. Increase services to unhoused and unsheltered persons within Oakland, with an emphasis on those living in or adjacent to City of Oakland parks, to reduce homelessness and its impacts to public health;
6. Improve water quality through actions that include the maintenance and cleaning of stormwater trash collection systems and reducing trash and litter in our parks, creeks, and waterways; and
7. Cover the direct and indirect administrative expenses associated with the special tax.

The Measure limits the uses of the tax revenues to:

- Parks, landscape maintenance, and recreational services;
- Services to address homelessness, including access for unsheltered and unhoused residents to temporary shelters, transitional and supportive housing, and permanent housing; and
- Projects to address water quality and litter reduction, including maintenance and cleaning of stormwater trash collection systems.

¹ A special tax is a tax imposed for a specific purpose. California law allows the legislative body of any city to propose, by ordinance or resolution, the adoption of a special tax (California Government Code Section 50075). The proposal must include the type and rate of the tax, how it will be collected, and an election date for a vote by residents of the city. Voters must approve the tax by a two-thirds vote to adopt, increase, or extend a special tax.

² The tax rates for Fiscal Year (FY) 2020-21 through FY 2023-24 and the number of exemptions the City granted in FY 2020-21 and FY 2021-22 are in Appendix A and B, respectively.

INTRODUCTION & BACKGROUND

Background

The City first passed a budget for Measure Q funds in June 2020, and first spent funds around the same time. Property owners first received tax bills including the Measure Q line item in November 2020.

Prior to Measure Q, the City Primarily Funded Parks with Funds for Street Lighting and Landscaping, and a Trash Surcharge

According to staff reports, the City proposed Measure Q to create a new, ongoing funding source for parks maintenance due to reductions in property tax revenues, the lack of a dedicated funding stream, and inflation. Prior to Fiscal Year (FY) 2020-21, the City primarily funded parks, trees, and ballfields with two different funds: the Lighting and Landscaping Assessment District Fund (LLAD) and the Comprehensive Clean-up Fund.³ Neither of these funds primarily serve parks. LLAD funds are generally used for street lighting and landscaping. The Comprehensive Clean-up Fund is funded by a special surcharge on refuse collection bills. It is intended for illegal dumping enforcement, street sweeping, custodial services, and other clean-up related activities.

Park Advocates Expressed Concern About the Lack of Ongoing Park Maintenance Funding

The Oakland Parks and Recreation Foundation (OPRF), a nonprofit organization that supports the expansion and improvement of parks and recreation resources across Oakland, issues parks maintenance reports. It has attributed poor parks maintenance to the lack of ongoing funds, noting in its most recent 2018 parks maintenance report:

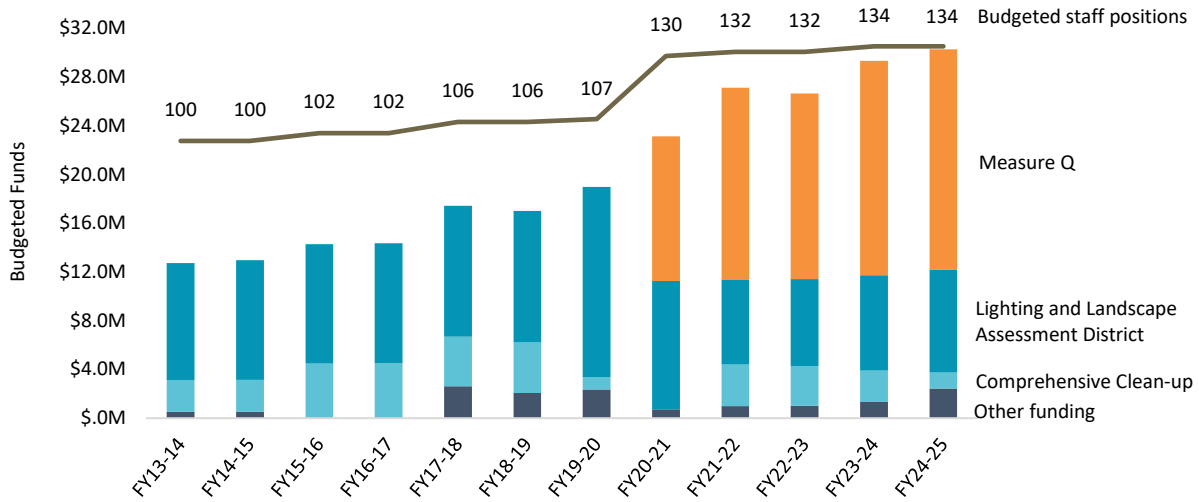
Funding levels are adequate to provide 'C-plus' maintenance service in most categories, but sustained investment and new funding sources will be necessary to deliver 'A' maintenance grades for all parks.

Following the issuance of the 2018 OPRF report, City staff proposed a ballot measure, Measure Q, to increase ongoing parks maintenance funding. These efforts led to increased parks maintenance funding (see Exhibit 1).

³ These two funds made up between 85 and 100 percent of funding for parks, trees, and ballfields before Measure Q. The LLAD was established in 1989 as an assessment on Oakland properties and is not indexed for inflation. Revenues have been unchanged since 1993 when an increase was last authorized.

INTRODUCTION & BACKGROUND

Exhibit 1: With the Introduction of Measure Q, Budgeted Funding for Parks, Trees & Ballfields Increased by 22 Percent and Staffing Increased to 134 Positions



Source: Auditor analysis of the City’s Adopted Budgets, filtered to program code for Parks, Trees & Ballfields. Other funding includes: 1010 – General Purpose Fund, 1820 – OPRCA Self Sustaining Revolving Fund, 2216 – Measure BB – Alameda County Transportation Commission Sales Tax, 2218- Measure BB Local Streets and Roads, 2270 – Vacant Property Tax Act Fund, and 4400 – City Facilities Fund.

Measure Q Specifies Funding Allocations for Parks Maintenance, Homelessness Services, and Stormwater Quality as a Percentage of Overall Revenue

The Act prescribes allocation percentages to four different service categories, as shown in Exhibit 2.⁴ The Act reserves a majority of the revenues, 64 percent, for parks maintenance, 30 percent for homelessness services, 5 percent for stormwater quality, and 1 percent for audit and evaluation.

Exhibit 2: Measure Q Allocates 64 Percent of Revenues to Parks Maintenance



Source: Auditor analysis of the Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act

⁴ The allocations are net of the costs of having Measure Q on the ballot or costs to levy and collect the tax each year.

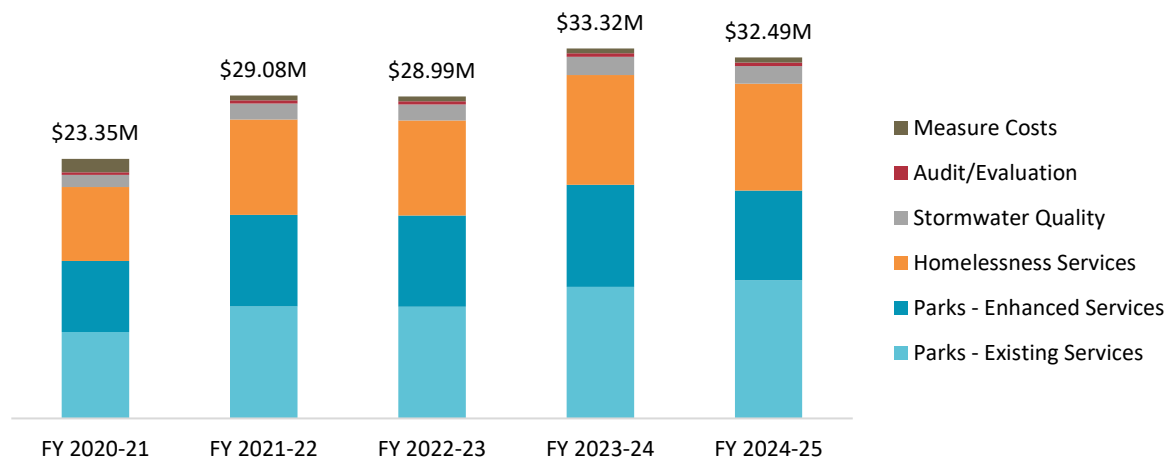
INTRODUCTION & BACKGROUND

For the current budget year, FY 2023-24, these percentages translated to:

- \$21,039,239 for parks maintenance,
- \$9,862,143 for homeless services,
- \$1,643,690 for stormwater quality, and
- \$328,738 for audit and evaluation.⁵

The Act further specifies that a portion of the funding for parks go toward enhanced services, that is, service levels above and beyond existing services.⁶ This minimum level of investment, or threshold, is known as the parks “maintenance of effort.”⁷ Exhibit 3 shows the budgeted amounts for each category between FY 2020-21 and FY 2024-25, with the existing and enhanced park services broken out.

Exhibit 3: Budget for Measure Q Increased by Over \$9 Million Between FY 2020-21 and FY 2024-25



Source: Auditor analysis of Adopted Budgets for FY 2020-21 through FY 2024-25

Measure Q Spending Is Administered Across Multiple City Departments

Multiple City departments and divisions receive Measure Q funding. The budget allocates the Oakland Public Works Department funds for parks maintenance and stormwater quality, as well as part of the audit and evaluation funding. The Department of Human Services is allocated most

⁵ Prior to FY 2023-24, the audit and evaluation budget went to Finance for contract services and Oakland Public Works for personnel and overhead costs. The FY 2023-25 Adopted Budget uses Measure Q revenue to fund 20 percent of a Performance Auditor position in the City Auditor’s Office. This marks the first time the City Auditor’s Office received Measure Q funds.

⁶ Not more than 55 percent of the parks allocation is meant to be budgeted for services existing in the FY 2019-20 budget.

⁷ The parks maintenance of effort was suspended in the FY 2023-25 budget cycle due to the City Council’s declaration of extreme fiscal necessity by Council Resolution 89803 C.M.S.

