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OAKLAND

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AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Sabrina Landreth

SUBJECT: Proposed Mid-Cycle Budget

DATE: June 15, 2012

City Administrator
Approval

Deanna J. Santana

Date

6/15/12

REASON FOR SUPPLEMENTAL REPORT

The purpose of this second supplemental report is to transmit to the full City Council additional information regarding questions raised on the Proposed FY 2012-13 Mid-Cycle Budget.

DISCUSSION

1. *How much does the City Council really have to work with re discretionary/non-committed funds?*

As outlined in the tables on pages 4 and 11 of the Proposed Mid-Cycle Budget Transmittal, the total proposed estimated FY 2012-13 year-end operating surplus in the General Purpose Fund (GPF) is approximately \$0.37 million. On page 13, these dollars are recommended to be set-aside into a newly created "Unanticipated Expenditures Fund", due to continued uncertainty around the State and Federal budgets, former Redevelopment funds, and continued economic volatility. This assumes that the City Council approves the Mid-Cycle Budget proposal. To the extent that it, or a portion thereof, is not approved, there is a projected net revenue surplus of \$3.9 million in FY 2012-13, as well as \$3.7 million in projected Residual Property Tax Trust Revenues from the ROPS for consideration. Staff believes that it has advanced a strategic proposal that is mindful of the City's urgent needs.

At the end of FY 2011-12, a year-end fund balance of approximately \$48.7 million in the GPF is projected. The Council mandates a reserve level for the GPF of at least 7.5%, or approximately \$30 million. As noted, the fund balance may be subject to additional adjustments based on the State Controller's "clawback" order, and therefore caution is recommended on the use of these funds at this time.

Item: _____
City Council
June 18, 2012

2. Please provide the totals of revenues, savings, or expenditures from funds which 'feed off' the City's General Purpose fund?

As mentioned in Response #11 in the June 6, 2012 Supplemental, the Mid-Cycle proposal addresses all City funds. All 106 City funds in the Proposed FY 2012-13 Mid-Cycle Budget are operationally balanced. This includes the City's Internal Service Funds (ISFs): 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 Reproduction. These funds accumulated large negative fund balances over time largely due to years of operating gaps caused by charging expenses that could not be sustained and /or ongoing expenditures that outpaced ongoing revenues. A second contributing factor to the deficit balances is the accumulation of negative interest. Repayment schedules for these funds were established in FY 2005-07. The GPF pays approximately \$4.5 million into these repayment plans annually. If these repayment plans are not adhered to, ultimately the GPF will be obligated to repay the negatives. The Proposed FY 2012-13 Mid-Cycle Budget maintains these repayment plans, as detailed in Attachment A.

3. What are the specific amounts spent for steps taken by the City to comply with the Negotiated Settlement Agreement (NSA)?

The City currently has a contract until January 20, 2014 with Police Performance Solutions, LLC to conduct independent monitoring of the Memorandum of Understanding RE: Post-NSA Terms and Conditions Allowing for the Resolution of Plaintiff's Claims for Injunctive Relief and Dismissal of the Action involving the City of Oakland and the Oakland Police Department (OPD) and private plaintiffs in civil lawsuit, *Delphine Allen, et al, v. City of Oakland, et al.*

Between January 2010 and May 2012, the City has paid approximately \$1.9 million for NSA monitoring services. In FY 2012-13 the budgeted amount is \$1.3 million, which will bring the total amount spent on these services up to approximately \$3.2 million through next year. The other related costs of the NSA are the cost of conducting the regular course of the Department's business to maintain the service model, and therefore cannot be tallied as isolated costs. The amount the City has authorized for the monitoring contract cannot be reduced at this time due to the compliance requirements; however, staff will continue to operate as efficiently as possible to stay within the budgeted amounts.

4. Please provide City Council year-end projected expenditures for FY 2011-12, by Council District

City Council - General Fund Projections (as of June 1, 2012)

