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CITY OF OAKLAND
AGENDA REPORT

2009 MAY 20 PM 3:39

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Public Works Agency
DATE: May 26, 2009

RE: **Supplemental Report To The City Auditor's Report To Receive The
Performance Audit Of The Public Works Agency**

SUMMARY

At the May 12, 2009 Public Works Committee meeting, the City Auditor presented the Performance Audit of the Public Works Agency. The item is also scheduled for the May 26, 2009 meeting. For the May 26th agenda, the Public Works Committee directed staff to prepare a supplemental report identifying immediate efficiencies, other recommendations that could impact the FY 2009-11 budget deliberations, and information on the coordination and financing of the street rehabilitation and maintenance program.

The Public Works Committee stated at its May 12 meeting the importance of the City Auditor's Performance Audit of the Public Works Agency. PWA concurs with the Committee members' statement and reiterates the seriousness with which PWA takes the recommendations presented in the audit.

The audit recommendations are not only numerous (290) but their implementation complex because many are inter-related, require resources, require significant changes to existing rules and regulations, or may not be appropriate for the City of Oakland. PWA believes that the recommendations presented deserve thoughtful deliberation and intends to bring to the Public Works Committee regular updates and reports on the audit's implementation.

IMMEDIATE EFFICIENCIES

The Performance Audit informed much of PWA's difficult decision-making deliberations that are included in the FY 2009-11 Proposed Budget. Specifically, many of the audit recommendations are reflected in the PWA FY 2009-11 Proposed Budget, which total \$11 million in reductions¹. The following chart identifies the audit recommendations that are partially or fully reflected in the proposed budget as noted.

¹ The \$11 million reflects PWA's total budget reduction, including position eliminations and across-the-board personnel cost reductions (i.e., proposed 12 days business shutdown and 5% employee pick-up of retirement costs). A total of 73.18 FTE are proposed for elimination, totaling an estimated \$8 million of the \$11 million.

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Recommendation #	Page Number	Recommendation	Comments
51	128	The City should increase its funding for the replacement of the equipment fleet by \$5.5 million annually.	FY 09-11 Proposed includes \$2 million for equipment replacement.
53	133	The Infrastructure and Operations Department should prepare a long-term plan for the renewal and replacement of traffic signal systems.	FY 09-11 Proposed CIP includes \$500,000 in FY 10-11 to implement a traffic signal maintenance program.
54	133	The City should replace traffic signal controllers at approximately twenty (20)-year intervals.	FY 09-11 Proposed CIP includes \$100,000 per year for replacement of traffic signal controllers at approximately 100-year intervals. To achieve a 20-year interval, \$500,000 is needed annually.
62	149	The Agency should initially set an objective of eliminating two hundred ten (210) vehicles from the City's fleet.	PWA shares the goal of reducing the size of the fleet, but cannot commit to the objective of reducing 210 vehicles without further analysis. Since the audit process commenced in May 2008, staff has removed 50 vehicles from service. Staff plans to remove an additional 100 by July 2009, with continued removals as warranted in the future.
80	198	Reduce the crew size utilized for responding to tree maintenance service requests to two positions.	FY 2009-11 Proposed includes reduction of 4.0 FTE. Reduced staffing levels will reduce crew sizes and requires that a Tree Maintenance Leader classification be established to direct tree operations on site.

Recommendation #	Page Number	Recommendation	Comments
104	221	The Equipment Services Division should explore the cost ramifications of participating in the fuel cooperative purchase with the County of Santa Clara and the cities of San Jose, Santa Cruz and Sunnyvale to determine whether it would reduce their unit prices for fuel.	Equipment Services Division staff is currently working with the Department of Contracting and Purchasing to establish a cooperatively contract with a fuel provider through City and County of San Francisco.
105	222	The Agency should establish a Fleet Advisory Board to serve as a customer council for the Equipment Services Division.	The current Fleet Utilization Management Committee's size and scope will be expanded to serve as a customer council for the Equipment Services Division.
117	238	The Sanitary Sewer Section should require that EBMUD conduct inspections of food service establishments within 1,000 feet of a sanitary sewer overflows when fats, oils, or grease have been determined to be the cause of the sanitary sewer overflow.	There is an existing contract with EBMUD to perform these inspections. Both CEDA/DEC and PWA are working to increase accountability and enforcement of this provision.
118	238	The Sanitary Sewer Section should actively monitor the effectiveness of the EBMUD fats, oils, and grease (FOG) program.	Staff is currently working on increasing oversight and FOG program effectiveness.
119	238	The Sanitary Sewer Section should audit the enforcement approaches utilized by EBMUD.	Staff is working on this, as mentioned above.
120	238	The Sanitary Sewer Section should request that EBMUD provide information regarding the food service establishments that it has required to install grease removal equipment in the three years from 2005 through 2007 (excluding new construction).	The Sewer Maintenance Unit has made this request of EBMUD.