INTRODUCTION & BACKGROUND

of the homelessness services funding; the Homelessness Administrator and Public Works receive some as well. The Finance Department receives the non-personnel audit and evaluation funding. The City Clerk's Office was allocated funding for the costs associated with the election. The funding for levying and collecting the tax is not allocated to a specific department. Measure Q also funds multiple positions, which are broken down by department and division/organization in Appendix C.

FINDING 1: The City Underspent the Measure Q Budget by \$14 Million in FY 2020-21 and FY 2021-22 But Otherwise Spent Funds in Accordance with Measure Requirements

Summary

Since Measure Q passed in March 2020, the City has collected significantly more in special tax revenues than it has spent. This underspending, attributed to vacancies and ramp-up time, has led to large year-end fund balances. The City should develop stronger procedures for moving unspent Measure Q revenue to future years' budgets (carryforwards) because errors with carryforwards can skew future allocations and increase the possibility of negative fund balances. Furthermore, the City did not document methodologies for interpreting Measure Q's specific spending thresholds, or "maintenance of effort" terms, which was necessary due to the complex nature of the threshold for parks maintenance. To ensure consistency in the interpretation of the Act, the Budget Bureau should document methodologies for calculating spending thresholds. Last, the maintenance of effort terms for parks allowed for funding of existing park maintenance to decrease from previous years' levels. We recommend future maintenance of efforts represent a minimum service level based on a baseline amount. In terms of the actual expenditures, we found the City generally spent the funds in accordance with Measure Q's requirements in its first two years (FY 2020-21 and FY 2021-22).

Consistent Underspending Led to a Large Measure Q Fund Balance

Right after the election in 2020, and prior to collecting any revenue, the City spent roughly \$327,000 in Measure Q funds on election-related costs.⁸ The City's Measure Q revenues and expenditures increased in each subsequent fiscal year, with revenues outpacing expenditures (see Exhibit 4).

Exhibit 4: The City Collected More Measure Q Revenue Than it Spent.

Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Revenues	\$ -	\$ 25,814,627	\$ 27,059,349	\$ 29,617,066
Expenditures	\$ 326,915	\$ 13,500,144	\$ 22,638,101	\$ 24,249,867
Difference	\$ (326,915)	\$ 12,314,483	\$ 4,421,248	\$ 5,367,199

Source: Auditor analysis of Oracle, the City of Oakland's Financial System; **Note:** We tested expenditures in FY 2020-21 and FY 2021-22; FY 2019-20 and FY 2022-23 actuals are included for informational purposes. See the Objectives, Scope, and Methodology section at the end of this report for information on sampling and the scope of testing.

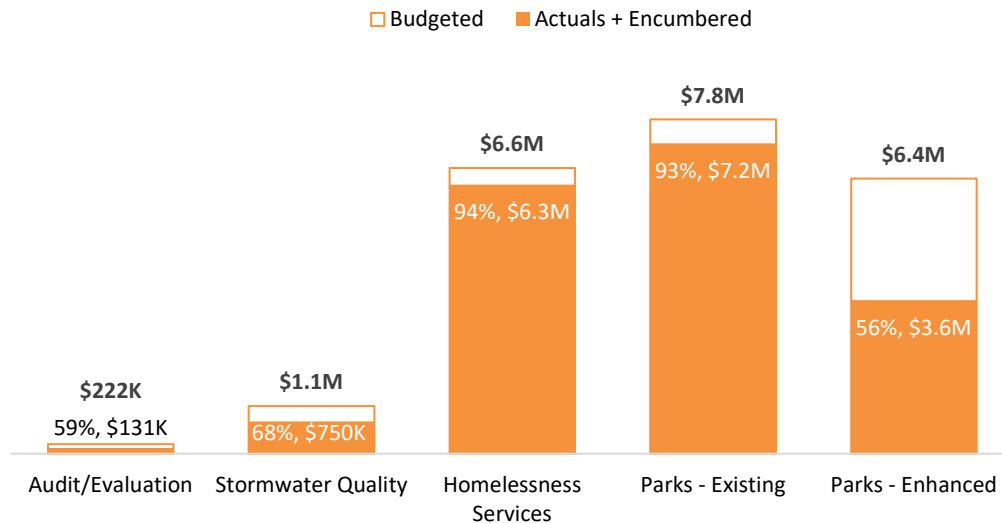
⁸ Costs included printing election materials for the March 2020 election.

AUDIT RESULTS

The City Spent Less Than Budgeted for All Spending Categories in its First Year (FY 2020-21)

Exhibit 5 shows budgeted versus actual and encumbered Measure Q expenditures for FY 2020-21.⁹

Exhibit 5: The City Budgeted \$23.3 Million But Spent or Encumbered Only \$19.6 Million in FY 2020-21



Source: Auditor analysis of Oracle, the City of Oakland Financial System

Note: The chart does not include budget and costs associated with ballot measure administration or collection, which, respectively, totaled \$1.2 million and \$1.65 million.

In 2020-21, the City spent or encumbered just 56 percent of its budget for enhanced park services. Staff attribute hiring challenges to the underspending on enhanced park services in FY 2020-21. Measure Q created 36 new parks maintenance positions for the FY 2020-21 budget. However, because of restrictions related to the pandemic,¹⁰ Public Works reported they were unable to conduct some of the necessary hiring steps and had a hard time filling new staff positions. By the end of the fiscal year, the City hired just two of the 36 new positions.

By contrast, the City spent 93 percent of its budget for existing parks services. Most of these expenses were personnel and overhead for positions that existed prior to Measure Q.

The City similarly spent (or encumbered for the following year) 94 percent of budgeted funds for homelessness services. This money mostly went towards contracts with service providers, for services such as interim shelter, homeless outreach, permanent housing, and rapid rehousing.

⁹ An encumbrance is a commitment to pay for goods or services ahead of the actual purchase. Encumbrances are also known as pre-expenditures since they act as budgeted reserve funds before the actual expenditure.

¹⁰ COVID-19 restrictions did not allow for some in-person performance testing, which were required for hiring at the time.

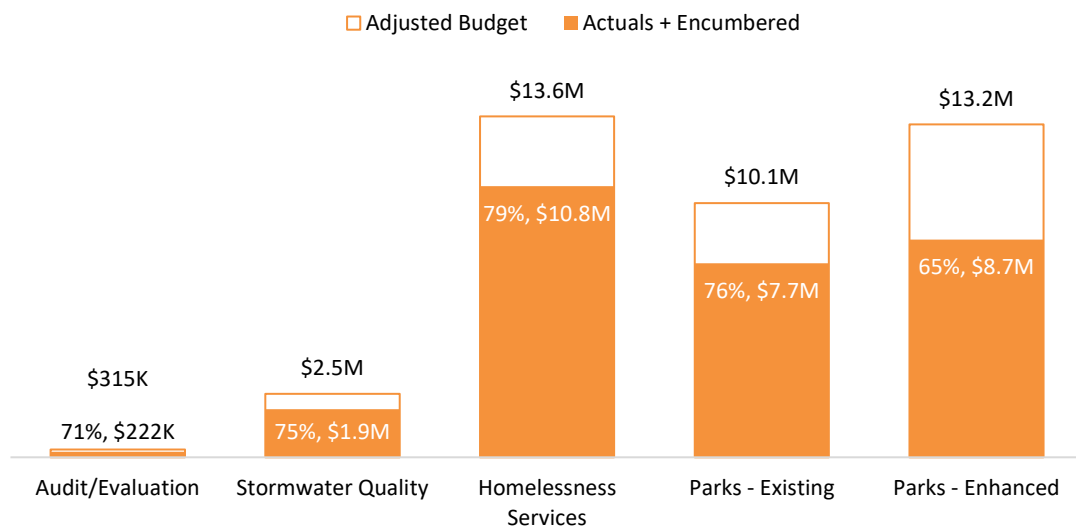
For stormwater quality, the City spent only \$11,921 in FY 2020-21 but encumbered \$738,079. Both the money spent and encumbered were for the Storm Drainage Master Plan. Unspent money was both for personnel and overhead and operations and maintenance.

Aside from enhanced parks services, audit and evaluation had the lowest percentage of spent or encumbered funds of any of the Measure Q spending categories in FY 2020-21, with only 59 percent spent or encumbered. All the money spent in audit and evaluation went towards staffing management and information systems in Public Works (see Appendix C).

The City Continued to Underspend Measure Q Funds in its Second Year (FY 2021-22)

Exhibit 6 shows the actual and encumbered expenditures, and the adjusted budget, for FY 2021-22.¹¹ As the exhibit shows, the City underspent its Measure Q budget, spending between 65 to 79 percent of the adjusted budget for each spending category.

Exhibit 6: The City Budgeted \$40.2 Million (Including Carryforwards) But Spent or Encumbered Only \$29.8 Million in FY 2021-22



Source: Auditor analysis of Oracle, the City of Oakland Financial System

Note: Adjusted budget = Adopted Budget + Budget Carryforwards (unspent budget moved into the next fiscal year); The chart title includes budget and costs associated with ballot measure administration or collection, but the chart does not.

The City was able to hire additional personnel in FY 2021-22 for enhanced parks services but was not fully staffed by the end of the year (27 out of 39 positions were filled). Also, the City spent only 68 percent of its non-personnel budget for enhanced services due to supply chain issues. As a result of these issues, the City only spent or encumbered 65 percent of its enhanced parks

¹¹ The adjusted budget represents the total adopted budget plus any unspent money carried forward from the previous fiscal year. Because it was the second year of funding, FY 2021-22 was the first year funds were carried forward to a budget.

