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AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Sabrina Landreth

SUBJECT: Proposed Mid-Cycle Budget

DATE: June 6, 2012

City Administrator
Approval

Deanna J. Santana

Date

6/7/12

REASON FOR SUPPLEMENTAL REPORT

The purpose of this supplemental report is to transmit to the full City Council responses to questions raised at the June 4, 2012 Mid-Cycle Budget Hearing. Staff also plans to issue an additional supplemental report next week, to provide responses to a few questions which were not available in time for inclusion with this report or in the event that it comes to our attention that we have inadvertently not responded to a question.

DISCUSSION

General

1. *What is the estimated lost savings to reduce employee contributions by the equivalent amount of one furlough day?*

The estimated lost savings to reduce employee contributions by the equivalent amount of one furlough day is \$1,682,747. This is equivalent to 0.38% of the total employee contributions and does not integrate any proposals that the City offered that have had a financial impact on the budget (e.g., sale of vacation, etc.). The table below illustrates by group and funds, a dollar amount equivalent to one furlough day.

Due to the variances in the types of employee contributions for the different bargaining units, any offer to employees will be subject to union agreements. Staff has scheduled a Closed Session discussion regarding terms and conditions of employment for all bargaining units, to discuss their respective MOUs and the potential effects of furlough day changes on each bargaining unit's MOU provisions which require equivalent savings concessions from every other bargaining unit. The table below provides in greater detail the numbers referenced above.

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Estimated Lost Savings (Equivalent to 1 Furlough Day)

Group	General Fund	All Funds
Non-Sworn	\$343,627	\$920,310
Fire	\$333,257	\$335,253
Police	\$370,460	\$427,183
Total	\$1,047,344	\$1,682,747

2. What one-time revenues are included in the FY12-13 budget?

One-time revenues equal \$12.3 million and are included in the FY12-13 proposed budget, as follows:

- Appropriation from unrestricted fund balance from past sale of properties including the Kaiser Center, \$8.8 million
- Sale of the Champion St. Fire Station, \$0.3 million
- Revenue from the sale of billboard advertising \$1.0 million, and
- Transfers from the golf fund, false alarm fund, telecommunications land use fund, and Alta Bates garage settlement \$2.2 million.

3. What one-time expenditures are included in the FY12-13 budget?

One-time expenditures equal \$8.6 million and are included in the FY12-13 proposed budget:

- Two full police officer academies (one previously approved by the City Council), \$5.9 million
- Contracts for Internal Affairs investigations of Occupy Oakland related complaints and in accordance with the City's proposal to comply with the Federal Court Order, \$0.8 million
- Funding for the Coliseum City EIR, and siren replacement for Fire vehicles, \$1.9 million.

4. Are the potential revenues that might result from the sale of a City property (e.g. Kaiser Convention Center), in the event of a "clawback" of the Agency-City transaction included, in the proposed budget?

These potential revenues are not included in the budget, as they are not known; however, it is important to note that the properties that were sold to the Redevelopment Agency would again become assets of the City, in the event of an order by the State Controller, and the City would have control over the properties and could try to sell them, if so desired.

5. *Will the City be conducting a comprehensive cost-covering review of the Master Fee Schedule?*

The City Administration supports a comprehensive cost-covering review of the Master Fee Schedule. In January 2012, the Administration proposed “Medium-Term Structural Changes to Reduce Costs” and included as a concept for the City Council to consider was:

100% Cost Recovery of Fees, Rates, and Charges—As already noted, in summer/fall 2012, the Administration proposes to evaluate the City’s fees, rates, and charges to present the City Council with adjustments that achieve 100%, or a higher rate of, cost recovery. Without doubt, staff will be mindful of the balance between affordability of rates, fees, and charges for residents and the need to seek a higher return of revenue: which is entirely a City Council decision, with staff’s responsibility resting on the need to perform the analysis and some transitional recommendations.

Upon Council approval, this can be done as part of the upcoming FY 2013-15 Budget Development process (we can no longer accomplish it in the original suggested time frame). It is unknown at this point, but additional one-time resources may be required to fully complete this request, based on complexity and staff capacity, and, additionally, if this evaluation is accompanied by the equivalent need to develop revenue generating strategies for other City services.

6. *When will the City be completing a new Capital Improvement Plan (CIP)?*

There are no major revisions to the FY 11-13 CIP Adopted Budget proposed as part of the Midcycle. However, there will be a full CIP process as part of the FY 2013-15 Budget Development to inform a more complete review of the City’s inventory of projects, deferred maintenance, technology, and equipment needs.

7. *What is the potential impact to jet fuel sales tax revenue of United Airlines leaving Oakland International Airport?*

Staff at the Port of Oakland believes that the departure of United Airlines will have little to no effect on fuel sales at Oakland International Airport. United Airlines ran just 11 flights per week from Oakland, and other airlines are expected to pick-up these vacated routes and terminal capacity.