Recommendation #	Page Number	Recommendation	Comments
145	260	The Traffic Maintenance Section should plan and schedule the work of the Sign Maintenance Workers and Traffic Painters.	Traffic Maintenance supervision will plan and schedule all traffic maintenance activities in a proactive, cyclical manner.
209	337	The operating costs of Electrical Services Administration should not be treated as Agency-wide overhead cost allocation, but as a direct cost.	FY 09-11 Proposed incorporates this recommendation and spreads Electrical Services Administration costs to multiple transportation-related funding sources.
215	343	The Fleet and Safety Coordinator within the Streets and Sidewalks Section should be reassigned to the Equipment Services Division, and funded within that budget.	Implemented during FY 08-09.
216	343	The Supervising Civil Engineer position in the Infrastructure and Operations Department should be eliminated through attrition.	FY 09-11 Proposed eliminates this position.
217	343	After the above staffing adjustments, the level of staffing within the Streets and Sidewalks Section should not be adjusted: the level of staffing is appropriate to the size of the street network.	FY 09-11 Proposed reduces 9.0 FTE. The projected ratio will be 1 position for every 26 miles of street pavement. (The auditor's benchmark is 1 position per 14 miles. The current ratio is 1 position per 21 miles.) The FY 09-11 reduction will result with 189 miles of street pavement (approximately 23%) that are not maintained at the current level.
218	345	The staffing of the Tree Maintenance Section exceeds workload by one position. One position should be eliminated through attrition.	FY 09-11 Proposed includes reduction of 4.0 FTE. Audit recommends 15 field staff for service requests <u>in addition</u> to contract pruning of 7,350 trees. Proposed Budget reduces staff levels to 12 field staff <u>without</u> funding for additional trees to be pruned by contract.

Recommendation #	Page Number	Recommendation	Comments
227	356	The Administrative Assistant II position in Traffic Maintenance assigned to support the Public Works Supervisor II should be eliminated through attrition.	FY 09-11 Proposed eliminates this position.
231	357	The City should discontinue group relamping of streetlights.	FY 09-11 Proposed CIP shifts \$500,000 in funding from Proactive Streetlight Relamping Program to a Traffic Signal Proactive Maintenance Program.
240	365	Custodial staffing exceeds workload and service level requirements by six (6) positions. Six (6) positions should be eliminated through attrition.	FY 09-11 Proposed eliminates 6.0 FTE from custodial services.
241	367	Architectural service workload and service level requirements exceed staffing by four (4) positions. Four (4) positions should be eliminated through attrition.	FY 09-11 Proposed eliminates 6.0 FTE from "architectural services" (i.e., Minor Capital Projects Group). Some minor CIP will be eliminated and remaining function will be centralized with CEDA/Dept of Construction and Engineering.
243	370	The total number of staff allocated to park and landscape maintenance is sufficient to deliver a good level of service. The level of staffing for park and landscape maintenance should be maintained.	The Performance Audit recommendation assumes the October FY 08-09 Revised Budget staffing level of 77.45 FTE and an increased ratio of part-time to full-time staff. The FY 09-11 Proposed Budget further reduces staffing level by 17.18 to 60.27 FTE.
246	373	Eliminate the Project Manager position in the Parks and Building Division through attrition.	The Project Manager position was eliminated as part of the October FY 08-09 Revised Budget.
254	379	Street sweeping staffing exceeds workload and service level requirements by five (5) positions. Five (5) positions should be eliminated through attrition.	FY 09-11 Proposed reduces 4.0 FTE from Street Sweeping, including 2.0 FTE eliminated and 2.0 FTE transferred to remaining KOCB crews for litter container servicing.