AUDIT RESULTS

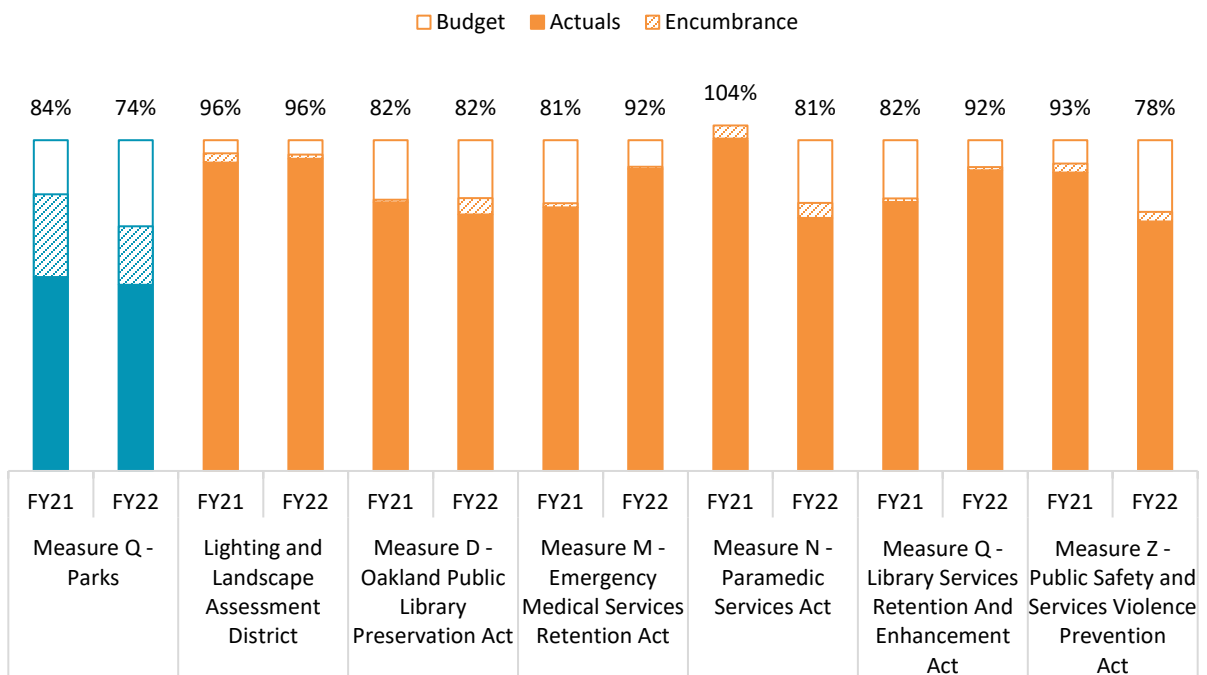
services budget. The City spent 76 percent of its allotted budget for existing parks services in FY 2021-22.

FY 2021-22 spending for homelessness services, stormwater quality, and audit and evaluation, largely mirrored FY 2020-21 spending. While the City spent more money on homelessness services in 2021-22 than the previous year, it carried forward a significant amount of funds from the previous year’s budget, which contributed to the lower proportion of budgeted funds used in 2021-22. As in 2020-21, homelessness services funds mostly went to contract services for service providers. The City spent or encumbered a similar percentage of the budget for both audit and evaluation and stormwater quality as compared to the previous fiscal year, and used the funds for similar purposes.

Relative to Other Special Taxes, the City’s Expenditure of Budgeted Measure Q Funds Was Lower in FY 2020-21 and FY 2021-22

Taking both actual expenditures and encumbrances into consideration, the City used 84 and 74 percent, respectively, of the Measure Q budget in fiscal years 2020-21 and 2021-22. This rate is lower than other special taxes. In addition, encumbrances made up more of the money used compared to the other special taxes (see Exhibit 7). Encumbrances made up 25 and 18 percent of budgeted amounts in fiscal years 2020-21 and 2021-22, respectively.

Exhibit 7: Compared to Other Special Taxes, the City Encumbered Relatively More Measure Q Funds, Effectively Rolling Over Funds Year Over Year



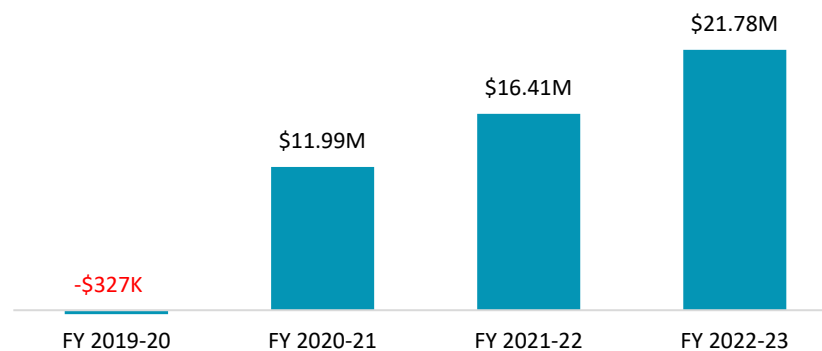
Source: Auditor analysis of Oracle, the City of Oakland Financial System; **Note:** Percentages represent actuals plus encumbrances as a percent of the budget; Measure N expenditures went 4 percent over-budget in FY 2020-21 due to personnel and overhead costs being higher than expected.

Staff attribute the lower levels of actual spending and higher levels of encumbrances for Measure Q funds to its relatively recent establishment compared to the other special taxes, COVID-related hiring issues, as well as the ramp up time required for enhanced services.

As a Result of Underspensing, Fund Balance Has Grown to Nearly \$22 Million

Fund balance represents the total accumulation of operating surpluses and deficits since the establishment of the fund. As a result of underspending, the fund balance for Measure Q has grown. By the end of FY 2022-23, Measure Q's fund balance was nearly \$22 million (see Exhibit 8).

Exhibit 8: Measure Q Fund Balance Increased to Nearly \$22 Million



Source: Auditor analysis of Oracle, the City of Oakland Financial System

The Measure Q fund balance represents taxpayers' investment in park maintenance, homelessness services, and stormwater quality services that the City has not yet provided.

The City Spent Funds in Accordance with Measure Q Requirements with a Few Small Exceptions

Despite underspending each year, the City misspent relatively little. We tested all personnel and overhead expenditures, and a portion of operations and maintenance expenditures.¹² Of the total \$18.6 million spent on personnel and overhead expenditures in FY 2020-21 and FY 2021-22, \$1,500 went toward Central Service Overhead costs, which falls outside the Act's allowable expenditures. Of \$7.2 million in expenditures tested in operations and maintenance costs in FY 2020-21 and FY 2021-22, we found about \$10,000 in expenditures (or about 0.13 percent) misspent on Library, IT, and non-Measure Q projects.

The low rate of misspending we found suggests the City has been effective in ensuring appropriate spending of Measure Q revenue.

¹² For more information on sampling, see the Objectives, Scope, and Methodology section at the end of the report.

AUDIT RESULTS

The City Carried Forward \$1.75 Million of Funds in Excess of the FY 2020-21 Budget and \$3.8 Million More Than the FY 2021-22 Budget

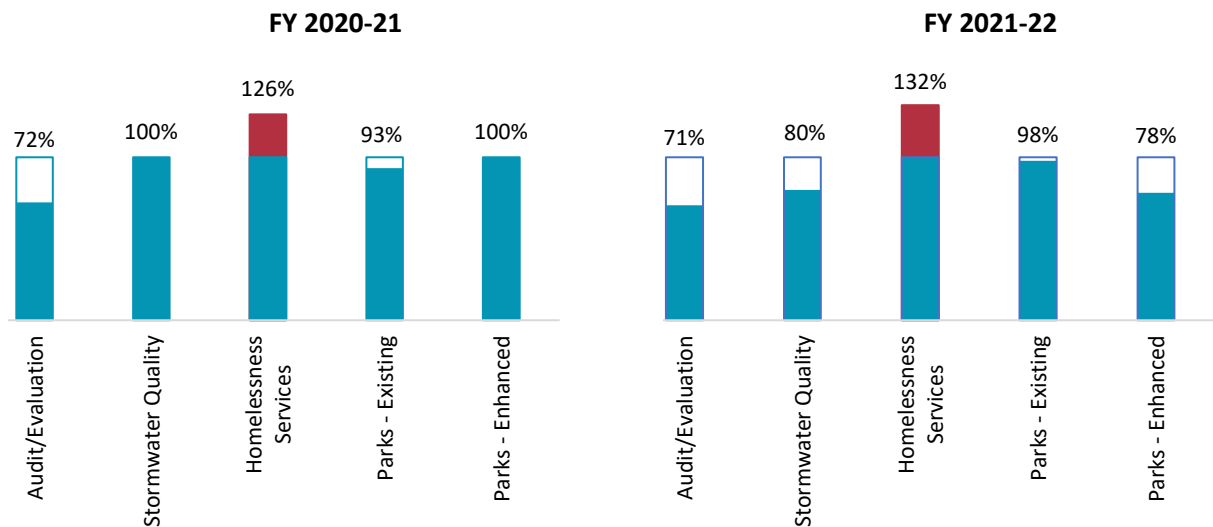
The City of Oakland enables multi-year budgeting for projects where activities span multiple fiscal years. The City’s Consolidated Fiscal Policy grants authority to process budget “carryforwards,” which move unspent budget into a new fiscal year.

There are two types of carryforwards:

1. **Encumbrance carryforwards:** the amounts for current purchases or contracts that will be paid in the following year.
2. **Project carryforwards:** previously unspent project appropriations moved for use in the following year.

In both FY 2020-21 and FY 2021-22, the City carried forward more money for homelessness services than was available based on the previous year’s budget and expenditures. In the first year, the City carried forward \$1.75 million more than the adopted budget. In FY 2021-22, the City carried forward \$3.8 million more than the adjusted budget.¹³ Exhibit 9 below shows the percent carryforward compared to the allowable budgets in each fiscal year.