DISTRICT	APPROP	YTD EXP	AVAIL	YE Projection	(Over)/Under
City Council: Administration					
Personnel & OH	\$ (36,671)	\$ 17,131	\$ (53,802)	\$ 20,837	\$ (57,508)
O&M	\$ 260,731	\$ 206,005	\$ 54,448	\$ 260,731	\$ -
Subtotal	\$ 224,060	\$ 223,136	\$ 646	\$ 281,568	\$ (57,508)
District One					
Personnel & OH	\$ 246,945	\$ 215,195	\$ 28,750	\$ 271,836	\$ (24,891)
O&M	\$ 9,750	\$ 4,007	\$ 5,676	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 222,202	\$ 34,426	\$ 281,586	\$ (24,891)
District Two					
Personnel & OH	\$ 246,945	\$ 177,439	\$ 69,506	\$ 213,417	\$ 33,528
O&M	\$ 9,846	\$ 704	\$ 8,886	\$ 9,846	\$ -
Subtotal	\$ 256,791	\$ 178,143	\$ 78,392	\$ 223,263	\$ 33,528
District Three					
Personnel & OH	\$ 246,945	\$ 165,467	\$ 81,478	\$ 196,598	\$ 50,347
O&M	\$ 9,750	\$ 1,895	\$ 7,529	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 167,362	\$ 89,307	\$ 206,348	\$ 50,347
District Four					
Personnel & OH	\$ 246,945	\$ 191,226	\$ 55,719	\$ 232,872	\$ 14,073
O&M	\$ 9,750	\$ 3,337	\$ 6,409	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 194,563	\$ 62,128	\$ 242,622	\$ 14,073
District Five					
Personnel & OH	\$ 246,945	\$ 235,037	\$ 11,908	\$ 288,451	\$ (41,506)
O&M	\$ 9,750	\$ 2,246	\$ 7,406	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 237,283	\$ 19,314	\$ 298,201	\$ (41,506)
District Six					
Personnel & OH	\$ 246,945	\$ 316,605	\$ (69,660)	\$ 357,361	\$ (110,416)
O&M	\$ 10,554	\$ 10,406	\$ 119	\$ 10,554	\$ -
Subtotal	\$ 257,499	\$ 327,012	\$ (69,541)	\$ 367,915	\$ (110,416)
District Seven					
Personnel & OH	\$ 246,945	\$ 225,076	\$ 21,869	\$ 270,713	\$ (23,765)
O&M	\$ 9,750	\$ 2,780	\$ 6,904	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 227,856	\$ 28,774	\$ 280,463	\$ (23,768)
Council At Large					
Personnel & OH	\$ 246,945	\$ 255,403	\$ (8,455)	\$ 307,190	\$ (60,245)
O&M	\$ 9,750	\$ 1,484	\$ 8,175	\$ 9,750	\$ -
Subtotal	\$ 256,695	\$ 256,887	\$ (280)	\$ 316,940	\$ (60,245)
TOTAL COUNCIL	\$ 2,278,520	\$ 2,034,445	\$ 243,166	\$ 2,498,908	\$ (220,387)

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

Staff is currently analyzing the possibility, but based on prior discussions with the NSA Monitor, staff believes that it is likely that ER can conduct formal investigations for non-sworn employees in the Police Department. Staff capacity would need to be analyzed and additional staff would be necessary to take over the workload. More analysis is needed to provide the Council with an accurate cost-benefit analysis. The positive impact of the transition would be that sworn officers in IAD would no longer have to investigate non-sworn cases; they will be able to focus strictly on sworn investigations, and this action could greatly assist IAD in keeping up with its workload.

6. *As discussed at the June 12, 2012 Finance & Management Committee, please provide additional information on the Police Department's Workers' Compensation Program and details on the proposed Administrative Analyst support position for this program.*

Since 2004, Risk Management funded two positions through the Third Party Administrator's (JT2) contract to provide Workers' Compensation coordination for the Police Department. These positions functioned similar to an authorized position in the Public Works Agency. The JT2 employee recently accepted a position within the City, and is no longer available to work as OPD's workers' compensation coordinator. OPD proposes that the funding utilized to pay for the JT2 position be allocated to off-set the cost for a permanent workers' compensation specialist position within OPD. OPD proposes that the monies be allocated from Fund 1150. The justification for charging the worker's comp fund is that the position will be dedicated 100% to serving as a worker's compensation specialist. This position is critical to aggressive management and proper administration of workers' compensation claims. The position provides the following services:

1. Works with Risk Management and the City's third party administrator (TPA) to properly record and transmit injury documentation to ensure the proper and timely delivery of workers' compensation benefits to injured employees.
2. Provides the appropriate coding block to payroll so that injured workers are paid from the appropriate funding source.
3. Follows up with injured employees and supervisors regarding documentation on injury restrictions and leaves, focusing on quickly returning the employee to work.

By not appropriately staffing this function, OPD will likely continue to experience a sharp increase in claims and a reduced return to work rate for injured employees, translating to thousands of dollars spent unnecessarily in workers' compensation benefits and overtime pay. This position will also perform quantitative and qualitative analyses of trends and patterns in claims in order to provide management with the tools to reduce future claims.

