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OAKLAND

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CITY OF OAKLAND

## AGENDA REPORT

TO: DEANNA J. SANTANA  
CITY ADMINISTRATOR

FROM: Sabrina Landreth

SUBJECT: Proposed Mid-Cycle Budget

DATE: June 25, 2012

City Administrator  
Approval

*Deanna J. Santana*

Date

*6/25/12*

### REASON FOR SUPPLEMENTAL REPORT

The purpose of this supplemental report is to transmit to the full City Council additional information regarding questions raised on the Proposed FY 2012-13 Mid-Cycle Budget. This supplemental report builds on the previous two supplemental reports issued on June 7 and June 15.

### DISCUSSION

#### General

1. *What are the on-going revenues vs. one-time revenues and expenditures that are relied on to balance the proposed budget?*

The proposed budget amendment assumes a total of \$8.6 million in additional revenues, consisting of \$7.6 million in new on-going revenues and \$1 million in new one-time revenues. This is in addition to the one-time revenues totaling \$11.3 million that were already included in the FY12-13 amended budget.

The proposed budget amendment also assumes \$4.1 million of new on-going expenditures and \$3.2 million in new one-time expenditures, totaling \$7.3 million. This is in addition to the \$3.5 million in previously adopted one-time expenditures.

The table and graph below further detail this breakdown.

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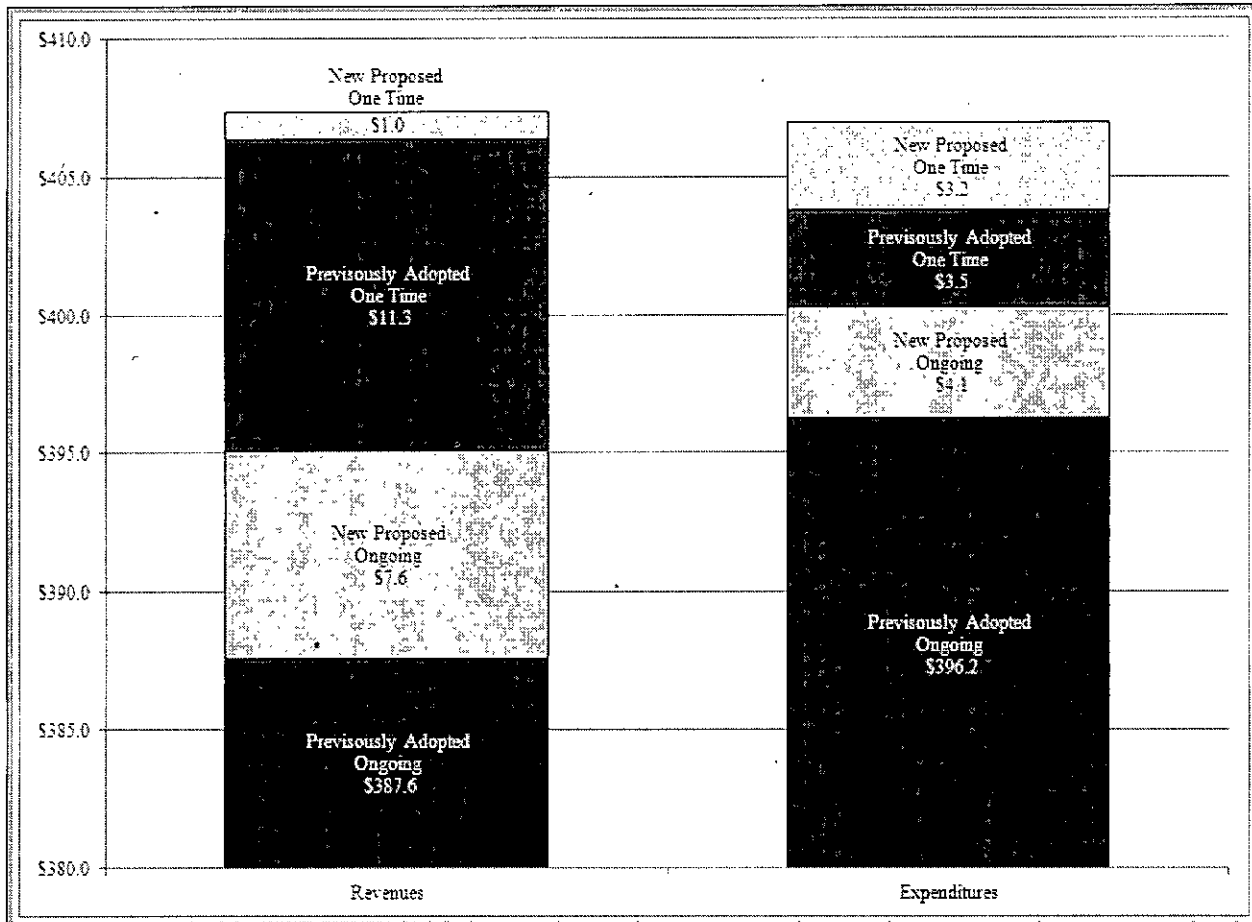