Exhibit 9: The City’s Carryforwards for Homelessness Services Went 26 Percent (Or \$1.75 Million) and 32 Percent (Or \$3.8 Million) Over Budget in FY 2020-21 and FY 2021-22



Source: Auditor analysis of Oracle, the City of Oakland Financial System

For funds with lower fund balances, carryforwards could lead to negative fund balances since they authorize spending for money the City has not budgeted. Negative fund balances require backfilling (usually by the General Purpose Fund). Additionally, for a fund with categorical spending limits like Measure Q, carryforwards that go over budget can skew the percentages at

¹³ The adjusted budget (adopted budget plus carryforward) for FY 2021-22 was \$13.57 million. However, since the FY 2020-21 carryforward was \$1.75 million more than the FY 2020-21 budget, the adjusted budget should be \$1.75 million less. We calculated the adjusted budget as \$11.82 million (\$13.57 million minus \$1.75 million).

which staff spend money, reducing the proportion of funding going to another use. In this instance, 64 percent (or \$3.55 million of the \$5.55 million) of the excess funds carried forward between FY 2020-21 and FY 2021-22 to support homelessness services, should have been classified as unallocated fund balance and re-distributed towards parks.¹⁴

Recommendation 1

To prevent misallocated carryforwards, we recommend the Budget Bureau create a procedure to reconcile the appropriations with encumbrances and actuals once the fiscal year is closed. The procedure should check that the carryforwards are not greater than the balance of appropriations and encumbrances plus actuals, so that the carryforwards do not skew categorical spending allocations. The Budget Bureau should cross reference this procedure with the appropriate budget policies.

The Budget Bureau Sets the Thresholds for “Maintenance of Effort” Based on the Authorizing Legislation

Measure Q’s “maintenance of effort” provision requires the City to maintain a minimum level of funding for each service category:

1. **Parks Maintenance:** The City’s operating budget may not appropriate more than 55 percent of revenue allocated to parks, landscape maintenance operational services to preserve parks maintenance operational services at the level provided for in the FY 2019-20 budget.
2. **Homelessness Services:** Must appropriate not less in ongoing, unrestricted revenue (not including Measure Q funds) to homelessness services from the City’s operating fiscal year budget than is appropriated to direct homeless services from unrestricted, ongoing revenue (not including revenue from the Affordable Housing Trust) in the FY 2019-20 budget.
3. **Stormwater quality:** Must appropriate not less in ongoing revenue for ongoing operations and maintenance costs than is appropriated for the same uses in the FY 2019-20 budget.

According to Measure Q, if the City is not compliant with a maintenance of effort provision, then the revenue allocated to that service category in the operating budget cannot be spent.

The Complicated Maintenance of Effort Provision for Parks Contributed to Changing Budgets and Reduced Spending

The Budget Bureau sets the maintenance of effort dollar thresholds based on the text of the Measure Q legislation. The Budget Bureau set the maintenance of effort thresholds for

¹⁴ We made the Budget Bureau aware of this during the audit and they indicated that they could correct the allocation percentages before the extra funds carried forward are spent.

AUDIT RESULTS

homelessness services and the stormwater quality at \$880,818¹⁵ and \$8,309,436,¹⁶ respectively. The City met or exceeded these minimums in each year (see Exhibit 10).

Exhibit 10: The City Met or Exceeded the Maintenance of Effort Thresholds for Homelessness Services and Stormwater Quality in FY 2020-21 and FY 2021-22

Program Category	Maintenance of Effort Amount	FY 2020-21 Budget	FY 2021-22 Budget
Homelessness Services	\$880,818	\$880,818	\$880,818
Stormwater Quality	\$8,309,436	\$9,634,330	\$15,191,860

Source: Auditor analysis of Adopted Budgets

Unlike the maintenance of effort thresholds for homelessness services and stormwater quality, which are the same each year, the Budget Bureau has interpreted the maintenance of effort threshold for parks maintenance as a number that changes year to year. Budget attributes this in part to the complicated language within the Act. Budget originally set the maintenance of effort threshold for parks maintenance at \$14,717,133, which represents the service level that parks, and landscape services were at the year prior to Measure Q’s passage (FY 2019-20).¹⁷ However, the Budget Bureau later revised the threshold. The threshold in FY 2020-21 and FY 2021-22 was \$7,775,759 and \$10,076,921, respectively (see Exhibit 11). The Budget Bureau also published an incorrect amount on its “Compliance with the Consolidated Fiscal Policy and Other Legislation” webpage due to the complexity of the calculation.¹⁸

¹⁵ Based on the FY 2019-20 budgeted amount for Fund 1010 - General Purpose Fund, Organization Code: 78411 – Community Housing Services, and Account code: 54912 Third Party: Grants Contract Earned. The Budget Bureau originally communicated that the maintenance of effort amount for Homelessness Services was \$1,576,701 but amended that to \$880,818 because the lower amount represents how much was budgeted for “direct” homeless services in FY 2019-20.

¹⁶ Based on the FY 2019-20 budgeted amount for organization codes 30245 – Watershed and Stormwater Program, 30532- Infrastructure Maint: Storm Drain, and 92245 - Engineer Design: Watershed and Stormwater Program.

¹⁷ Based on the FY 2019-20 budgeted amount for organization codes 30651-Park Building Maintenance and 30652-Landscape Maintenance

¹⁸ The calculation reads “Exceeds the Maintenance of Effort By” when it should read “Exceeds the FY 2019-20 Service Level By.”

Exhibit 11: The Threshold for the Parks Maintenance of Effort Changes Year to Year

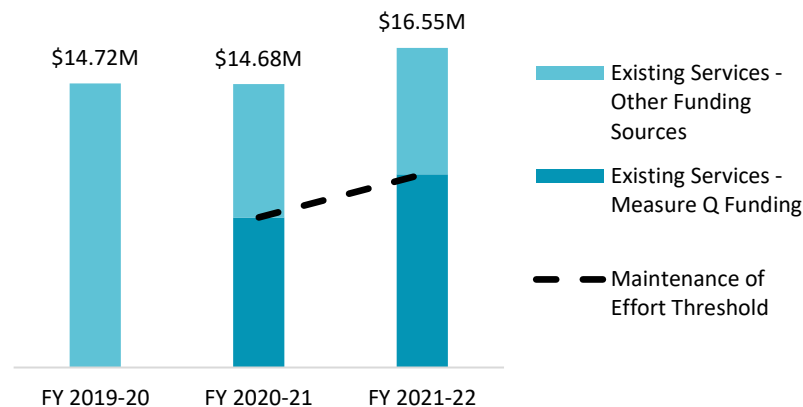
Program Category	Maintenance of Effort, per Act	FY 2020-21 Threshold	FY 2021-22 Threshold
Existing Parks Services	55%	\$7,775,759 (55%)	\$10,076,921 (55%)
Enhanced Parks Services ¹⁹	45%	\$6,403,206 (45%)	\$8,244,753 (45%)
Total Measure Q Parks Maintenance Budget	100%	\$14,178,965	\$18,321,674

Source: Auditor analysis of Adopted Budgets

The Budget for Existing Park Services Decreased After Measure Q

The maintenance of effort threshold for parks, we should note, does not guarantee a minimum standard relative to FY 2019-20 parks maintenance service levels. This is a result of the Measure language which sets the budget threshold for existing parks maintenance at “no more than 55 percent” for services that existed in FY 2019-20. As Exhibit 12 shows, funding for existing services for parks maintenance for FY 2020-21 was lower than the previous fiscal year, while still in full compliance with the maintenance of effort provision. This contrasts with other maintenance of effort thresholds, which generally act as a minimum, rather than a cap.

Exhibit 12: The Service Levels for Existing Parks Maintenance Services in FY 2020-21 Were \$40,000 Lower Than FY 2019-20



Source: Auditor analysis of Adopted Budgets

The Act requires only partial maintenance of effort – which does not ensure that the City maintain a minimum maintenance. The term “maintenance of effort” implies a minimum level of funding based on a baseline amount.

¹⁹ We tested the positions and operations and maintenance (O&M) budget to make sure these were new, or “enhanced” services budgeted. We confirmed that all 36 and 39 positions for enhanced services in FY 2020-21 and FY 2021-22, respectively, were not in the FY 2019-20 budget. O&M mostly went towards new equipment and improvements at parks.

AUDIT RESULTS

Recommendation 2

We recommend the City Administrator develop and propose to the City Council for its consideration, a policy for establishing future maintenance of effort thresholds that are simple, easy to interpret, and represent minimum service levels from base levels.

Given the Confusing Ballot Measure Language, the Budget Bureau Needs to Clarify the Threshold for Maintenance of Effort for Consistency

The Budget Bureau has not documented a methodology for calculating the maintenance of effort thresholds and revised the threshold for both parks maintenance and homelessness services during the audit. Without a documented methodology, the threshold for maintenance effort may not be interpreted consistently. The resulting changing budgets can undermine the intent of the Measure's maintenance of effort provisions.

Recommendation 3

To ensure consistency in interpretation and application, we recommend the Budget Bureau document its methodology for calculating the maintenance of efforts for Measure Q.

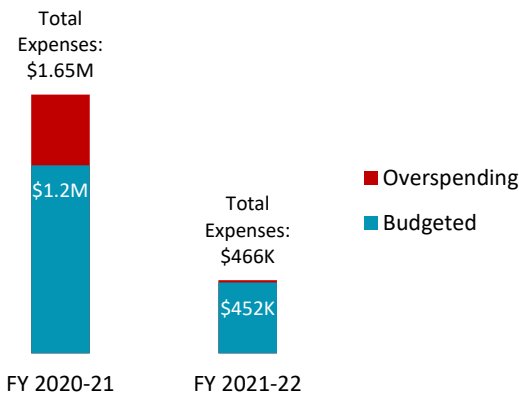
Recommendation 4

For future special tax programs, we recommend the Budget Bureau create a maintenance of effort methodology and guidelines prior to developing the measures' first budgets.

