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Office of the City Auditor
Roland E. Smith, CPA
City Auditor

(510) 238-3378
FAX (510) 238-7640
TDD (510) 839-6451
www.oaklandauditor.com

JANUARY 24, 2006

IGNACIO DE LA FUENTE, PRESIDENT
CITY COUNCIL
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

SUBJECT: A REPORT AND PROPOSED RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR, ON BEHALF OF THE CITY OF OAKLAND, TO ENTER INTO A TWO-YEAR PROFESSIONAL SERVICES AGREEMENT FOR THE PERIOD JULY 1, 2005 THROUGH JUNE 30, 2007 WITH BIG VALLEY AVIATION, INC. IN AN AMOUNT NOT TO EXCEED SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) FOR MAINTENANCE OF POLICE DEPARTMENT HELICOPTERS

PURPOSE AND SCOPE

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Proposed Resolution and Agenda Report. In making our analysis, we also asked for additional information and clarification from City staff.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The independence of the City Auditor is established by the City Charter.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only two (2) weeks for us to plan, perform and report on our analysis. Due to this time constraint, we did not verify data contained in the Proposed Resolutions and Agenda Report.

BACKGROUND

The Proposed Resolution authorizes a contract award to Big Valley Aviation, Inc. for the maintenance of the police helicopter fleet. The fleet contains three helicopters:

- 2 McDonnell Douglas models used for actual missions
- 1 Enstrom model used for training flight crew

Both McDonnell Douglas helicopters were purchased new, one in 1990 and the other in 1993. The Enstrom helicopter was purchased used in 1988. The Police Department has been using the helicopters for the twelve plus years since the purchases were made. Big Valley Aviation serviced these machines during this entire period. The company is employee-owned and the technicians are based in Stockton.

FISCAL IMPACT

The Police Department has utilized Big Valley Aviation since 1987. The most recent contract extension amounts are summarized below:

Resolution No.	Period of Contract Extension	Amount Approved Not to Exceed
Proposed	2005 to 2007	\$700,000
78002 C.M.S.	2003 to 2005	550,000
76647 C.M.S.	2001 to 2003	637,240
75000 C.M.S.	1999 to 2001	819,000

The engine and gearbox rebuild is the most expensive repair component. The expense is recurring, but infrequent. This overhaul occurs after every 3,500 hours of flight time at a cost of approximately \$160,000. Regularly scheduled maintenance occurs after every 100 hours of flight time.

CONTRACTOR SELECTION PROCESS

As far as we can determine from reading the text of the resolutions, these contract extensions were not put through the Request for Proposals (RFP) process.

Insurance requirement

The insurance policy for the McDonnell Douglas helicopters has a stipulation that the maintenance service provider be factory authorized. Given this requirement, staff attempted to locate other service providers in the San Francisco Bay Area through telephone surveys. These firms did not have the combination of McDonnell Douglas and Enstrom factory authorizations and training the Police Department sought.


CONCLUSION

Having the same contractor who is knowledgeable of the maintenance history and repair record of the helicopters is an important consideration to their safe operation. This advantage should be weighed against the potential for cost savings and better services gained from opening the contract to competitive bid.

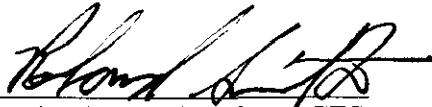
If the Council determines this potential exists, then the Council should consider putting the contract through the RFP process prior to the June 2007 expiration date of the contract extension under the Proposed Resolution. The option to bid by maintenance firms that specialize in servicing only one brand of helicopter should be included such that the best proposal(s) would yield one vendor that can service both brands in the fleet or two separate firms that can service each brand.

Prepared by:

Issued by:



Philip Lim
Deputy City Auditor



Roland E. Smith, CPA, CFS
City Auditor

Report completion date:
January 19, 2006