Table 1: FY 2012-2013 Revenues vs. Expenditures (In Millions)

CATEGORY	Revenues	Expenditures
Previously Adopted Ongoing	\$ 387.5	\$ 396.2
New Proposed Ongoing	\$ 7.6	\$ 4.1
Previously Adopted One Time	\$ 11.3	\$ 3.5
New Proposed One Time	\$ 1.0	\$ 3.2
<b>TOTAL</b>	<b>\$ 407.4</b>	<b>\$ 407.0</b>

2. "What is the impact if the City Council does not accept the proposal to fully fund the Administrative Services Director?"

The Administrative Services Director was approved by the City Council on January 31, 2012 as part of the Amended Budget reorganizations to address a \$28M fiscal year annual shortfall. The funding for this position was frozen in the current fiscal year in order to accumulate savings and ensure a balanced budget for FY 2011-2012; however, the funding for this position was inadvertently omitted from the FY 12-13 baseline and is now being proposed to be fully funded as part of the Mid-Cycle Budget.

If City Council does not accept this proposal, City Administration will need to restore the Finance Director and Information Technology Director positions, as they have already been

eliminated in anticipation of the new Administrative Services Department Director. These critical functions require director level oversight and, if not in place, a distortion of management alignment would result. The cost of restoring the two director positions would be approximately \$450,000, in comparison to the \$280,000 to fully fund the Administrative Services Director. The Council would need to identify an additional \$170,000 (on top of the \$280,000) to restore the two director positions.

Public Works

**3. Can the \$400,000 proposed root foaming contract work be performed by City staff instead of using outside contractors? What are the costs and training requirements for equipment, materials, and City staff to perform this function?**

Since 2001, the City has conducted, via contract, root foaming of its sanitary sewer to prevent overflows. Root foaming has helped decrease sanitary sewer overflows caused by roots from 93 in 2008 to 53 in 2011 and is a key part of the City's compliance with EPA's Stipulated Order, which requires the City to improve preventive maintenance to further reduce sanitary sewer overflows.

The City is planning to conduct root foaming of 50 miles of sewers per year, primarily in the hills and easements where most root caused sanitary sewer overflows occur. Work is done during the summer months when sewer flows are at a minimum and roots are exposed to treatment.

Below is a preliminary analysis of the costs comparison to treat 50 miles of sewers by contract or in-house. The costs to provide the service in-house are rough estimates and would require further refinement if this is a direction that the City Council would like to proceed with, largely because there may be unanticipated costs associated with this transition or that have not been accounted for at this time. The contract costs are accurate as this has been the service model since 2001.

Cost Comparison to Treat 50 Miles of Sewers Via Contract or In-House

Contractor:	Contract Cost	\$330,000
	Planning, public outreach, inspection	\$ 70,000
	<b>TOTAL</b>	<b>\$400,000</b>
In-House/Transition Costs (estimate):	<u>On-Going</u>	
	Labor (4FTEs @ 6 Months) (12 Month Actual @ \$411,132)	\$205,566
	Materials and supplies	\$132,000
	Annual O&M, fuel for truck	\$ 12,000
	Annual equipment replacement plan	\$ 70,000
	Planning, public outreach	\$ 30,000
	<b>On-Going Sub-Total</b>	<b>\$440,566</b>
	<u>One-Time</u>	
	New Specialized Truck	\$350,000
	2 Year Contract (Transition)	\$400,000
	<b>TOTAL</b>	<b>\$1,190,566</b>

The preliminary analysis shows that the on-going costs could be about \$40,000 more per year for root foaming service delivery; however, staff would require more time to validate this analysis, to ensure that these figures include all transition costs to bring the service in-house, and do not factor in the additional staff costs of the other six months of costs to provide other services (see first bullet below). A key driver of the significant cost comparison is the one-time expenditure of \$350,000 in FY 2012-2013 to purchase a specialized truck. Additional cost considerations include:

- Mid-Cycle budget would have to be increased by an additional \$411,132 to pay for the six months the City crew would not be working on root foaming (\$205,566) and the six months that the City crew would be assigned to root foaming (\$205,566). These four staff could be deployed on other sewer maintenance tasks during this time.
- In addition to the on-going and one-time costs outlined above, the \$400,000 contract would still require approval for FY 2012-2013 to begin the transition to bring this service in-house. Root foaming could not be conducted in-house until at least summer 2013, possibly summer 2014, due to the timeline required to procure the equipment (9-12 months) and supplies, hire staff, etc.
- Use of City staff will require changes to class specifications, meet and confer with labor unions, and hiring and training of new employees.