8. *What is the estimated revenue impact of the broken and missing parking meters?*

The lost meter revenue due to broken parking meters is approximately \$0.44 million annually.

9. *What is the status of the Medical Cannabis permits?*

The four applicants that remain have been required to submit locations and implementation work plans with articulated dates for proceeding with the approval and opening of their locations. Upon receipt, staff will review them and determine next steps with respect to how it fits overall with the Council policy and program.

The noticing and publication requirements of the Chapter 5.80 require posting on the property and in the newspaper for at least 30 days. Staff is working to schedule hearings as early possible. Applicants will be required to submit:

- 1) Updated financial information;
- 2) Schedule for construction, with itemized list of work and cost;
- 3) Date for submission of construction plans to appropriate department;
- 4) Date by when construction permits must be pulled;
- 5) Date by when construction will commence;
- 6) Date by when construction will be completed;
- 7) Date by which Fire Alarm Systems will be installed and functional;
- 8) Date by when Security Measures will be installed and deployed; and
- 9) Other measures as may be determined so that staff continues to see movement towards the opening of the Dispensary.

These items will be due 20 days before the public hearing so that staff may have time to adequately evaluate the submitted information and prepare for the public hearing. Staff expects to be completed by mid- to late- July, with decisions rendered by late August or September.

10. *What is the status of the Development Services Fund (Fund 2415)?*

The Development Service Fund has a projected negative unrestricted fund balance of \$4.3 million due to un-collected lien receivables. The fund has a projected operating surplus in FY 2012-13 of \$1 million which will be used to decrease the negative fund balance.

**11. *Does the Proposed Mid-Cycle Budget only address the General Purpose Fund (GPF)?
What is the status of non-GPF funds, many of which ultimately impact the GPF?***

The Mid-Cycle proposal addresses all City funds. All 106 City funds in the Proposed FY 2012-13 Midcycle Budget are operationally balanced.

In some non-GPF funds, negative fund balances accumulated over time and are largely due to years of operating gaps caused by charging expenses that could not be sustained and /or ongoing expenditures that outpaced ongoing revenues, made worse by no proactive intervention to reduce costs or raise revenues. A second contributing factor to the deficit balances is the accumulation of negative interest. Repayment schedules were established for a number of the City's negative funds such that negative balances would

be eliminated in 10 years or sooner. For General Fund Group funds, repayments were generally based on structured transfers from the General Purpose Fund. For Internal Service Funds (ISFs), repayment schedules were based on reductions in costs and gradually increasing rates charged to other “using” funds over time.

There are various funds in the City with negative balances, categorized as follows:

1. Negative Funds with Repayment Plans: These include the Self-Insurance Liability, Henry J. Kaiser Convention Center, Telecommunications Reserve, Contract Administration Fee, Equipment Fund, City Facilities Fund, Purchasing Fund and the Central Stores and the Reproduction. Repayment schedules for these funds were established in FY 2005-07 and further revised in FY2009-11 to include cost reductions within the Equipment and Facilities funds. The Proposed FY 2012-13 Mid-Cycle Budget maintains these repayment plans.
2. Reimbursable Negative Funds: These negatives are generally caused by lagging drawdowns, requirements to expend prior to reimbursement and, in some other cases, disallowed expenditures. Departments have been developing plans and timelines to address these negatives, conducting research as necessary with assistance from the Budget Office and the Controller’s Office. Departments have been working through the backlog of draw downs, and are committed to completing most draw downs on a monthly or quarterly basis.
3. Non-Reimbursable Negative Funds without Repayment Plan: These funds are primarily capital, bond and trust funds that require a repayment plan or one time revenues.

Negative Fund Category	Ending Fund Balance FY 2009-10	Ending Fund Balance FY 2010-11	Total Repayment
1. Negative Funds with Repayment Plan	\$ (98,175,474)	\$ (94,379,909)	\$ 3,795,565
2. Reimbursement Negative Funds	\$ (22,448,746)	\$ (13,525,732)	\$ 8,923,014
3. Non-Reimbursable Negative Funds without Repayment Plan	\$ (17,542,656)	\$ (13,441,408)	\$ 4,101,248
	\$ (138,166,876)	\$ (121,347,049)	\$ 16,819,827

Public Works

12. What city equipment is in need of repair? What is the \$8.5 million mentioned in the report comprised of?

To restore equipment to basic services levels, PWA requests \$8.5 million to begin replacing the City’s 10 years old fleet and, generally, past its useful life. Please see ***Attachment A*** for detailed information.