7. *The vacancy report presented to the Finance & Management Committee on June 12th referenced a 6.88% citywide vacancy rate. What is the dollar value of these vacancies above the budgeted vacancy savings?*

The percentage budgeted for the vacancy rate in FY 2012-13 varies by Department (as shown below), averaging 4.42%.

DEPT	Rate
City Administrator	3.50%
City Attorney	0.00%
City Auditor	0.00%
City Clerk	3.50%
City Council	0.00%
Department of Planning and Building	5.00%
Housing & Community Development	5.00%
Finance and Management Agency	5.00%
Department of Community Services	5.00%
Fire (civilian)	5.00%
Fire (sworn)	0.00%
Human Resources	3.50%
Information Technology	3.50%
Library	5.00%
Mayor	0.00%
Police (civilian)	5.00%
Police (sworn)	0.00%
Public Works Agency	5.00%
TOTAL	4.42%

As referenced in the Semi-Annual Vacancy Report on May 12, in general, the City's vacancy rate has averaged 6% and 7% for the past two years. The table below compares the budgeted vacancy rate savings to the actual savings based on the May 7, 2012 actual vacancy rates.

Excerpt from May 12, 2012 Semi-Annual Vacancy Report

FUND	TYPE	VACANT	ALL POSITIONS	FY 11-12		SS Variance from Budget
				BUDGETED VACANCY %	% VACANT May 7	
GPF (1010)	Sworn (Fire)*	58.00	502.00	NA	11.55%	NA
	Sworn (Police)	0.00	513.82	NA	0.00%	NA
	Civilian	57.64	1098.71	4.25%	5.39%	S 515,891
TOTAL GPF (1010)		115.64	2114.53	4.25%	5.56%	S 515,891
Non-GPF	Sworn (Fire)	0.00	5.00	NA	0.00%	NA
	Sworn (Police)**	25.00	147.18	NA	16.98%	NA
	Civilian	115.74	1529.82	4.66%	7.76%	S 2,747,330
TOTAL GPF (1010)		143.74	1682.00	4.66%	8.54%	S 2,747,330
All Funds	Sworn (OPD & OFD)	83.00	147.18	NA	7.10%	NA
	Civilian	176.38	1529.82	4.53%	6.78%	S 3,263,221
	TOTAL GPF (1010)		259.38	1677.00	4.53%	6.88%

*OFD vacancy savings offsets overspending in overtime

**additional OPD officers will start charging federal COPS grant this FY

The 6.88% vacancy rate shown above is all funds City-wide. As a result of the varying rates by Departments, and additional furlough days (i.e., less employee vacation taken), the actual savings will be less than 6.88% and departments are still projected to end the year at the expenditure levels included in the Transmittal Letter. Any potential savings realized from vacancies above the budgeted vacancy rate has already been factored in to year-end projections for FY 2011-12, such as vacancies in civilian OPD positions that help offset overspending in their sworn overtime.

8. Please provide the most recent OPD staffing report, as provided monthly to the Public Safety Committee.

As of June 13, 2012 sworn staffing is at 646 officers. The Department anticipates that a full academy will begin in August 2012. OPD's authorized sworn strength, per the Adopted FY 2011-13 police budget is 661 officers in FY 11-12 and 613 officers in FY 12-13, including 25 COPS Hiring Grant officers. The Department is actively recruiting candidates for the position of police officer trainee and lateral/post academy graduate police officer. The next academy is scheduled to begin in August 2012 with 55 Police Officer Trainees. In addition, the City Administration has proposed a second academy as part of the Mid-Cycle Budget Proposal, which would begin in January 2013.

Table 1: Sworn Staffing by Year

Authorized FTE 723				Authorized FTE 669								
FY10-11	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Filled	775	687	684	679	673	670	660	653	682	657	647	641
Attrition	(86)	(7)	(3)	(7)	(4)	(12)	(5)	(1)	(6)	(10)	(6)	(4)
Hires	0	2	0	0	0	0	0	10	1	0	0	0
Ending Filled	687	682	681	672	669	658	655	662	657	647	641	637
Over/(Under)	(36)	(41)	(42)	(51)	(54)	(65)	(14)	(7)	(12)	(22)	(28)	(32)
Authorized FTE 636				Authorized FTE 661								
FY11-12	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Filled	637	632	655	653	647	645	643	651	659	657	652	647
Attrition	(6)	(8)	(4)	(6)	(3)	(4)	(3)	-	(5)	(5)	(5)	(5)
Hires	1	25	2	0	1	2	11	8	3	0	0	0
Ending Filled	632	655	653	647	645	643	651	659	657	652	647	642
Over/(Under)	(4)	19	17	11	9	7	15	23	21	16	11	6
Authorized FTE 613												
FY12-13	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Filled	642	637	632	627	622	617	612	647	642	637	632	627
Attrition	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(8)	(5)	(5)	(5)	(5)
Hires	0	0	0	0	0	0	40	0	0	0	0	0
Ending Filled	637	632	627	622	617	612	647	642	637	632	627	622
Over/(Under)	24	19	14	9	4	(1)	34	29	24	19	14	9
Authorized FTE 613												
FY13-14	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Filled	627	662	657	652	647	642	637	632	627	622	617	612
Attrition	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Hires	40	0	0	0	0	0	0	0	0	0	0	0
Ending Filled	662	657	652	647	642	637	632	627	622	617	612	607
Over/(Under)	49	44	39	34	29	24	19	14	9	4	(1)	(6)