The City Consistently Underbudgeted for Ballot Measure-Related Costs

In FY 2020-21 and FY 2021-22, the City overspent its budgeted amount for costs associated with administering the ballot measure and associated special tax by a total of \$465,000 (see Exhibit 13).

Exhibit 13: The City Overspent its Budget for Ballot Measure-Related Costs in Both FY 2020-21 and FY 2021-22



Source: Auditor analysis of Oracle, the City of Oakland Financial System

In FY 2020-21, the City budgeted \$1,200,000 for Measure Q election costs. The City spent that money, but also spent \$443,448 for the fee that the County collects for levying and collecting the tax, an expenditure that was not budgeted by the City.²⁰ The City again underbudgeted for the County’s collection fee the following year, though for less (about \$14,000). The County’s collection fee is 1.7 percent of taxes collected, so the City can estimate the budget based on the amount of revenue the City anticipates receiving.

Recommendation 5

We recommend the Budget Bureau adjust its budgeting for costs associated with administering the ballot measure to reflect the County’s collection fee amount of 1.7 percent of revenue.

²⁰ Alameda County charges a 1.7 percent commission to levy and collect the special tax on behalf of the City.

AUDIT RESULTS

FINDING 2: The City Needs More Performance Data to Evaluate the Effectiveness of Measure Q Funds Towards Improving Park Conditions, Stormwater Quality, and Homelessness Services

Summary

Oakland voters passed Measure Q to support the equitable distribution of maintenance services to parks to decrease disparities in life outcomes of marginalized communities; improve and increase maintenance, tree, and landscape services throughout Oakland parks; increase services to people experiencing homelessness, with an emphasis on those living in or adjacent to City parks; and improve water quality by reducing litter. Measure Q funding for these purposes – nearly \$53 million between FY 2020-21 and FY 2021-22 – should be accompanied by clear performance measures and goals to ensure the City makes the best use of the revenue. To date, the City has not fully operationalized Measure Q’s goals with a data-driven strategy to inform performance management. Rather, Public Works reports out on the regularity of bathroom cleaning, field mowing, and litter pick up. Additional performance measures would enable assessment of park conditions against a baseline and outcome goals, and allow managers to identify substandard park facilities in the City’s equity priority areas to prioritize maintenance.

The City does not have a baseline for parks conditions. Prior to Measure Q’s implementation, in 2018, the Oakland Parks and Recreation Foundation (OPRF) graded the City’s maintenance levels at “C-plus.” Without consistent performance measures or a baseline, it is difficult to assess the level to which park conditions have improved since the implementation of Measure Q, or whether other goals, such as the reduction of homelessness adjacent to parks, have been met.

Voters Approved Funding with Goals to Improve Park Conditions, and Stormwater Quality, and Increase Homelessness Services

As described in the background, Measure Q outlines objectives for the taxes collected, specifically to:

1. Support the equitable distribution of maintenance services to parks and recreational facilities throughout Oakland in order to decrease disparities in life outcomes of marginalized communities and to facilitate equity of opportunity throughout Oakland;
2. Provide ongoing maintenance and facilitate the use and operation of parks and recreational facilities for Oakland residents and visitors;
3. Improve and increase maintenance, tree, and landscape services for parks and recreational facilities throughout Oakland;
4. Maintain fixed assets within parks and recreational facilities to avoid more costly repairs;
5. Increase services to unhoused and unsheltered persons within Oakland, with an emphasis on those living in or adjacent to City of Oakland parks, to reduce homelessness and its impacts to public health; and

6. Improve water quality through actions that include the maintenance and cleaning of stormwater trash collection systems and reducing trash and litter in our parks, creeks, and waterways.

These objectives provide goals for how the tax revenues should be spent, and by which the City should assess its performance in improving services as approved by the voters.

Performance Measures Focus Program Management and Support Public Accountability

The public deserves to know how it benefits from tax-funded services. The City should communicate to the public its progress in meeting service goals. In addition, managers should know if, and to what extent, their programs are meeting service goals, and how effectively and efficiently they are providing services. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. The use of performance information for management and policy decisions that improve service quality, efficiency, and program results is referred to as performance management. Performance measurement and performance management provide a way to meet the goals outlined in Measure Q.

The City Has Reported Out on Limited Outputs Relating to Bathroom Cleanings, Staffing, Field Mowing, and Litter Pick-Up

Staff has not developed performance measures that speak to the breadth of the funding objectives listed in Measure Q. From the objectives related to parks maintenance listed in Measure Q, City staff have identified, tracked, and reported four deliverables (see Exhibit 14).

Exhibit 14: System Tracking and Reporting Method for the Four Measure Q Deliverables

Deliverable	How Deliverable is Reported
1. Cleaning bathrooms in major parks twice per day	Reported as a monthly count of days that a restroom has been cleaned.
2. Having dedicated staff at each park	Reported as a sum of labor hours entered from workorders for parks that the department has classified as “major parks”.
3. Increasing the frequency of mowing fields	Reported as a count of work orders related to mowing ballfields.
4. Increased litter pick up	Reported as a sum of minutes picking up litter and volume of litter (estimated amount), which are reported on work orders.

Source: Auditor analysis of City staff reports

According to Public Works, the goal of these deliverables was “to create a routine report that is clear, simple, and accessible to the community to provide transparent and accessible reporting on service delivery.” Staff should develop performance measures to further track impacts of Measure Q tax dollars against a baseline and service goals and objectives promised by Measure Q – namely, park conditions and life outcomes by geography and other equity considerations, but

AUDIT RESULTS

also reductions in homelessness in or around parks, and infrastructure deferred maintenance or other cost avoidance measures.

For Parks, The City Should Develop Outcome Measures to Show Impact

Outcome measures reflect the broader changes that result from policy outputs, which speak to a program's effectiveness. For Measure Q, the City should measure the impact related to the goals specified by Measure Q: maintaining and improving parks, maintaining fixed assets, and supporting the equitable distribution of maintenance services to decrease life disparities.

The best way to evaluate the effectiveness and equity of Measure Q for parks maintenance is to evaluate the condition of City parks on a regular basis. The Parks & Trees division of Public Works has conducted a condition assessment of miniparks. Similarly assessing all parks' conditions in conjunction with the Facilities division, which maintains many of the amenities in parks (such as play structures), would inform maintenance decisions and the public on the use of Measure Q funds.

Other Cities Have Implemented Holistic and Objective Park Maintenance Standards to Measure Progress and Dedicate Resources

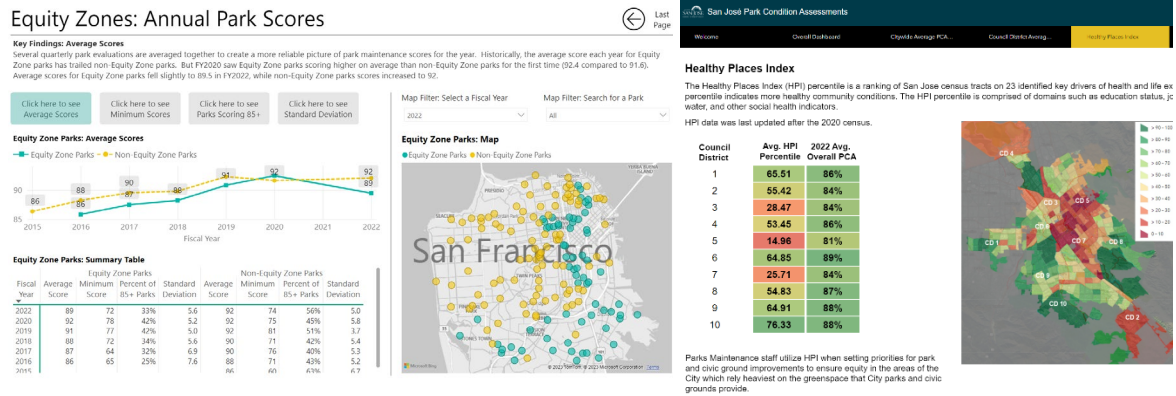
The City of San Jose and the City and County of San Francisco have developed comprehensive and detailed park facility condition standards by which they assess overall park conditions.²¹ Staff regularly assess parks against standards that include the number of pieces of litter on an athletic court or athletic field and the level of weeds on hardscapes. The clearly defined standards that San Jose and San Francisco use can be graded on a pass/fail scale.

Both San Jose and San Francisco use these standards as the basis for comprehensive parks evaluation processes and annual reports, which also drives equity decision making.²² Additionally, both San Jose and San Francisco make their park evaluations publicly accessible online (see Exhibit 15).

²¹ Example standards include whether a building is free of graffiti, or a drinking fountain works. A park's maintenance score is the percent of these standards that are met.

²² The City of San Jose calls its report the Parks Condition Assessment (PCA). The report is completed and published annually by staff in their Parks, Recreation and Neighborhood Services Department. San Francisco plans quarterly park assessments completed by Recreation and Parks Department (RPD) employees, and one assessment completed by employees in the City Performance Unit within the Controller's Office. The Controller's Office then averages the scores of the five assessments publishes the results in an annual report. San Jose's parks maintenance staff utilizes the Healthy Places Index when setting priorities for park and civic ground improvements to ensure equity. San Francisco closely monitors park maintenance scores for parks in Equity Zones.

Exhibit 15: San Francisco (Left) and San Jose (Right) Make Park Condition Equity Scores Publicly Accessible Online



Source: [San Francisco Park Maintenance Scores](#), [San Jose Park Condition Assessments](#)

We estimated the cost of evaluating the City’s parks conditions in a similar manner to San Jose and San Francisco using current City staff. We estimate the first year would cost roughly \$450,000, with an ongoing cost of roughly \$210,000 annually (going up as staff costs go up).