13. Has sufficient Operations and Maintenance (O&M) budget been provided to repair parking meters?

Yes, the following appropriation has been approved and/or proposed:

- a. \$31K has been included in FY 2011-12 Budget (Beginning Feb 1, 2012)
- b. \$226K has been included in FY 2012-13 Budget
- c. \$100K has been requested in the mid-cycle budget to partially fund purchase of an additional 1,200 new parking meters.

14. What is the cost to add back an illegal dumping crew?

The cost to add back an illegal dumping crew is:

- a. Two (2) Street Maintenance Leaders - \$226,000
- b. Three (3) Public Works Maintenance Workers - \$266,000

Total: \$492,000 on-going

15. Can we add a repaving crew instead of a pothole crew and what would be the additional cost?

The total cost of a street paving crew is \$1.12 million annually. If the City Council prefers a street paving crew, it would result in the need to identify an additional \$700,000 (on going) to fully fund this proposal in the proposed budget.

16. Can we use internal staff instead of contractors for sewer and storm water repair?

Most sewer and storm water repair and maintenance are performed by City crews. It should be noted that in the FY 2011-13 budget, PWA added 14.00 FTE's and \$3.00 million for in-house equipment. The mid-year budget request contains \$4.00 million for:

- a. \$2.60 million capital improvement project for rehabilitation of a major sewer.
- b. \$1.00 million capital improvement project for removal of sediment from 0.5 miles of a 5' foot diameter sewer. This project requires specialized equipment which the City does not own.
- c. \$0.40 million for "root foaming" and chemical treatment of sewers to remove roots. This process requires special chemicals and equipment and takes 4-6 months to complete.

This work consists of one-time capital improvements or major maintenance projects that require specialized tools and equipment and temporary and significant staffing increases for short periods of time. Ongoing maintenance of sewer and storm drain systems in Oakland continue to be accomplished by internal staff.

17. What is the cost/impact to the City of inadequate paving by outside entities (telecommunications, EBMUD)? Can we recover these costs, or ensure that a better job is done?

There is no cost to the City for repairing improperly restored trenches by a utility company. When a defective trench is identified, PWA sends a notice to the utility company which repairs the trench at the cost of the utility company. In addition, PWA inspects the repairs and bills the utility companies for the cost of each inspection.

Police Services

18. What is the number of sworn officers projected to be over time with and without the new academies?

Due to attrition, at least one academy is required per year to maintain sworn strength. There are one-time costs associated with the academy, as well as the on-going costs once the Officers graduate and become part of the Department. Currently, the budgeted authorized sworn PTE's in OPD is 613 for FY 2012-13.

Typically, two academies would result in an increase of Officers by 80, and with the annual attrition rate of 48 Officers the net increase of Officers due to the two academies will increase the authorized strength by 32 to 645. Without the new academies, the sworn officers would be projected at: without one academy, 565 PTEs, and without two academies at 517 PTEs.

19. How did we budget the salaries for new OPD officers after they complete the academy?

The academy will commence in August 2012 and is expected to graduate 40 Police Officers who will join the Force in May 2013. They will start off as Police Officer Trainees for 26 weeks, then as Police Officers once they begin field training. The cost of these 40 Officers is budgeted in FY 2012-13. The full funding for the Officers will be included in the FY13-15 baseline, whether one or two academies is approved.

20. How much is OPD projected to overspend by in FY 2011-12: \$8.6 million or \$9.6 million?

The Sworn personnel costs in OPD are projected to overspend by \$9.6 million. However, Non-Sworn personnel costs are projected to under-spend by approximately \$1 million. Therefore, the net overspending in OPD personnel is projected at \$8.6 million.

21. What one-time police grants will be used to cover a portion of the Occupy and/or other protest/demonstration cost and at what amounts?

\$1 million from Unclaimed Cash and \$1 million from Asset Forfeiture fund balances.

22. *Can Employee Relations handle investigations of complaints against OPD civilians? And what would be the potential cost savings/impacts?*

City Staff is currently researching the possibility and will provide additional information through a supplemental report issued next week.

Fire Services

23. *What are the benefits of the proposed civilian Fire Marshal?*

The Oakland Fire Department has only 1.5 Deputy Fire Chief s managing the Emergency Operation and Support Services Divisions. These two divisions consists of the following programs: 431 sworn personnel, 9 Battalion Chiefs, three shifts, 137 firefighters per shift, fleet management, and facility maintenance, special operations (e.g., airport, hazardous materials, water rescue and technical rescue), Dispatch and Fire Communications, telestaffing, information technology, PIO, Safety Officer, Training, commercial inspections, vegetation management, personnel investigations, policy development and review.

In our assessment, adding a designated Fire Marshal to manage the Fire Prevention Bureau will allow the two Deputy Fire Chief s to concentrate their efforts on the management and support of emergency operations and allow the Fire Marshal to concentrate full effort towards the Fire Prevention Bureau.