AMENDMENTS

City Administration has two additional amendments to the FY 2012-13 Mid-Cycle Proposal that were inadvertently excluded.

- Add \$0.18 million for Code for America (CPA) to participate in the CFA Labs, Inc. 2013 Fellowship Program. Funding has been identified in the GPF, as staff recommends shifting the payment of the Alameda Countywide Clean Water Program to the Sewer Services Fund.

Through CFA's fellowship program, web developers, designers, and entrepreneurs leverage the power of the internet to make governments more open and efficient in order to realize transformational change in government with technology. Cities selected are required to pay a program fee of \$0.18 million to participate in the CFA program. In return cities are provided access to research, community input, recommendations/strategies for technology applications to improve community involvement, transparency and efficiencies, as well as participation in CFA conferences.

- Delete Special Assistant to the Mayor (7 positions) and Mayor's PSE 14, and replace with Assistant to the Mayor series (I, II, III) (new classifications under development) (cost-neutral).

ERRATA

Response #18 in the June 6th Supplemental regarding the number of sworn officers without the budgeted and proposed academies, noted that without the new academies, the sworn officers would be projected at: without one academy, 565 PTEs, and without two academies at 517 PTEs. However, for clarification, these adjusted numbers would not be in FY 2012-13, but rather in FY 2013-14.

Response #25 in the June 6th Supplemental regarding the Community Services Department requires additional clarification. The \$1 million assumed savings that was included in the Adopted FY 2012-13 Budget was removed in the Amended FY 2012-13 Budget as part of the Council's January 31, 2012 action and included as part of balancing the \$28 million shortfall. The \$0.58 million in the Department of Human Services previously covered through redevelopment funds is now budgeted for one year in CDBG funds; however, a longer-term solution will need to be implemented in the FY 2013-15 budget process. Any reconfigurations of the Community Services Department must integrate deferred budget actions and look more broadly than dissolving the merged Department.

Respectfully submitted,



SABRINA LANDRETH
Deputy City Administrator/Budget Director

Attachment A: Internal Service Funds Repayment Plans

TEN-YEAR NEGATIVE FUND REPAYMENT SCHEDULES

SELF-INSURANCE FUND (1100) FINANCIAL PROJECTION

Beginning Fund Deficit \$ (28,885,586)	Total Revenues	Total Expenditures	Change in Fund Balance	Year- End Fund Balance	Amount of Transfer		Change in Transfer	Increase in Subsidy
					GPF Portion	Non-GPF Portion		
2011-12	21,090,593	19,281,814	1,808,779	(27,076,807)	19,561,122	1,529,471	21,090,593	-
2012-13	21,014,627	19,205,849	1,808,778	(25,268,029)	19,480,559	1,534,068	(75,966)	0%
2013-14	21,366,211	18,604,470	2,761,741	(22,506,287)	19,806,478	1,559,733	351,584	2%
2014-15	22,197,210	19,435,469	2,761,741	(19,744,546)	20,576,814	1,620,396	830,999	4%
2015-16	23,022,988	20,261,247	2,761,741	(16,982,805)	21,342,310	1,680,678	825,778	4%
2016-17	23,981,535	21,219,794	2,761,741	(14,221,063)	22,230,883	1,750,652	958,547	4%
2017-18	25,043,622	22,281,881	2,761,741	(11,459,322)	23,215,438	1,828,184	1,062,087	4%
2018-19	26,001,743	23,240,002	2,761,741	(8,697,581)	24,103,616	1,898,127	958,121	4%
2019-20	27,001,063	24,239,322	2,761,741	(5,935,839)	25,029,986	1,971,078	999,320	4%
2020-21	28,043,354	25,281,613	2,761,741	(3,174,098)	25,996,189	2,047,165	1,042,291	4%
2021-22	29,130,463	26,368,722	2,761,741	(412,357)	27,003,940	2,126,524	1,087,109	4%