One of the allowable uses outlined in Measure Q is paying for “costs to implement a performance tracking system, or to conduct an evaluation of the effectiveness of services or programs.” Between FY 2020-21 and FY 2021-22, \$508,000 was budgeted for audit and evaluation.²³

The City Needs to Set a Baseline for Performance to Evaluate the Effectiveness of the City in Reaching its Goals to Improve Park Conditions, Stormwater Quality, and Increase Homelessness Services

The City did not establish a baseline for performance to understand the effectiveness of Measure Q dollars in achieving the goals outlined within the Act. To account for variations in policy outputs, outcomes, and impacts, it is necessary to trace them back to prior policy inputs and activities. Without consistent measurement against a baseline, the City will not be able to measure the effect of Measure Q funds.

Recommendation 6

To track the effectiveness of Measure Q funds in reaching voter-approved objectives, we recommend the City Administrator’s Office, in conjunction with the Public Works and Human Services departments, at a minimum, set a baseline for parks maintenance conditions and the number of people experiencing homelessness in or adjacent to City parks for measurement going forward.

²³ Of that \$508,000, 21.5 percent was budgeted for audits (discussed in Section 3).

AUDIT RESULTS

Recommendation 7

We recommend the City Administrator’s Office identify baseline performance related to objectives of City special tax programs and establish outcome measures to periodically report to the City Council.

Service Levels Are Assigned to Parks, But the City Does Not Report On Whether Those Service Levels Are Met

Public Works established service levels for parks maintenance that it assigns to each of the roughly 160 parks in Oakland. The City assigns ‘high,’ ‘medium,’ and ‘low’ service levels to City parks. Public Works, however, does not track or publicly report on whether it meets those levels of service. Additionally, these service levels, while establishing routine maintenance schedules, are not impact or outcome oriented. For example, a high service level park may not necessarily mean the park is in great condition. Exhibit 16 (below and on the next page) shows some of the conditions at a high service level park.

Exhibit 16: Maintenance Concerns at a High Service Level Park



Nonfunctioning and clogged water fountain



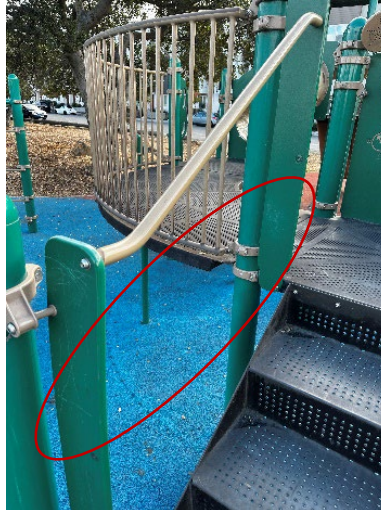
Crater in the synthetic turf on a ballfield



Crater in the natural turf on a ballfield



Cones bolted over playground equipment presumably to cover hazardous edges



Left side of staircase is missing a railing which presents a hazard



Graffiti renders the public sign illegible

Source: Auditor photos at Raimondi Park (November 2023)

Recommendation 8

We recommend the Public Works Department develop outcomes-based park condition standards for all City parks and use those standards to inform its routine maintenance schedule based on the condition standards and what condition levels it can achieve.

Recommendation 9

We recommend the Public Works Department implement an annual parks condition assessment informed by park condition standards, and report on that annually to the Parks and Recreation Advisory Commission.

One of the Objectives of Measure Q is to Reduce Homelessness in or Around Parks

In our April 2021 [Audit of the City of Oakland's Homeless Encampment Management Interventions & Activities](#), we noted that encampments throughout Oakland have “destroyed or compromised City parks.” Today, encampments continue to diminish the availability and quality of parks and recreational facilities for their intended public uses. Raimondi Park in West Oakland and Holly Park in East Oakland are examples of City parks where illegal dumping, litter, hazardous waste, and the use of park equipment for unintended purposes appears tied to the presence of encampments (See Exhibit 17 on the next page).

AUDIT RESULTS

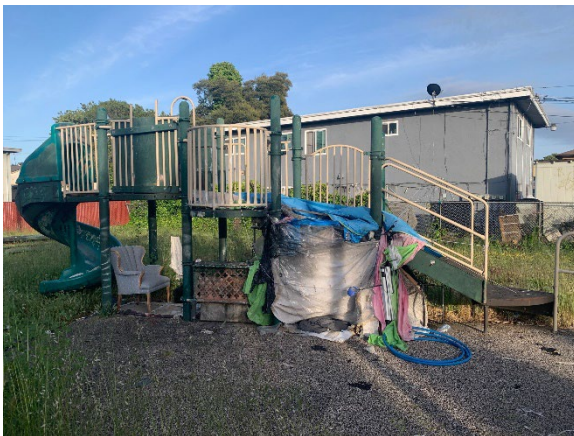
Exhibit 17: Encampments and Homelessness in and Around City Parks



Encampment dwellings along the sidewalk at Raimondi Park



Tents and personal possessions under the oak trees at Raimondi Park



Playground equipment at Holly Park repurposed for shelter



Tents and personal possessions under the oak trees at Raimondi Park

Source: Auditor photos at Raimondi Park (November 2023) and Holly Park (June 2023)

Additionally, the people living in these parks are still in need. One of the main objectives of the Act is reducing homelessness in or around City parks. Maintaining and enhancing parks and recreational facilities as Measure Q aims to accomplish, requires eliminating or significantly reducing homelessness and encampments at or around City parks.

The City Has Reported on Performance Related to Homelessness Services Broadly, but Should Report on Homelessness in and by Parks

The City has multiple reports and data sources²⁴ to update the public on the performance of Measure Q funding for homelessness services, however, does not report regularly on the number

²⁴For homelessness services, the City has a vast amount of data to draw on from the Homelessness Management Information System (HMIS) that it uses to track service provider performance. HMIS is a local information technology system used to collect client-level data and data on the provision of housing and services to individuals and families at risk of and experiencing homelessness. Our office reported on potential improvements to reporting

of homeless people in or adjacent to City parks, part of the main objective related to homelessness in the Act.

The City should come up with metrics that consider and track the number of homeless people in or adjacent to City parks, to determine the effectiveness of Measure Q funding in reducing homelessness in and near City parks.

Recommendation 10

We recommend the Human Services Department, in conjunction with the City Administrator's Homelessness Division, develop performance measures, with an emphasis on reducing the number of people experiencing homelessness in or adjacent to City parks, and report on those measures to the Commission on Homelessness.

The Public Works Committee Receives Reports on Stormwater Quality Metrics, but Public Works Should Report on Measure Q Performance

For stormwater quality, Public Works already reports to the Public Works Committee and the City Council on the compliance for trash load reduction with the City's Municipal Regional Stormwater Discharge Permit. In addition, staff report on the Measure Q deliverable related to litter reduction in parks to the Parks and Recreation Advisory Commission (PRAC).

However, another performance metric staff could report on, since the majority of Measure Q stormwater quality funds (\$2.3 million out of \$2.7 million) have been spent or encumbered on the Stormwater Drainage Master Plan, is whether that plan is going to be completed on time. The firm completing the plan was hired in March 2021, and the plan was supposed to be completed by 2024. As of end of July 2023, the firm had billed the City for 46 percent of the expected services.

Recommendation 11

We recommend the Public Works Department assign staff to report on the progress of stormwater quality projects funded by Measure Q to the Parks and Recreation Advisory Commission.

Annual Evaluations of Outcomes Improve Transparency and Public Accountability

The City Council passed a resolution directing the City Administrator to apply best practices for performance measurement, management, and reporting to increase public confidence through greater transparency.²⁵ Measure Q did not have a requirement for the evaluation of the programs

on provider performance in the September 2022 [Performance Audit of the City's Homelessness Services: Better Strategy and Data are Needed for More Effective and Accountable Service Delivery and Positive Outcomes for Oakland's Homeless Residents](#).

²⁵ 87688 C.M.S.

AUDIT RESULTS

or services provided, which is inconsistent with the City's performance measurement and management goal.

Measure Z (The 2014 Oakland Public Safety and Services Violence Prevention Act), another special parcel tax, has a requirement for the annual evaluation of the programs that they provide. Measure Z requires reporting on whether strategies yield desired outcomes in the short- and long-term, stating:

“Annual Program Evaluation: Annual independent program evaluations pursuant to Section 3(C) shall include performance analysis and evidence that policing, and violence prevention/intervention programs and strategies are progressing toward the desired outcomes. Evaluations will consider whether programs and strategies are achieving reductions in community violence and serving those at the highest risk. Short-term successes achieved by these strategies and long-term desired outcomes will be considered in the program evaluations.”

An annual evaluation of programs that have been funded by the ballot measure would align with Council direction and improve transparency in the effectiveness of Measure Q funding in reaching the goals approved by the voters.

Recommendation 12

We recommend the City Administrator's Office periodically evaluate and report on special tax programs' ongoing performance and outcome measures against baseline performance.

FINDING 3: The City Needs to Strengthen its Oversight and Reporting of Measure Q Funds

Summary

Measure Q included a section on planning and accountability, requiring the City Council to assign “one or more existing boards or commissions” to “review reports related to the expenditure of revenue collected,” as well as the biennial City Auditor report. The City Council assigned the Commission on Homelessness and the Parks and Recreation Advisory Commission as the civilian oversight bodies. We found that the Commission on Homelessness could strengthen its oversight through regular consideration of Measure Q funded efforts, like the Parks and Recreation Advisory Commission’s, and through the issuance of its statutorily required annual report.

Additionally, Measure Q makes an annual financial audit optional, stating it “may be performed annually to ensure accountability and proper disbursement of the proceeds of this tax in accordance with” state law. California law requires accountability measures to limit proceeds from special taxes to stated uses and annual reports from the chief fiscal officer to the governing body with the amounts collected and spent (California Government Code sections 50075.1 and 50075.3). We found that despite having budgeted an annual financial audit, the City has not contracted a financial audit for Measure Q. We recommend spending the annual audit allocation to ensure the City complies with California state law.