A designated Fire Marshal will also bring continuity, consistency and oversight to the bureau. Currently, management is attempting a dual role resulting in management and oversight being pushed down and at times lost with the limitations of our current Assistant Fire Marshal (one sworn Assistant Fire Marshal position is frozen). Looking at best practices, most major cities have a designated Fire Marshal. The Fire Marshal will typically manage the following programs: Code enforcement, CUPA (Certified Unified Program Agency), Plan Checking, Public Education, Vegetation Management and Fire Cause Investigation. It is critical for the City of Oakland to have a full time Fire Marshal dedicated to these specific duties and someone with the capacity and expertise to work close with the Building Department, Economic Development and the Business Community. The City should require a full time Fire Marshal to serve and respond to our citizens and business community needs as well as support and sustain economic growth.

Funding for a designated Fire Marshall will cost less than the current salary of the Deputy Fire Chief For example, the City of Manteca was able to get a 35% saving in 2010 by civilianizing their Fire Marshal position. Because this position will be responsible for managing the CUPA program (Hazardous Materials Mitigation Program), 50% of their salary qualifies for funding by CUPA and it is proposed that the other 50% come from the General Purpose Fund.

Starting July 1, 2012, Oakland Fire Department is contracting with Alameda County Fire Department to provide resources and services to the City of Emeryville. This contract will provide \$145,000 annually for Fire Service Response. This revenue can be allocated to fund the proposed 50% required by the General Purpose Fund, which is sustainable.

The creation of a civilian Fire Marshall is a key strategic investment to improve the effectiveness and efficiency of these specific duties, while enhancing the quality of service, health and safety of the Oakland community.

Community Services

24. *What is the cost to restore hours to recreation centers to allow them to reopen on Mondays, as before the January 31st budget amendments?*

Approximately \$109,640 (on going)

25. *What is the purpose of merging DHS and OPR into the Department of Community Services?*

The City Council, through inquiry and direct action, has taken a series of steps over the past two years which are now culminating in the merger of these two departments. These steps have identified efficiencies and merged opportunities to focus on direct and quality of life services. For instance, during FY 10-11, the City Council took action as part of its approval of the FY 11-13 budget for staff to identify efficiencies and savings in the amount of \$1 million between the Departments of Library, Human Services and Park & Recreation. By this action, the City Council removed \$1 million of funding from the FY 12-13 budgets available to these three Departments. Because the Library is restricted by Measure Q in its funding structure, the \$1 million of reductions was required to come from Human Services and Parks & Recreation.

As staff was evaluating implementation of this budget direction and already exploring merging services to achieve \$1 million in savings (which had already been removed from the budget), the Supreme Court issued its direction to dissolve redevelopment. Upon that December 2012 action, staff was not only confronted with the need to reduce these two departments in the amount of \$1 million but to also resolve the \$538,450 redevelopment funds assigned to Human Services to support operations/services. In the Amended Budget presented in January 2012 (See Table 1, January 2012 Amended Budget Report), staff resolved the \$1,538,450 funding shortfall in the two Departments and made staffing and preliminary proposed structural changes to merge the two departments.

Consideration of a non-merged Department must factor in the \$1,538,450 shortfall, and related solution, and not just the lesser incremental cost of restoring the two Director positions for Human Services and Parks & Recreation. If that is the direction that the City Council would like to pursue, before such direction is made, staff respectfully requests direction to conduct additional analysis to resolve the original \$1,538,450 shortfall

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between both departments to ensure that any reversal is done in a manner that stabilizes services in these two Departments. Such evaluation would likely result in some additional level of funding, beyond the cost of two directors, but that would only be known following a review.

Beyond the cost savings assumed in the FY 12-13 budget, the purpose of merging these two Departments is consistent with the Administration's recommendation, and the City Council's approval of it, to consolidate the Departments of Human Services and Parks & Recreation in the adopted FY 2012-2013 budget. Specifically, this consolidation is intended to create a Community Services Department that is entirely focused on direct service to residents by more effectively leveraging resources and improving programming coordination for services offered throughout our neighborhoods. At this time, staff is reviewing various categories where efficiencies can be achieved based on service type and resources available to support these services, such as:

- Facilities—Staff is evaluating how each Department obtains maintenance for and operates facilities to identify greater efficiencies and areas where we can leverage our facilities for direct services. Discussions around programming, reserving, and/other facility management streamlining and efficiencies have already been identified as opportunities with a merged Department.
- Service by “Customer” Category—Staff has preliminarily identified areas where there are commonalities of “customers” and is preparing inventory of services to evaluate how to ensure improved service delivery for these “customer” categories. As an example, and not an exhaustive list, both Departments provide services to youth, toddlers, seniors, families, teens, disabled, etc. and through a review of these services it is strongly believed that there are opportunities to leverage services and/or improve service to these “customer” categories. Additional brainstorming of the “customer” categories is underway to ensure that we conduct an evaluation of represented customers.
- Data/Information Sharing—Departments do not regularly share information about the “customer” categories served and there is already discussion about the strength in shared information toward providing more informed and targeted services--based on need, preference, service demand, trends and patterns, etc.—all, of which, directly support improved/focused services to address quality of life. Discussion around data/information sharing has already been identified as an opportunity with a merged Department.
- Administrative Services—Staff has begun developing a plan for shared administrative services and, where it does not make sense, to maintain independent administrative services.
- Leveraged Services--Both Departments have already developed scopes of merging opportunities where each respective Department's strengths and gaps have been identified, and the goal is that a merged Department will maintain support of the strengths while developing strategies to address gaps that need to be strengthened within existing resources.

In addition to the \$1,538,450 resolved shortfall, the above identified service opportunities (a non-exhaustive list), this direction is consistent with and will more effectively respond to the Council's stated policy goals including but not limited to:

Public Safety: Provide an adequate and uncompromised level of public safety services to Oakland residents and businesses; reduce crime and violence; engage youth in programs and services that prevent violence; and provide reentry opportunities for ex-offenders. Reduce crime and ensure public safety for every Oakland neighborhood by implementing a comprehensive crime prevention/reduction strategy.

Coordinated services and a central agency will improve, enhance, and allow focused service delivery in coordination with the Oakland Police Department and other City agencies currently working to improve our quality of life and safety.

Community Involvement and Empowerment: Create sense of hope and empowerment among Oaklanders, especially the youth; provide Oaklanders with educational choices through the City Museum and libraries, and partnerships with the School District and other educational establishments.

Social Equity: Encourage and support social equity for all Oakland residents.

Youth & Seniors: Provide effective programs that will allow youth, seniors and people with disabilities to thrive in their communities.

A Community Services Department lead by one Director will improve the City's ability to empower and provide hope to our residents by providing unified partnerships, collaboration, vision, focus, and voice to the services offered throughout the City. Equitable and fair distribution and improved coordination among the varying services will be the chief responsibility of the Director and assure that all age groups people of varying mobility's throughout the City are treated fairly, respectively and most importantly served equitably and well in through our programs. Staff recognizes the importance of understanding all potential impacts of this consolidation, and will engage in focused community outreach to ensure that valuable stakeholder input is included as part of this process.

City Administrator's Office

26. **Why are the newly proposed Economic Development (ED) positions going to do? Which generate revenue? Why not delay the \$300,000 in additional ED staff until later in the year or in the FY 2013-15 budget?**

The proposed changes to Economic Development positions are shown in the attached organizational chart (**Attachment B**). In short, the City of Oakland has four staff members assigned to traditional economic development activities with the remainder assigned to programs that support businesses (e.g., Enterprise Zone, BID, etc).

One UEA III is proposed to be changed to a UEA IV as technical clean-up from the result of a desk audit. An additional UEA IV position is proposed to accurately reflect the expertise needed to focus on economic development in the City's industrial areas. Recent projects have surfaced that require economic development expertise in the City's industrial areas (e.g., Cost Plus/Bed Bath and Beyond, etc.). Given the City's large industrial areas, it is prudent to have a staff person charged with economic development expertise on behalf of the City. Before its recent elimination, this economic specialist position helped generate over \$5 million in grants, development and business client work, and is projected to help generate at least that same amount if restored in the Mid-cycle.

The addition of a Director of Economic & Workforce Development as well as \$.30 million in other strategic ED staffing is also proposed. The dissolution of redevelopment has left very little staff to focus entirely on core traditional economic development opportunities. Former Redevelopment Agency staff is restricted to Successor Agency duties and redevelopment wind-down goals.

There is a need to build capacity in this area to seize economic growth opportunities and build capacity between the efforts currently led by the Assistant City Administrator, with some direct assistance from the City Administrator. Economic growth opportunities and solutions rest on traditional economic development. Direct revenue cannot be calculated because it is contingent on projects delivered and related revenue resulting from the projects (e.g., fees, taxes, etc). However, this investment is nonetheless needed to accelerate the already realized modest revenue growth and market interest in development opportunities in Oakland—with a goal in mind of more projects delivered. Staff does not recommend delaying these key investments in our economic development capacity until later next year.

