

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY ADMINISTRATOR

2007 JAN 20 PM 5:53

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: Finance and Management Agency
DATE: January 4, 2007

RE: **A Supplemental Report to the December 21, 2006 Supplemental Report, Calculating the Oakland City Auditor's Salary in Conformance with the Oakland City Charter**

SUMMARY

The Oakland City Charter, Article IV, Section 403, mandates the City Council conduct a salary review of the City Auditor's compensation at the start of a new term of office, or, as part of a citywide reduction of salaries for all City Officers and employees. The review undertaken in November of 2006, and revisited in December of 2006, was conducted to establish a salary for the newly elected Auditor, who will take office in January 2007.

This supplemental Report focuses on the questions directed to the Finance and Management Agency's (FMA), Office of Personnel Resource Management (OPRM) at the Rules Committee meeting of December 21, 2006. Information was requested regarding (1) how the salary of the City Auditor position was established and (2) how the current City Auditor's salary was established.

The requested information, along with the results of a subsequent review based on new information provided by the Council, is outlined in this supplemental report. Staff's conclusion remains, as in the initial recommendation, to adjust the City Auditor's salary to a range of \$118,137.92 and \$151,891.00. Staff also recommends that the City Council consider adding further specificity, via an amendment to the Charter, to include the specific intent of Council.

FISCAL IMPACT

Adjusting the City Auditor's salary from a current range of \$132,335 to \$162,469 to the range of \$118,138 and \$151,891 would result in a projected savings of approximately \$35,577 when compared to the current Auditor's actual salary and using a mid-range placement for the newly elected Auditor. The specific dollar impact will be determined when the placement on the range of the new auditor's salary is established. The current Auditor's salary is \$170,592, which is the result of the Auditor awarding himself annual cola adjustments on his anniversary date.

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COUNCIL
JAN 16 2007

Item
Rules and Legislation Committee
January 04, 2007

BACKGROUND

In November 2004 voters approved Measure P, a City Charter amendment which requires that the City Auditor's salary be set at the beginning of a newly elected term of office. Since a newly elected City Auditor will begin office January 1, 2007 the salary must be reviewed and set.

The City Charter provides basic direction on how staff should determine the salaries for City Officers, including the Auditor, and clearly sets out the occasions and frequency that this determination should be made. The Charter is less specific as to the methodology to be employed. Absent this specific direction, Staff relied on established benchmark practices and accepted industry standards to complete the assignment.

The Charter also outlines the roles and responsibilities of the City of Oakland Auditor, which requires a level of independence from other elected officers and the City Administrator. This report outlines how OPRM melded the various components of the Auditor's Charter duties and qualifications to reach a recommended salary range for the newly elected Auditor.

History of City Auditor Salary Determination

While the position has long been elected, the City Auditor's salary has historically been set by Council. In the past the City Manager directed an external salary survey of comparably charged positions in the industry. Additionally, some City Managers also considered the salaries of Department heads when determining if salaries were equitable and would attract competitive and qualified individuals to the position. Data was prepared, a recommendation formulated and presented to Council for consideration and approval.

In November 1996 Council adopted a resolution to place on the ballot a Charter Amendment to increase the duties of the City Auditor but did not enumerate the manner in which the salary was to be established. Auditor Roland Smith was elected in November of 1998 and began office in January 1999. He has received the following salary compensations:

Year	Range	Actual Salary
1/99-6/99	108,768.00 – 133,536.00	\$108,771.00
6/99-1/00	112,031.04 – 137,548.08	\$112,031.40
1/00-6/00	112,031.04 – 137,542.08	117,927.23
6/00-1/01	116,512.32 – 143,043.72	122,644.32
1/01- 6/01		128,778.00
6/01-1/02	120,007.68 – 147,335.04	132,641.34
1/02-7/02		139,273.41
7/02-1/03	127,208.16 – 156,175.20	147,692.81
1/03-6/03	131,024.40 – 160,860.48	156,174.62
6/03-1/04	132,334.56 – 162,469.08	160,859.86
1/04-7/04		168,902.86
7/04- to date		170,591.89

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Elected versus Appointed Position

As noted, the City Auditor has been an elected position for decades, dating back at least to 1940. Based on a review of the Charter and various resolutions it appears to have always been the intent of City leaders has been to maintain a significantly independent Auditor role. Excerpts from the current Auditor's website note the importance of this distinction:

“The Oakland City Auditor is independently elected by the voters of Oakland. Independence is the best assurance that the Auditor will be objective, impartial and resolute when reviewing City related business and program activities.” Other excerpts include “The City Auditor is not connected to any other City Department and has no responsibilities in the day-to-day financial and accounting operations of the City of Oakland.” This distinction was considered in assessing the significance of elected positions when compared to other jurisdictions that retain appointed auditor staff.