KAISER CONVENTION CENTER FUND (1730) FINANCIAL PROJECTION

Beginning Fund Deficit \$ (4,062,136)	Total Revenues	Total Expenditures*	Change in Fund Balance	Year- End Fund Balance	Amount of Subsidy	Change in Subsidy	Increase in Subsidy
2012-13	579,589	-	579,589	(2,250,458)	487,091	-	0%
2013-14	485,550	-	485,550	(1,764,908)	487,091	-	0%
2014-15	485,550	-	485,550	(1,279,358)	487,091	-	0%
2015-16	485,550	-	485,550	(793,808)	487,091	-	0%
2016-17	485,550	-	485,550	(308,259)	487,091	-	0%
2017-18	485,550	-	485,550	177,291	487,091	-	0%

Beginning Cash Deficit \$ (10,363,365)	ISF Revenues	non-ISF Revenue	Total Revenue	Total Expenditures	Change in Fund Balance			Year- End Fund Balance	Impact on GPF	Rate Inc.
					Non GPF	GPF	TOTAL			
2011-12	17,007,596	658,130	17,665,726	15,786,304	1,014,888	864,534	1,879,422	(8,483,943)	7,823,494	0%
2012-13	16,084,588	658,130	16,742,718	15,108,426	882,518	751,774	1,634,292	(6,849,651)	7,398,910	-5%
2013-14	16,406,280	677,874	17,084,154	0	9,225,443	7,858,711	17,084,154	10,234,503	7,546,889	2%
2014-15	16,898,468	698,210	17,596,678	0	9,502,206	8,094,472	17,596,678	27,831,181	7,773,295	3%
2015-16	17,574,407	719,156	18,293,563	0	9,878,524	8,415,039	18,293,563	46,124,744	8,084,227	4%
2016-17	18,277,383	740,731	19,018,114	0	10,269,782	8,748,333	19,018,114	65,142,858	8,407,596	4%
2017-18	19,191,252	762,953	19,954,205	0	10,775,271	9,178,934	19,954,205	85,097,064	8,827,976	5%
2018-19	20,246,771	785,842	21,032,613	0	11,357,611	9,675,002	21,032,613	106,129,677	9,313,515	5%

FACILITIES FUND (4400) FINANCIAL PROJECTION

Beginning Cash Deficit \$ (26,260,574)	ISF Revenues	non-ISF Revenue	Total Revenue	Total Expenditures	Change in Fund Balance			Year- End Fund Balance	Impaci on GPF	Rate Inc.
					Non GPF	GPF	TOTAL			
2011-12	21,807,824	1,058,345	22,866,169	22,612,167	104,141	149,861	254,002	(26,006,572)	12,866,616	0%
2012-13	22,568,037	656,345	23,226,382	22,395,797	340,540	490,045	830,585	(25,175,987)	13,315,142	3%
2013-14	22,568,037	678,095	23,246,132	23,403,496	(64,519)	(92,844)	(157,364)	(25,333,350)	13,315,142	0%
2014-15	24,147,800	698,438	24,846,238	24,456,536	159,778	229,924	389,702	(24,943,649)	14,247,202	7%
2015-16	26,079,624	719,391	26,799,015	25,556,958	509,243	732,814	1,242,057	(23,701,592)	15,386,978	8%
2016-17	28,426,790	740,973	29,167,763	26,706,893	1,008,956	1,451,913	2,460,869	(21,240,723)	16,771,806	9%
2017-18	31,838,004	763,202	32,601,207	27,908,570	1,923,981	2,768,656	4,692,637	(16,548,086)	18,784,423	12%
2018-19	35,658,565	786,098	36,444,137	29,164,316	2,984,727	4,295,095	7,279,821	(9,268,265)	21,038,553	12%

PURCHASING FUND (4550) FINANCIAL PROJECTION

Beginning Cash Deficit \$ (764,866)	ISF Revenues	non-ISF Revenue	Total Revenue	Total Expenditures	Change in Fund Balance	Year- End Fund Balance	Impact on GPF	Rate Inc.
2012-13	775,132	-	775,132	729,280	45,852	(678,512)	80,687	1%
2013-14	800,324	-	800,324	736,573	63,751	(614,761)	83,309	1%
2014-15	826,334	-	826,334	743,939	82,396	(532,365)	86,017	1%
2015-16	853,190	-	853,190	751,378	101,812	(430,553)	88,813	1%
2016-17	880,919	-	880,919	758,892	122,027	(308,526)	91,699	1%
2017-18	909,549	-	909,549	766,481	143,068	(165,458)	94,679	1%
2018-19	939,109	-	939,109	774,145	164,964	(494)	97,756	1%