



**City
Budget
Office**

Office for Community Technology

Analysis by Katie Shifley

SUMMARY

Required General Fund Reduction

The Office for Community Technology (OCT) was required to put forward a \$41,000 General Fund cut as the remaining balance of the 5.6% reduction initiated as part of the FY 2020-21 Mayor's Proposed Budget. The remaining required reduction was initially published at \$22,000, but additional clarification and evaluation of the across-the-board reduction reset OCT's remaining balance at \$41,000.

OCT met the \$41,000 reduction target by reducing its external materials and services budget. The operational impact of this reduction is expected to be minimal. While OCT's overall budgetary flexibility will be somewhat reduced, no specific service impacts have been identified at this time. In any case, the bureau will likely be able to cover the one-time reduction with expected current year vacancy savings.

Key Decisions for Council

1. Reduce OCT's General Fund discretionary resources by \$41,000 on a one-time basis.
 - This option was put forward to meet OCT's remaining 5.6% reduction. It eliminates \$41,000 of external materials & services budget on a one-time basis. As noted above, no significant service level disruptions are anticipated, and in any event, OCT is all but guaranteed to have sufficient vacancy savings to cover the reduction. CBO recommends Council accept this reduction option to help address declining General Fund revenues.
2. Request \$15,000 in new General Fund resources of to support an existing community engagement contract for the second phase of the Digital Equity Action Plan (DEAP).
 - OCT amended its contract with F Conrad Hurdle in June 2020 to increase the not-to-exceed amount of a community stakeholder engagement contract by \$15,000 to adjust the parameters to meet COVID-19 social distancing requirements. This request is in addition to an encumbrance carryover request of \$8,946 for the same contract.
 - While the need to structure community engagement around social distancing requirements was not foreseeable at the time of contract development, OCT has sufficient current-year resources to cover the cost of the contract. Beyond funds currently budgeted to support Digital Equity work, OCT continues to produce vacancy savings from the continuously vacant Manager II position that was initially funded by Council at \$191,628 in FY 2018-19¹.

¹ OCT currently has two Manager II positions, one of which is vacant. OCT had an OCT Manager position before splitting with the Revenue Division in FY 2018-19. As part of the FY 2018-19 Fall BMP, Council authorized the addition of an OCT Director position. The Bureau of Human Resources ultimately classified the OCT Director position as a Manager II.

- CBO does not recommend this request given the availability of other existing resources to support the contract cost and the limited availability of new General Fund resources.

Budget & Fiscal Monitoring: OCT significantly underspent its FY 2019-20 budget, but collection trends for Utility and Franchise Fees may contribute to declining General Fund resources Citywide

- OCT’s total FY 2019-20 Revised Budget was \$3.65 million, \$2.5 million of which was General Fund. OCT underspent its FY 2019-20 General Fund allocation by \$560,000, or 23%. In addition to adhering to the Mayor’s Office guidance to halt non-essential materials and services spending, OCT realized savings from vacancies throughout the course of the year. Additional savings are anticipated from the vacant Manager II position in the current year, but OCT is moving quickly to fill other vacancies and to add a limited term Financial Analyst III (partially funded by General Fund).
- OCT is responsible for collecting the Utility and Franchise Fee revenues on behalf of the City. These revenues are, in general, trending downward due to declining cable franchise fee revenues. Total FY 2019-20 revenues were \$84.5 million, which is \$3.1 million less than was budgeted, and 5.3% less than was collected in FY 2018-19.
 - The majority of these revenues – over \$70 million - are collected from large institutions that require relatively little collection activity or support. In the fourth quarter of FY 2019-20, utility and franchise fee payments to the City were lower than anticipated from some payers, which was likely due in part to forbearance for utility customers and other COVID-19 impacts that would have reduced revenues.
 - A smaller portion of these revenues, closer to \$10 million, is collected across smaller franchise fee payers. These accounts require substantially more collection support from OCT staff, and large fluctuations are seen in collections over time as a result. OCT noted that a full-time coordinator was hired to support this work in FY 2019-20, and more accurate and timely payments are anticipated going forward.

SUPPLEMENTAL BUDGET CHANGES IN GENERAL FUND

The bureau’s net \$10,078 in General Fund requests include: \$41,000 required reduction; requested resources for the F Conrad Hurdle contract (\$15,000); furlough true-up (\$9,748); encumbrance carryover (\$27,947); and rent reduction (\$1,617). The \$15,000 change is for the F Conrad Hurdle contract request, which CBO recommends the bureau cover this within existing resources.

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Intergovernmental	\$ 1,087,661	\$ -	\$ -	\$ 1,087,661
General Fund Discretionary	\$ 2,323,948	\$ 10,078	\$ (15,000)	\$ 2,319,026
Total Resources	\$3,411,609	\$10,078	(\$15,000)	\$3,406,687
Requirements				
Personnel	\$ 1,752,280	\$ (4,002)	\$ -	\$ 1,748,278
External Materials and Services	\$ 1,464,022	\$ (11,803)	\$ (15,000)	\$ 1,437,219
Internal Materials and Services	\$ 195,307	\$ 25,883	\$ -	\$ 221,190
Total Requirements	\$3,411,609	\$10,078	(\$15,000)	\$3,406,687