KEY ISSUES AND IMPACTS

At issue for decision by this body is the interpretation of the formula specified in Article IV, Section 403 of the City Charter. The City Auditor's salary is to be “set by the Council, which shall be not less than 70% nor more than 90% of the average salaries of City Auditors of California cities within the three immediate higher and the three immediate lower cities in population to Oakland.” Based upon this population standard, it was determined that the following cities should be utilized for this comparison:

CITY	POPULATION*	ACTUAL SALARY
Long Beach	490,166	\$168,768.46
Fresno	471,479	N/A
Sacramento	457,514	N/A
OAKLAND	411,755	\$170,591.89
Santa Ana	351,322	N/A
Anaheim	342,410	N/A
Bakersfield	311,824	N/A

* Source: CA Dept. of Finance Demographic Research Unit

Staff further analyzed the “comparison cities” and the critical distinctions in roles, including the elected and independence components. As a result, and including factors discussed below, staff determined and applied the formula in a manner that is consistent with all industry market surveys and determined that within the “3 higher” “3 lower” language, only Long Beach was a suitable match for comparison.

Several factors were considered by OPRM including the number of full-time employees assigned to the Auditor and the reporting structure of the audit positions. The organizational structure of the designated cities is outlined in the chart below:

AGENCY	HIGHEST AUDIT CLASSIFICATION	REPORTING RELATIONSHIP	NUMBER OF SUBORDINATES
City of Oakland	City Auditor	Elected Official	1 Chief Deputy City Auditor 4 Deputy City Auditors (Levels I - III) 4 Support Staff 9 TOTAL
City of Long Beach	City Auditor	Elected Official	1 Assistant City Auditor 1 Deputy City Auditor 2 Auditor Managers 2 Senior Auditors 2 Audit Analysts 1 Director of Communications 1 Staff Analyst 4 Support Staff 14 TOTAL
City of Anaheim	Audit Manager	Reports to City Manager/Assistant City Manager*	4 Senior Management Auditors 2 Management Auditors 1 Tax Revenue Auditor 1 Audit Technician 8 TOTAL
City of Fresno	Principal Internal Auditor	Reports to Controller*	3 Internal Auditors 3 TOTAL
City of Sacramento	Internal Audit Manager	Reports to City Manager	1 Auditor 1 TOTAL

* Incumbents are appointed and can be terminated at any time.

Based upon the above data, staff's interpretation would only include the City of Long Beach. The significance of the reporting relationship and resulting autonomy cannot be underscored enough to emphasize the impact on the outcome of audits. Oakland's Charter specifically requires the City auditor 'prepare impartial financial analyses' and further requires the City Auditor to rely on their 'objective and professional judgment'. It is the language of the Charter that gave substantial import and weight, to the degree of independence mandated for the position. Also of note is the size and scope of the Auditor's staff and reporting relationships.

Another key comparison was that Oakland, Long Beach, and Anaheim all require that incumbents possess a valid Certified Public Accountant (CPA) license, while other cities view licensure as highly desired.

POLICY DESCRIPTION

The City of Oakland Charter provides the policy for determining salaries for its elected officers.

SUSTAINABLE OPPORTUNITIES

Economic: No economic impacts have been identified.

Environmental: No environmental impacts have been identified.

Social Equity: No social equity impacts have been identified.

DISABILITY AND SENIOR CITIZEN ACCESS

None.

RECOMMENDATION(S) AND RATIONALE

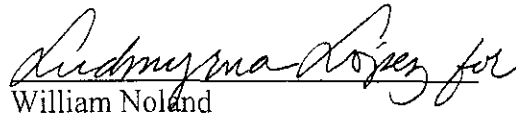
Staff considered all relevant factors and determined that Long Beach is the only comparable jurisdiction to be employed in establishing the salary for the newly elected City Auditor, pursuant to the Charter mandate. Using Long Beach would result in an adjusted salary range between \$118,137.92 and \$151,891.00.

Staff recommends that further review of the existing Charter language occur and Council consider going out to the electorate for an amendment to the Charter that will harmonize Council's intent for future consideration of elected salary issues.

ACTION REQUESTED OF THE CITY COUNCIL

Adjust the City Auditor's salary to a range of \$118,137.92 and \$151,891.00.


Respectfully submitted,


William Noland

Finance & Management Agency

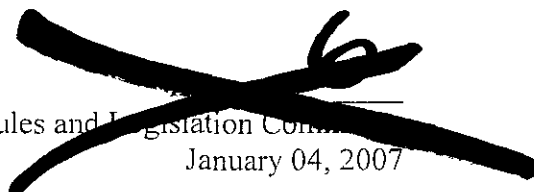
Prepared by: Marcia Meyers, Director
Office of Personnel Resource Management
Finance & Management Agency

APPROVED AND FORWARDED TO THE
RULES AND LEGISLATIVE COMMITTEE:


Office of the City Administrator

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