The City Council Assigned Citizen Oversight of Measure Q Funds to the Commission on Homelessness and the Parks and Recreation Advisory Commission

The City Council assigned the responsibility of citizen oversight to the Commission on Homelessness and the PRAC:

The Commission on Homelessness (COH) is the nine-member commission responsible for civilian oversight relating to Measure Q-funded homelessness services and illegal dumping, which receives 30 percent of tax revenues generated. The intent of the COH, according to the letter from Councilmember Kaplan proposing its creation, is to “assist the City of Oakland in reviewing the efficiency of homelessness programs which will result in potential improvements in effectiveness, and can strengthen our ability to attract additional funds.”²⁶ Under the Municipal Code,²⁷ the Commission publishes “information, if available, concerning the impacts of programs funded by... 2020 Measure Q homelessness funds subject to Commission oversight on the occurrence of homelessness and illegal dumping in the City.”

²⁶ See the main staff report on the [agenda item from the February 18, 2020 City Council meeting](#) where the establishment of the Commission on Homelessness was considered.

²⁷ Oakland Municipal Code Section 4.56.060

AUDIT RESULTS

The Parks and Recreation Advisory Commission (PRAC) is an eleven-member commission responsible for citizen oversight over Measure Q funds dedicated to parks, landscape maintenance, recreational services, and services to improve water quality and related litter reduction, which receives 69 percent of the tax revenues generated. The Measure Q oversight duties assigned to the PRAC by the City Council include:

1. Reviewing relevant financial and operational reports related to the expenditure of Measure Q funds;
2. Make recommendations to the Mayor and City Council on the allocation of Measure Q proceeds as part of the Biennial Fiscal Year Budget, Mid-Cycle Budget, and other formal budget processes.

The Commission on Homelessness (COH) Should Receive Regular Measure Q Performance Reports, Similar to the Parks and Recreation Advisory Commission (PRAC)

In contrast to the PRAC, the COH does not have a regular agenda item to consider Measure Q funded efforts. Seven months after the passage of Measure Q and one month after being assigned oversight duties, the PRAC set up a regular agenda item to consider Measure Q oversight, discussing financials (budget or actuals), hiring and vacancies, and Public Works' performance. In February 2021, the PRAC also created an ad hoc committee, composed of three commissioners, to meet regularly with City staff on Measure Q implementation. As a result, the PRAC discussed Measure Q expenditures or performance at 18 meetings between October 2020 and June 2022. In contrast, between its first meeting as a commission in December 2020 and June 2022 the COH discussed Measure Q in three total meetings (see Exhibit 18).

Exhibit 18 shows a timeline that shows the types and frequency of deliberation from the COH and PRAC from just before Measure Q passed through the end of FY 2021-22.

Exhibit 18: The Parks and Recreation Advisory Commission (PRAC) Has Received Many More Reports on Measure Q from City Staff than the Commission on Homelessness (COH)

February 2020	The City Council creates the Commission on Homelessness (COH) and assigns it Measure Q homelessness services oversight pending its passage (13584 C.M.S.)
March 2020	Voters approve Measure Q
October 2020	The City Council assigns Measure Q parks and water quality oversight to the PRAC (13622 C.M.S.)
November 2020	The PRAC initiates consideration of Measure Q oversight as a regular agenda item (listed as "MEASURE Q: OVERSIGHT/UPDATES/REPORTS")
December 2020	The COH holds its first meeting
January 2021	The PRAC receives its first operational report, a report on hiring and vacancies from Public Works staff (the PRAC had hiring updates as an agenda item on 16 out of the next 17 months through June 2022)
February 2021	The PRAC establishes an ad hoc committee on Measure Q
April 2021	City staff present to the COH on Measure Q as part of the FY 2021-23 budget cycle discussion
May 2021	The PRAC discusses the ad hoc committee sending a letter to the City Council on recommendations for the FY 2021-23 budget cycle
February 2022	City staff first reports on deliverables to the PRAC (mowing sports fields and dedicated staffing)
April 2022	City staff presents a new deliverable to the PRAC (restroom cleanings) The PRAC discusses the letter sent to the City Council on the midcycle budget The COH discusses Measure Q as a part of homelessness services budget discussion
May 2022	The COH receives its first presentation from City staff on Measure Q expenditures The PRAC presents its annual status report to the City Council
June 2022	City staff presents a new deliverable to the PRAC (litter reduction)

Source: Auditor observations of commission meetings and meeting minutes; **Note:** PRAC updates in blue, COH updates in orange, and March election in gray

AUDIT RESULTS

The PRAC's involvement has helped with public oversight. For example, the PRAC ad hoc committee worked with Public Works to develop the Measure Q website, which provides information on hiring, performance, and budget.²⁸

Recommendation 13

To facilitate citizen oversight of homelessness efforts, we recommend the City Administrator's Office bring regular operational and expenditure reports to the Commission on Homelessness, and that the Commission establish a regular agenda item for this purpose.

The Municipal Code Requires the Commission on Homelessness (COH) to Publish an Annual Report

The municipal code requires the COH to publish an annual report regarding how and to what extent the Commission has implemented its civilian oversight of homelessness funds.²⁹ To date, the COH has not published an annual report. Staff attributes the inability to publish an annual report to time constraints and quorum issues with the COH. In contrast, the PRAC published an annual status report and presented it to the City Council in May 2022 outlining its accomplishments (including a section on Measure Q). Periodic reporting of boards and commissions to the City Council provide a tool for oversight and policy evaluation. The COH should publish a report on its activities and can use the PRAC's as a guide.

Recommendation 14

We recommend the Commission on Homelessness fulfill its statutory obligation by publishing an annual report, pursuant to Oakland Municipal Code Section 4.56.060, including a section on Measure Q.

An Annual Audit Could Be an Oversight and Monitoring Tool for the Parks and Recreation Advisory Commission (PRAC) and the Commission on Homelessness (COH)

Unlike other special tax measures implemented by the City, Measure Q did not require an annual financial audit. Rather, the Measure makes the annual financial audit optional. It reads:

*“Annual Financial Audit. An independent audit **may** be performed annually to ensure accountability and proper disbursement of the proceeds of this tax in accordance with the objectives stated herein as provided by Government Code sections 50075.1 and 50075.3.”*

In contrast, Measure Z, which annually has an audit completed of its financials and budgetary schedules, reads as follows:

²⁸ <https://www.oaklandca.gov/topics/measure-q>

²⁹ Oakland Municipal Code Section 4.56.060

*“Annual Audit Review: An independent audit **shall** be performed annually to ensure accountability and proper disbursement of the proceeds of this tax in accordance with the objectives stated herein as provided by Government Code sections 50075.1 and 50075.3.”*

Notably, both reference the same sections of state law.

An Annual Audit Could Satisfy State Requirements for Reporting

California Government Code sections 50075.1 and 50075.3 require an annual report on the amount of funds collected and expended and the status of any project required or authorized to be funded. An annual audit could provide assurance that budgeting and spending is in alignment with the legislation as well as inform budget recommendations made by the PRAC.

The City budgeted \$36,000 in FY 2020-21 and \$73,000 in FY 2021-22 to complete a financial audit, though to date, that money has not been spent and a financial audit has not been completed. The City should spend its budget allocation and implement an independent annual financial audit similar to Measure Z that checks the compliance with budgetary allocation, expenditures, and fulfills the requirements of state law.

Recommendation 15

We recommend the City spend its budget allocation for an annual audit of Measure Q funds collected and expended, as required by California Government Code sections 50071.1 and 50075.3.

Recommendation 16

We recommend that for future special tax programs, the City Administrator’s Office initiate a best practice policy requiring an annual report on revenues, expenditures, and the status of open projects, to make sure that the City satisfies California Government Code sections 50075.1 and 50075.3.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

1. Determine whether the City is spending Measure Q monies in accordance with the Act.
2. Determine whether the City is appropriating Measure Q monies in accordance with the Act.
3. Determine whether Measure Q has improved park conditions.
4. Assess the oversight of Measure Q activities and expenditures.

Scope

The scope of the audit includes Fiscal Years 2020-21 and 2021-22. We included revenues and expenditures from Fiscal Years 2019-20 and 2022-23 for informational purposes. Additionally, we included budget information from Fiscal Years 2022-23, 2023-24, and 2024-25 for informational purposes.

Methodology

Toward achieving the above objectives, we reviewed relevant management controls and:

- Reviewed the 2020 Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Measure Q) and its requirements.
- Reviewed similar audits in other jurisdictions.
- Reviewed Measure Q budgets, revenues, and expenditures.
- Reviewed City policies and procedures for budget and expenditures.
- Interviewed staff from the Human Services Department, Oakland Public Works, and Department of Finance.
- Reviewed operational and financial reports presented to citizen commissions and the City Council related to Measure Q.
- Tested Measure Q budgets and expenditures for compliance with legislative requirements by sampling 100 percent of personnel expenditures, verifying that personnel costs were associated with valid organization codes and job descriptions and reviewing a risk-based judgmental sample of invoices and other miscellaneous expenditures. This sample covered 39 percent of non-personnel transactions, totaling \$7.2 million in expenditures. Because the non-personnel sample was judgmentally selected, it cannot be projected out to full population.
- Reviewed meeting minutes from the Parks and Recreation Advisory Commission (PRAC) and the Commission on Homelessness (COH).
- Interviewed staff from the City of San Jose and the City and County of San Francisco.
- Reviewed best practices for performance measurement and management.
- Reviewed other special tax measures' text and financial records for comparison.

STATEMENT OF COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDICES

Appendix A

Parcel Tax Rates for Measure Q Between FY 2020-21 and FY 2023-24

Type	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Single Family Residential Parcels	\$148.00	\$153.52	\$162.32	\$174.58
Multiple Residential (per unit)	\$101.08	\$104.85	\$110.86	\$119.23
Non-Residential Parcels ³⁰	Various Rates	Various Rates	Various Rates	Various Rates

Source: Auditor analysis of 13746 C.M.S., 13701 C.M.S., 13652 C.M.S., and 13595 C.M.S.