27. ***What is the relationship between the CPRB, IA, and OIG in the proposed Mid-Cycle?***

The proposed Mid-Cycle budget includes the transfer of OPD's Office of Inspector General (OIG) to the City Administrator's Office. Before describing our preliminary concept, it is important to describe the core services of the Citizens' Police Review Board, OPD's Internal Affairs, and OIG, which is as follows:

CPRB: Established by Ordinance, the Citizens' Police Review Board is committed to ensuring that Oakland has a professional police department whose members behave with integrity and justice. The CPRB draws Oakland's diverse communities and strives to improve police services. As representatives of the community, its goal is to improve police services to the community by increasing the understanding between community members and police officers. To ensure police accountability, it provides the community with a forum to air its concerns on policy matters and individual cases alleging police misconduct. Specifically, by Ordinance 12454 of the City Council, the authority of the CPRB includes that the Board shall:

- Exercise jurisdiction over all citizen complaints tiled with the Board or with OPD,

- Conduct investigations and informal or formal hearings regarding complaints,
- Issue reports and make recommendations to the City Administrator regarding proposed responses to complaints,
- Issue statistical reports to the City Council's Public Safety Committee regarding complaints received and the disposition thereof,
- May recommend policy changes regarding matters within its jurisdiction.

IA: The primary function of the Internal Affairs Division is to accept, process, and investigate complaints alleging misconduct by Departmental personnel.

OIG: OIG will be responsible for conducting audits and reviews that ensure compliance with the NSA, OPD-wide performance audits and reviews, and audits of complaints investigation to ensure that they are fair, thorough, objective, neutral, and complete. OIG will also advise the City Administrator on operational, personnel, and/or policy recommendations that will improve police services based on audits performed by certified auditors and in compliance with professional audit standards.

In response to the actual questions, this model is reflective of a national best practice and other cities achieving compliance with Consent Decrees or settlement agreements, that have adapted such model, have also achieved faster-paced compliance. Part of the premise for the transfer is that the staff assigned would not have a direct-reporting relationship to the Chief of Police, or his subordinates, and would be independent of any of the Chief's authority or department structure. In general, and beyond OPD, such independence allows for improved courageous recommendations to accelerate change in any service area once a direct reporting relationship or existence in the organization (that one is directly charged with auditing) is eliminated. This rests on the fact that the auditing body has no obligation to be managed or influenced by and responsible to any actions that the auditee may take: additionally, the auditing body cannot be in any manner impaired of duties because of audits produced.

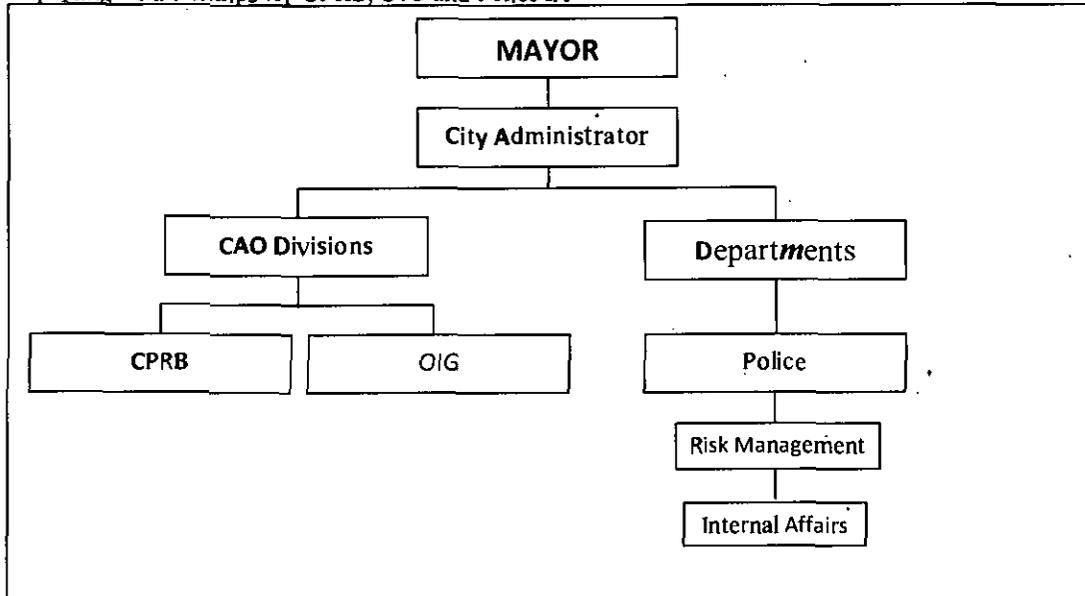
Based on sharing information in the past with the Federal Court, recent conversation with the Federal Monitor, and in recognition of national best practices it is suggested that this office be civilianized, placed outside of the OPD, and report directly to the City Administrator. Although, this is not a specific task of the NSA it has been suggested that implementation will begin to provide the much needed cultural change to ensure that the reforms of the NSA remain beyond the terms of the settlement agreement.