Recommendation #	Page Number	Recommendation	Comments
261	384	Staffing for downtown cleaning can be reduced, through attrition, by ten (10) positions with the reallocation of workload to a downtown business improvement district.	FY 09-11 Proposed eliminates the designated downtown cleaning function. Remaining KOCB crews will continue street sweeping, litter container service, illegal dumping removal and graffiti removal activities.
266	390	Litter Enforcement staffing exceeds workload and staffing requirements by three (3) positions. Three (3) positions should be eliminated by attrition.	FY 09-11 Proposed eliminates 3.0 FTE from Litter Enforcement Program.
267	391	Keep Oakland Clean and Beautiful (KOCB) Supervisory staffing exceeds workload by three (3) positions if previous staffing adjustments are implemented. Three (3) positions should be eliminated through attrition.	FY 09-11 Proposed Budget includes elimination of 1.0 FTE Public Works Supervisor I, corresponding to line staff reductions.
270	397	Eliminate the Management Assistant position in the Administrative Services Department responsible for agenda management for the Agency and for coordination of public records requests through attrition.	FY 09-11 Proposed eliminates this position.
278	412	Eliminate three (3) Account Clerk I / II positions upon the automation of internal routing and approval of invoices in the Agency.	FY 09-11 Proposed includes elimination of 1.0 FTE Account Clerk II without having the automated internal routing.

OTHER CONSIDERATIONS FOR FY 2009-11 BUDGET DELIBERATIONS

The Performance Audit makes additional recommendations that are not currently included in the FY 2009-11 Proposed Budget. This supplemental report highlights those recommendations that would, if implemented, have immediate positive impact on the performance of public works activities.

Additional Funding Recommended

The audit makes recommendations regarding the level of additional funding that should be appropriated on an annual basis to adequately preserve and renew some of the City’s assets. These figures are presented individually throughout the report, but may be summarized as follows:

Category	Annual Amount	Comments
Street Resurfacing	\$30 million	This represents the minimum amount to keep the pavement condition index at the current level.
Slurry Sealing	\$8.75 million	To keep streets in good or better condition from deteriorating.
Fleet Replacement	\$8.5 million	This represents the minimum amount. The range is \$8.5 to \$10.5 million. The current Equipment Replacement budget includes about \$3 million for debt service. An additional \$2 million is included in the FY 2009-11 Proposed Budget.
Sanitary Sewer Rehab or Replacement	\$7.5 million	This represents the minimum amount of capital funding.
Traffic Signal Controller Replacement	\$0.5 million	This represents a minimum amount of capital funding. The FY 2009-11 Proposed Capital Improvement Program Budget includes
Total Recommended Funding	\$55.25 million	

In addition, Recommendation #290 states that “The leadership of the Agency should work with the City’s Budget Office, Finance Department, the Mayor and the City Council to develop long-term financial strategies to increase the amount of General Fund expenditures for *asset renewal and replacement.*” (emphasis added)

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The follow excerpt from the FY 2009-11 Proposed Policy Budget, page V-7, summarizes the General Purpose Fund expenditure budget in PWA at \$3.3 million (FY 2009-10).

Expenditures by Fund		FY 2008-09 October Budget Revise	FY 2009-10 Proposed Budget	FY 2010-11 Proposed Budget
1010	General Purpose Fund	\$2,198,858	\$3,291,590	\$3,008,830

The \$3.3 million represents 3% of the PWA proposed operating budget of \$112 million. The use of this funding is not earmarked for “asset renewal and replacement” but is ascribed as follows:

Activity	Proposed Budget	Proposed FTE
Park Maintenance	\$0.68 million	2.0
Tree Maintenance	\$0.49 million	5.0
Transfer to Self-Insurance Liability Fund (1100)	\$2.13 million	
Total	\$3.3 million	

In Chapter 5 – Financial Management of the Performance Audit, there are several recommendations for the City of Oakland to adopt impact fees as a means of generating revenue for asset renewal and replacement.

In addition, staff notes that on the May 26, 2009 Finance and Management Committee agenda is a policy item proposing City Council consider a strategy for increasing the amount of General Fund expenditures for asset renewal and replacement. Specifically, the agenda item (Legistar No. 09-0452) proposes the following components for discussion purposes that would increase future expenditures for capital needs:

- *Establishing a baseline for the Real Estate Transfer Tax at \$40 million (an amount collected in a normal year), with any amount over the baseline used as follows: 50% deposited into GPF reserves, and another 50% going into Oakland municipal CIP reserves.*
- *Amending a policy on the use of one-time revenues, and requiring that any one-time discretionary revenue be used as follows: 50% to repay negative fund balances (including negatives in the Internal Service Funds), and another 50% to fund future CIP projects.*

Additional Efficiencies

The Performance Audit includes several recommended reorganizations that involve external (non-PWA) departments. Highlighted below are the recommendations that PWA believes would bring positive benefit to public works activities in Oakland.

Transfer of Information Technology positions from DIT to PWA:

Rec #	Page #	Recommendation
268	393	The City should transfer the three (3) positions from the Information Technology Department to the Agency that was transferred to the Department in fiscal year 2007-08. This would include an Information Systems Administrator position and two (2) Microcomputer Systems Specialist positions.