Staff believes that it is prudent to approve the FY 2012-13 budget request for \$400,000 to prevent gaps in the root foaming program and potential problems with EPA compliance. Continuation of the program also requires a new RFP process, the results of which must be approved by Council. In response to union requests, and to obtain a more accurate cost comparison for the City Council to make an informed decision, staff can meet with union representatives and a proposal to do the work in-house. This will allow direct in-house vs. contractor comparison, with the final decision to be made by Council in the fall of 2012.

### Police

- 4. Does the City have the capacity to run a third Academy before July 2013?  
What are the costs/resources that must be funded in FY 2012-13 to prepare for a 3rd Academy starting in July 2013?**

There may be capacity to run an additional academy if we outsource the academy to another agency, such as ACSO; however, we do not have the capacity to put overlapping academies into field training at the same time, due to the limited availability of field training officers (FTOs). Therefore, even if officers began an academy before July 2013, they would probably complete field training around the same timeframe as the second proposed academy, which would not provide sufficient FTOs for completion of their field training.

Based on these constraints, if Council votes to require a third academy, staff's recommendation is to wait to start the academy in July 2013. In order to begin a third academy July 2013, additional staff capacity will be necessary in DHRM – to support already

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scheduled MOU-mandated and entry level public safety recruitments, DHRM will need at least one additional analyst at the senior level and funding for advertising, equipment, background checks and facility rentals. The additional costs in FY 2012-13 for a July 2013 academy are approximately \$900,000.

**5. *If 40 Officers graduate from an academy will all 40 be obligated to stay with the City? Is there a contract to keep them?***

Per the OPOA MOU:

“The purpose of this provision is to insure that the recruit either accept a commitment of service to the City or be responsible for costs associated with Academy training. Thus the parties agree that any member who, prior to completing five years of service, voluntarily separates from service with the department shall be responsible for reimbursing the City on a full or prorate basis, for the \$8000 cost of his/her training at the Police Academy.”

The amount of reimbursement is prorated based on length of service.

**6. *How many sworn officers are currently in the Office of the Inspector General (OIG) and Internal Affairs (IA)?***

There are currently 3 sworn officers in OIG and 35 in IA. The Administration’s proposal is to civilianize OIG and transfer to the Office of the City Administrator, which will free-up these officers for other police work. Similarly, if implemented, the forthcoming proposal to civilianize positions in IA will also result in a number of officers being freed up to conduct other police work.

**7. *What are the resources needed, and timeframe required, to bring sworn staffing levels back up to 802?***

If the City held two academies per fiscal year (July and January) it would take 7 years to get back to approximately 802 sworn. The costs shown below are based on 55 recruits going into each academy with 40 coming out; academy costs include \$600k in each FY to prepare for the upcoming July academies; on-going costs assume increases annually as additional Officers come online, and salaries increase.

It is important to note that the budgeted number of sworn Officers represents an average strength over the entire FY. The actual number of Officers will fluctuate throughout the year, based on attrition and timing of new Officers coming out of the academy.

Table 2: Cost to Achieve 802 Sworn Staffing Level in OPD (In Millions)

FISCAL YEAR	ACADEMY	ON-GOING	BUDGETED AVG SWORN
FY 2012-13	\$ 6.50	\$ -	613
FY 2013-14	\$ 6.50	\$ 4.16	645
FY 2014-15	\$ 6.50	\$ 5.55	677
FY 2015-16	\$ 6.50	\$ 13.35	709
FY 2016-17	\$ 6.50	\$ 18.56	741
FY 2017-16	\$ 6.50	\$ 24.00	773
FY 2017-18	\$ 6.50	\$ 29.76	805
<b>TOTAL</b>	<b>\$ 45.50</b>	<b>\$ 98.43</b>	

**Office of Economic & Workforce Development**

8. *Will the new director of economic and workforce development or the new UEA IV be tasked with “closing the deal” activities with businesses that are already interested in Oakland?*

The new Director of Economic and Workforce Development will be responsible for the overall leadership of the Office of Economic and Workforce Development, composed of the economic development, workforce development, and marketing and cultural arts units. One of the main roles of the economic development unit is to facilitate business attraction, retention, and expansion. This includes enabling businesses to locate or expand in Oakland by assisting in financing, permitting, and business development. The director is expected to greatly assist in this area, especially regarding major business attraction and expansion cases, based on their knowledge of current market conditions and complex economic development financing tools and experience facilitating high level deals.