It is anticipated that the civilian IG will have the authority to audit all intake and complaint investigations completed by IA or CPRB, conduct performance audits and reviews, and ensure compliance with the NSA through reviews or audits. The results of the audit will be shared with the City Administrator and Chief of Police on a regular basis toward improvement in operational, personnel, and/or policies.

Additionally, professional "firewalls" need to be installed to ensure audit quality and integrity and more review and input is needed on whether the OIG can duly remain

“conflict of interest” free if it is charged with oversight of the CPRB. For that reason, staff needs additional time to consult with the General Accounting Office (GAO guides professional auditing standards) to ensure that the proposal originally included in the Mid-Cycle Budget meets the standards of being able to sustain oversight of audits and CPRB. Until such matters are resolved, CPRB will remain independent of OIG and IA will continue to remain under the authority of the Chief of Police.

Reporting Relationships for CPRB, OIG and Police IA



28. What is the status of civilianizing complaint intake at the CPRB?

The City Council action on January 31, 2012 delayed implementation until early 2013. Staff is currently conducting the steps required to conduct a formal meet and confer on this reorganization, in addition to research and conference with a professional auditor on the proposed alignment.

Unfunded Liabilities

29. What is the current Other Post Employment Benefits (OPEB) Liability and how is it calculated?

Miscellaneous employees with at least 10 years of City service at retirement are eligible for an additional reimbursement from the City up to \$425.42 per retiree per month. The Copayment and reimbursement combined cannot exceed the CalPERS medical premium.

The City contributes a fixed copayment per retiree per month to CalPERS. The fixed copayment is equal to \$105 per month in 2010 and \$108 per month in 2011. The

copayment will be adjusted annually by CalPERS to reflect the increase in the medical care component of the Consumer price index (CPI).

The city reimbursement for miscellaneous employees was assumed to increase 5% per year in 2008 and NOT assumed to increase in the future in 2010.

Summary of Unfunded Actuarial Accrued Liability (UAAL) by employee group:

Employee Group	OPEB Unfunded Liability
Miscellaneous Employees	167,247,526
Public Safety	
Police	210,589,599
Fire	143,045,373
Total Public Safety	353,634,972
Total	520,882,498

Lastly, staff is continuing to gather information to respond to the additional questions posed by Council Members on June 4, and will respond to the following in a later supplemental report:

1. Exact amounts of discretionary or non-committed funding available for allocation consideration by the Council.
2. Totals of revenues, savings, or expenditures from funds which “feed off” the City’s General Purpose fund.
3. Specific amounts spent for steps taken by the City to comply with the Negotiated Settlement Agreement.

Respectfully submitted,



SABRINA LANDRETH
Deputy City Administrator/Budget Director

Attachment A: Equipment Replacement Detail

Attachment B: Org Chart – Office of Economic & Workforce Development

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EQUIPMENT SERVICES DIVISION

ATTACHMENT A

8.5 Million Equipment Replacement Request- FY 2011-12

OPD	\$	2,601,889.94
OFD	\$	2,975,103.00
PWA	\$	2,342,065.00
Other	\$	570,700.00
Total	\$	8,489,757.94

The average age of the City's fleet is approximately 10 years (across all classes), twice the age of a comparable fleet. Most vehicles are no longer covered under the manufacturer's warranty, so major repairs are costly. Parts are hard to find or no longer available for older vehicles. This is causing longer downtimes that are affecting service delivery across all agencies. Below is a list of critical replacement needs that will help reduce down times, maintenance costs and increase equipment availability.

	DESCRIPTION	UNITS	UNIT PRICE	TAX	TOTAL
OPD	Marked Patrol	58	\$ 37,357.63	\$ 3,642.37	\$ 2,377,999.94
	Unmarked Police	5	\$ 30,400.00	\$ 2,964.00	\$ 166,820.00
	Police Motorcycles	2	\$ 26,000.00	\$ 2,535.00	\$ 57,070.00
					\$ 2,601,889.94

Note: Average age of Marked Patrol Cars is 6.8 years old, normal replacement is 3 years. Due to age and mileage, repairs require major work causing longer down times. Most of the vehicles are now out of warranty, thus more costly to repair.

OFD	Ladder Aerial Truck	2	\$ 875,000.00	\$ 85,312.50	\$ 1,920,625.00
	Fire Pumper Truck	2	\$ 450,000.00	\$ 43,875.00	\$ 987,750.00
	Fire Support Vehicle	2	\$ 30,400.00	\$ 2,964.00	\$ 66,728.00
					\$ 2,975,103.00

Note: This request is to replace fire equipment plagued with frequent breakdowns that have caused ineffective emergency response times. Due to age, parts are hard to find for these units causing additional downtime and increased repair costs.