Transfer of Engineering and Construction from CEDA to PWA²:

Rec #	Page #	Recommendation
286	424	The Engineering and Construction Department should be transferred from the Community and Economic Development Agency to the Agency.
287	424	The engineering staff assigned to Building Services for the purposes of development engineering should be assigned to the Engineering and Construction Department. The staff should continue to be located in the City's permit center, but report to the manager for the Engineering and Construction Department.

With respect to the transfer of Engineering and Construction (DEC) back to PWA, staff underscores that the primary intent for moving DEC to CEDA was to centralize all City engineering functions within one department, as is the model in most similar cities. This centralization is to provide for better coordination of Oakland's Capital Improvement Program, with improvement done by private entities, and to develop consistency of standards and review for all engineering work in the City, including the review process for private development projects. This function is still part of the CEDA Building Services and has not yet been incorporated with DEC. Should DEC move back to PWA without including the private development review, then the development review process will continue to be disconnected.

Staff concurs with the audit recommendation that the management of the City's infrastructure would be better served with DEC being reorganized back to PWA. However, the need to

² This section of the report was prepared in collaboration with the Department of Engineering and Construction (DEC), Community and Economic Development Agency (CEDA).

centralize engineering functions within Oakland in one department requires that the engineering function within the Building Department be included in this reorganization. Staff would need to analyze the fiscal requirements of that change to limit any impacts to the Development Services Fund but to retain the self-supporting nature of that activity.

STREET REHABILITATION AND MAINTENANCE PROGRAM³

The Public Works Committee requested information on the coordination and financing of the street rehabilitation and maintenance program.

Oakland's current pavement backlog is about \$300 million. The projected annual capital budget for the next 2 years is about \$8 million, including one-time funding of over \$6 million in Federal Stimulus funds. Oakland should be spending \$30 million annually just to maintain the streets at their current condition, and \$50 million to begin to improve overall street condition. Primary sources of funding include federal gas tax revenues (every-other-year funding); State Proposition 42 funding; Measure B sales tax; and State Gas Tax. Other sources include special one-time grants, such as the Federal Stimulus funding. It should be noted that Federal funding can only be applied to arterial and collector streets—not local residential streets.

PWA and DEC (in CEDA) jointly coordinate this program. PWA efforts focus primarily on critical street maintenance, including pothole patching, crack sealing and rehabilitation (grind and overlay) of small residential streets. DEC manages the long-term street rehabilitation program and coordinates large street rehabilitation work with the work of utilities, the sanitary sewer program and other capital improvement projects, all of which are managed within DEC. Monthly meetings are held by staff in both PWA and DEC to closely coordinate this work. This division of effort has served Oakland well.

Historically the pavement program was complaint-driven. However, staff has worked to move the program to one that is managed, with the goal of maintaining or improving the overall condition of the entire street network rather than individual segments. Oakland now uses a system developed by the Metropolitan Transportation Commission (MTC) to plan street pavement work. This same system is used by cities throughout the Bay Area and is actually required as a condition for the funding that comes to cities through the MTC. This optimization of available funding is a requirement by the funding agencies and is a factor in determining eligibility for federal funding.

In support of this program, the City Council approved a 5-year prioritization plan that aimed to prioritize pavement rehabilitation and optimize available funding. The optimization criteria took into account the existing backlog, Oakland-specific pavement condition index (PCI), available funding levels, and the pace of pavement aging and deterioration. The plan targets

³ This section of the report was prepared in collaboration with the Department of Engineering and Construction (DEC), Community and Economic Development Agency (CEDA).

80% of available funding for streets prioritized under the MTC requirements, and the remaining 20% on worst streets. This optimizes the use of limited funding and allows the City to remain responsive to the highest priority complaints. The prioritized plan adopted by Council is fully scalable—it can support additional funding beyond the projected levels. This information was presented in detail in a comprehensive report to Council in fall, 2007.

The program includes a wide range of pavement treatments, from pavement preservation such as crack sealing and slurry sealing to full rehabilitation, including replacement of the pavement base and subgrade. Slurry seal in particular had not been used in Oakland for many years. It was reintroduced in 2003 and continues to be a component of the current and future capital projects.

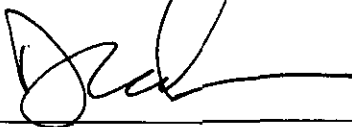
Respectfully submitted,



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APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:



Office of the City Administrator

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