The primary duties of the Urban Economic Development Analyst IV will be to support the completion of complex attraction, retention, and expansion deals and to conduct development work targeting specific industries.

9. *Can the Program Analyst III, PPT position proposed in Cultural Arts be funded by the increase in the Transient Occupancy Tax (TOT) revenues instead of the art grants?*

Yes, based on further legal and fiscal analysis, this proposed position can be funded out of the TOT surcharge, with no impact to the amount budgeted to art grants.

City Council

**10. What is the cost to the City if the Council does not vote to decline the Public Ethics Commission Council salary increase of 2.1%?**

In accordance with its powers and duties under the City Charter, the Public Ethics Commission has authorized the upward adjustment of the salary for the Office of Councilmember by 2.1% effective the first payroll period of Fiscal Year 2012-2013. In light of the City Charter mandate, each Councilmember will receive the 2.1% salary increase unless he/she advises the City Administrator that he/she declines to accept the increase. The salary increase has not been included in the Proposed FY 2012-13 Budget, so if Councilmembers choose to not decline the increase, an additional appropriation of \$21,096 will be necessary. The City Attorney's Office has prepared a Resolution declining the salary increase for discussion and possible action that will be included on the June 28<sup>th</sup> agenda.

Respectfully submitted,



SABRINA LANDRETH  
Deputy City Administrator/Budget Director

**DRAFT**

City Attorney

**REVISED****OAKLAND CITY COUNCIL**OFFICE OF THE CITY CLERK  
OAKLAND  
**RESOLUTION NO. \_\_\_\_\_ C.M.S.**

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**RESOLUTION AMENDING THE CITY OF OAKLAND'S FY 2011-13 BIENNIAL BUDGET, WHICH WAS ADOPTED PURSUANT TO RESOLUTION NO. 83444 C.M.S. ON JUNE 30, 2011 AND AMENDED BY RESOLUTION NO. 83693 C.M.S. ON JANUARY 31, 2012, AND TO ESTABLISH AN EMERGENCY IN ACCORDANCE WITH ORDINANCE NO. 13008 C.M.S. FOR USE OF ONE TIME REVENUES**

**WHEREAS**, the City Council adopted Resolution No. 83444 C.M.S. on June 30, 2011 adopting the FY 2011-13 biennial budget, and appropriating certain funds to provide for the expenditures proposed by the said budget; and

**WHEREAS**, the City Council amended the FY 2011-13 biennial budget on January 31, 2012, as required in light of the California Supreme Court ruling in which the Court upheld ABx1 26 (the redevelopment elimination bill), but struck down ABx1 27, thereby eliminating redevelopment effective February 1, 2012; and

**WHEREAS**, the City Council has reviewed proposed variances in FY 2012-13 revenues and expenditures as part of the Midcycle budget review; and

**WHEREAS**, Ordinance No. 13008 Section E requires the use of "one time revenues" for purposes other than those established in the Ordinance be allowed upon declaration of an emergency; and

**WHEREAS**, in January 2010, Resolution No. 82502 C.M.S. directed the City Administrator to implement an immediate hiring freeze on all positions funded by the General Fund; now, therefore be it

**RESOLVED:** That the City's FY 2012-13 Midcycle Policy Budget is hereby amended to include adjustments presented by the City Administrator in Exhibit A, subject to additional amendments that may be presented and adopted on the floor, which amendments will be incorporated into Exhibit A; and be it

**FURTHER RESOLVED:** That the City Council declares an emergency in accordance with Section E of Ordinance No. 13008 for the use of "one time revenues"; and be it

**FURTHER RESOLVED:** That the City Council suspends Resolution No. 82502 C.M.S. in order to allow greater flexibility to fill positions as already authorized by the City Council as part of its adopted budget; and be it



**FURTHER RESOLVED:** That Exhibit A is hereby amended to include adjustments adopted by the City Council on June \_\_\_\_, 2012.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California