³⁰ Rates for non-residential parcels varies depending on parcel frontage and square footage.

Appendix B

Property Tax Exemptions for Measure Q By Category in FY 2020-21 and FY 2021-22

Types of Property Tax Exemptions	Number of Exemptions Issued	
	FY 2020-21	FY 2021-22
(50%) Very-Low Income Household	939	889
(60%) Low Income Non-Senior Household	5	5
(80%) Senior Household	74	74
Non-Profit Housing	71	79
School	14	16
Religious	101	104
Rebate to tenants in foreclosed single-family homes	0	0
Distressed Homeowners³¹	0	0
TOTAL	1,204	1,167

Source: City of Oakland Finance Department

³¹ Owner of a residential unit who occupies that unit (or calls the unit their principal place of residence), and is subject to a current notice of default, current notice of trustee’s sale, or a pending tax assessor’s lien sale.

APPENDICES

Appendix C

Number Of City Staff Budgeted Under Measure Q By Department and Fiscal Year

Service Area	Department	Division/Org	Number of Full-Time Equivalent (FTE) Staff by Fiscal Year				
			2020-21	2021-22	2022-23	2023-24	2024-25
Audit and evaluation	Oakland Public Works	Management Information Systems	1	1	0.92	0.83	0.83
	Office of the City Auditor	Office of the City Auditor	0	0	0	0.2	0.2
Homelessness services	City Administrator's Office	Homelessness Administrator	0	1	1	3	4
	Human Services Department	Fiscal Operations	1	1	1	1	1
	Human Services Department	Community Housing Services	2	1.5	2	9.07	9.07
	Economic and Workforce Development	Real Estate	0	0	0	0.5	0.5
Parks Maintenance	Oakland Public Works	Facilities	6	9	11	11	11
	Oakland Public Works	Parks & Trees	91.4	101.6	99.73	101.73	101.73
Stormwater Quality	Oakland Public Works	Watershed and Stormwater Program	1	1	1	1	1
TOTAL			102.4	116.1	116.65	128.33	129.33

Source: Auditor analysis of City of Oakland Adopted Budgets



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CITY ADMINISTRATION'S RESPONSE

We presented the audit's findings, conclusions, and recommendations to the City Administration, including staff from the Finance Department, the Department of Human Services, and the Department of Public Works. They indicated they agreed with all recommendations in the report and their written response is forthcoming.

UPDATE 3/11/24: The Administration completed a response. It is presented on the following pages.



**CITY OF
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Office of the City Auditor

Budget Transparency, Performance Management, and Stronger Oversight Needed to Ensure Oaklanders Receive Full Benefits from the 2020 Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act

City Administration’s Recommendation Implementation Plan

Recommendation	City Auditor’s Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
1	To prevent misallocated carryforwards, we recommend the Budget Bureau create a procedure to reconcile the appropriations with encumbrances and actuals once the fiscal year is closed. The procedure should check that the carryforwards are not greater than the balance of appropriations and encumbrances plus actuals, so that the carryforwards do not skew categorical spending allocations. The Budget Bureau should cross reference this procedure with the appropriate budget policies.	Management agrees with recommendation and has modified its procedures to ensure accuracy in the carryforward appropriations.	Finance Department	Completed
2	We recommend the City Administrator develop and propose to the City Council for its consideration, a policy for establishing future maintenance of effort thresholds that are simple, easy to interpret, and represent minimum service levels from base levels.	Management partially agrees. The Finance Department will develop a policy for City Administrator signature that provides guidance to Council on maintenance of effort (MOE) thresholds, guidelines on the calculation of MOE, outlines requirements for City special tax programs, including baseline, measurement assessment and annual reporting to Council.	City Administrator’s Office /Finance Department	By March 2025, prior to next election cycle
3	To ensure consistency in interpretation and application, we recommend the Budget Bureau document its methodology for calculating the maintenance of efforts for Measure Q.	Management partially agrees; the maintenance of effort (MOE) language is codified in the Measure. Legal interpretation is exercised by the Office of City Attorney, and the Finance Department, Budget Bureau publishes the	Finance Department	Completed



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City Administration’s Recommendation Implementation Plan

Recommendation	City Auditor’s Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
		methodology used to calculate the MOE in the Adopted Budget Book.		
4	For future special tax programs, we recommend the Budget Bureau create a maintenance of effort methodology and guidelines prior to developing the measures’ first budgets.	See response to Item 2 above.	Finance Department	See response to Item 2 above.
5	We recommend the Budget Bureau adjust its budgeting for costs associated with administering the Measure Q ballot measure to reflect the County’s collection fee amount of 1.7 percent of revenue.	Management agrees; the Finance Department, Budget Bureau will update the County collection fee to reflect its accurate cost in the budget exercise.	Finance Department	Completed, Budget adjustment/ transfer added to administrative project.
6	To track the effectiveness of Measure Q funds in reaching voter-approved objectives, we recommend the City Administrator’s Office, in conjunction with the Public Works and Human Services departments, at a minimum, set a baseline for parks maintenance conditions and the number of people experiencing homelessness in or adjacent to City parks for measurement going forward.	Management agrees. To support tracking effectiveness of Measure Q funds in meeting voter-approved objectives, subject to budget availability, Oakland Public Works will issue a Request for Proposals (RFP) for a consultant to complete a comprehensive assessment of City parks and parks maintenance. As part of this assessment, the consultant will be tasked with recommending an established baseline for parks maintenance conditions, including the number of people experiencing homelessness in or adjacent to City parks.	Oakland Public Works and Human Services Department	Staff anticipate the selected consultant’s work will commence by Summer of 2024



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City Administration’s Recommendation Implementation Plan

Recommendation	City Auditor’s Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
7	We recommend the City Administrator’s Office identify baseline performance related to objectives of City special tax programs and establish outcome measures to periodically report to the City Council.	See response to Item 2 above.	Finance Department	See response to Item 2 above.
8	We recommend the Public Works Department develop outcomes-based park condition standards for all City parks and use those standards to inform its routine maintenance schedule based on the condition standards and what condition levels it can achieve.	Management agrees. As part of the assessment described in item 5, The assessment will also include an analysis of the current achievability of baseline standard conditions, (i.e., can those conditions be met, not met, or improved upon with existing resources), and identify additional needs, as applicable.	Oakland Public Works	This effort is a key component of the Park Assessment commencing Summer of 2024.
9	We recommend the Public Works Department implement an annual parks condition assessment informed by park condition standards, and report on that annually to the Parks and Recreation Advisory Commission.	Management agrees. As part of the assessment described in item 5, OPW will also develop an implementation and monitoring program with achievable milestones. This will include an annual assessment that will be reported to the Parks and Recreation Advisory Commission (PRAC).	Oakland Public Works	This effort is a key component of the Park Assessment commencing Summer of 2024.
10	We recommend the Human Services Department, in conjunction with the City Administrator’s Homelessness Division, develop performance measures, with an emphasis on reducing the number of people experiencing homelessness in	Management partially agrees. The City Administrator’s Office will work with Oakland Public Works, Human Services Department and Oakland Police Department to implement and enforce a	City Administrator’s Office, Human Services Department with	June 2024. The CAO in collaboration with OPW, will include a budget



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City Administration’s Recommendation Implementation Plan

Recommendation	City Auditor’s Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
	or adjacent to City parks, and report on those measures to the Commission on Homelessness.	“no re-encampment policy” in City parks. To support this policy, the City Administrator and the other Departments will expand the Encampment Management Team to create another team that includes public outreach staff, a small illegal dumping removal team, and Police resources, to ensure compliance with the Encampment Management Policy if a park closed within the last 6 months is re-encamped so that people are removed within 72 hours, subject to availability of funding, shelter beds and in compliance with the law.	Oakland Public Works support.	request in the proposed fiscal year 2024-25 Midcycle budget.
11	We recommend the Public Works Department assign staff to report on the progress of stormwater quality projects funded by Measure Q to the Parks and Recreation Advisory Commission.	Management agrees. The Assistant Director of OPW’s Bureau of Design and Construction, or their designee, will provide regular progress reports on stormwater quality projects funded by Measure Q to the Parks and Recreation Advisory Commission (PRAC).	Oakland Public Works	Progress reports on the stormwater quality projects to PRAC will commence March 2024.
12	We recommend the City Administrator’s Office periodically evaluate and report on special tax programs’ ongoing performance and outcome measures against baseline performance.	See response to Item 2 above.	City Administrator’s Office	See response to Item 2 above.



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City Administration’s Recommendation Implementation Plan

Recommendation	City Auditor’s Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
13	To facilitate citizen oversight of homelessness efforts, we recommend the City Administrator’s Office bring regular operational and expenditure reports to the Commission on Homelessness, and that the Commission establish a regular agenda item for this purpose.	Management agrees. CAO staff will work with the Commission on Homelessness to agendize these reports as a recurring item, and to affirm the specific data sets and information to be included in each report.	City Administrator’s Office	Summer 2024.
14	We recommend the Commission on Homelessness fulfill its statutory obligation by publishing an annual report, pursuant to Oakland Municipal Code Section 4.56.060, including a section on Measure Q.	This recommendation is directed to a commission rather than an Administrative body, the City Administrator will coordinate with the Chair and recommend agendizing at a future Commission meeting.	City Administrator’s Office	December 2024
15	We recommend the City spend its budget allocation for an annual audit of Measure Q funds collected and expended, as required by California Government Code sections 50071.1 and 50075.3.	Management agrees. The Finance Department, Controllers Bureau will add Measure Q to the scope of the independent auditor’s contract to include Measure Q in the annual audit, beginning in 2025.	Finance Department	January 2025
16	We recommend that for future special tax programs, the City Administrator’s Office initiate a best practice policy requiring an annual report on revenues, expenditures, and the status of open projects, to make sure that the City satisfies California Government Code sections 50075.1 and 50075.3.	See response to Item 2 above.	Finance Department	See response to Item 2 above.