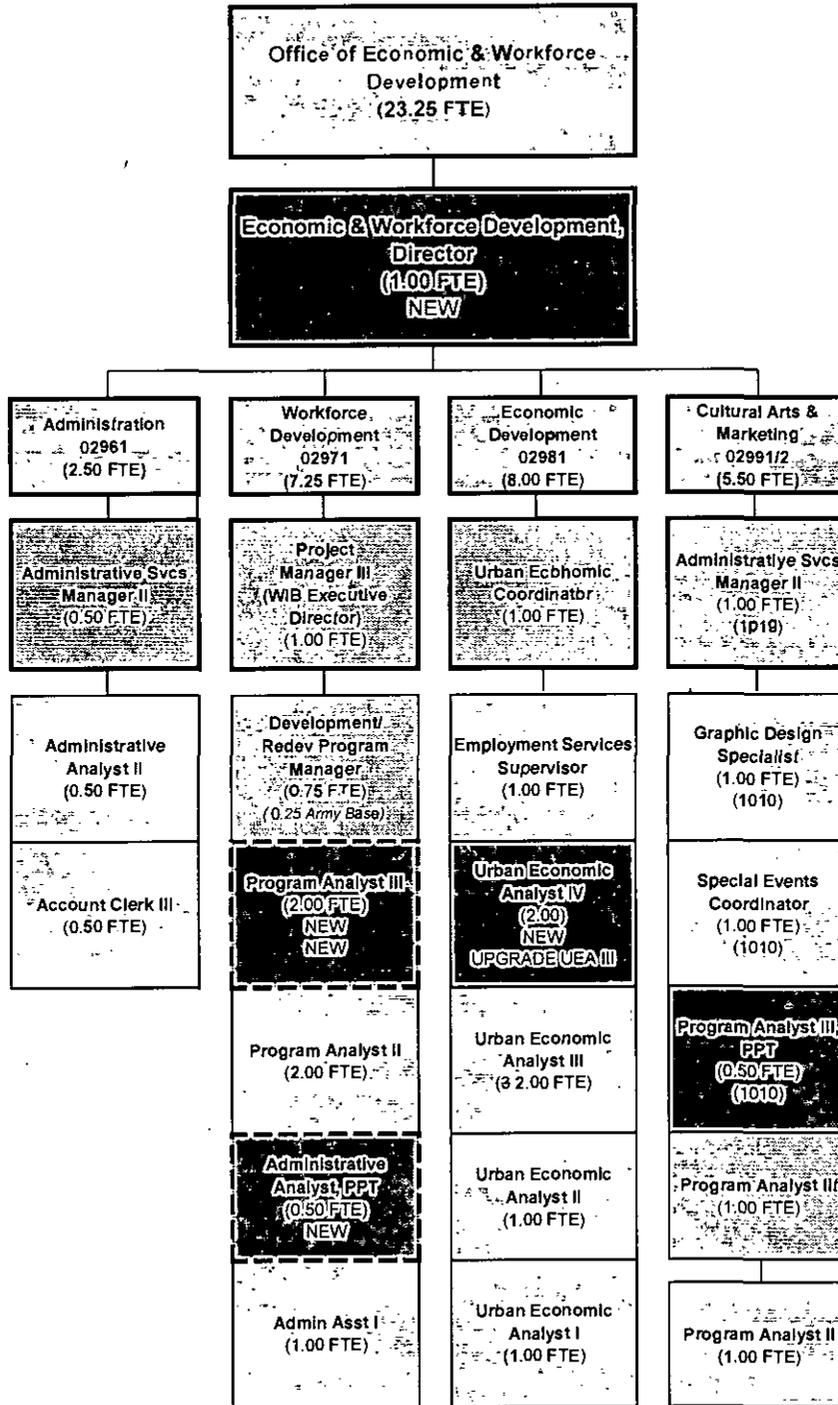
PWA	Light/Med Duty	15	\$ 45,000.00	\$ 4,387.50	\$ 740,812.50
	Heavy Duty	5	\$ 250,000.00	\$ 24,375.00	\$ 1,371,875.00
	Misc Support Equipment		\$ 209,000.00	\$ 20,377.50	\$ 229,377.50
					\$ 2,342,065.00

Note: This request is to replace equipment plagued with frequent breakdowns and increased repair costs. The age of the equipment is causing prolonged downtimes, preventing repairs and maintenance on critical roadways and parks throughout the City.

Other	Staff/Pool	20	\$ 26,000.00	\$ 2,535.00	\$ 570,700.00
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Note: This request is to replace staff vehicles plagued with frequent major breakdowns. Due to the age, some parts have been discontinued for parking enforcement vehicles, causing prolonged down times that affect revenue collection.

Total Replacement Request \$ 8,489,757.94



4
 SPECIAL MEETING OF
 THE OAKLAND CITY COUNCIL

JUN 18 2012

NOTE: The Workforce Development budget will be presented to Council for approval separately -- tentatively expected to be early July.