

# CITY OF OAKLAND

## AGENDA REPORT

To: <sup>05 JUN 2006 10:04</sup> Office of the City Administrator & City Council  
Attn: Deborah Edgerly  
From: Vice Mayor Jean Quan, City Council, Chair of the Finance and Management Committee  
Date: May 9, 2006

**Re: Discussion and Action on a report regarding the Use of Funds Appropriated for City Council Personnel Expenses for Non-Personnel Purposes and Conditions for Grants to External Organizations**

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### SUMMARY

There has been recent controversy as to the proper uses and processes for the expenditure of City Council Office Funds. As Chair of the Finance and Management Committee, Councilmember Quan wishes to initiate a full and open discussion of this subject, with the ultimate result being: 1) a review of Rules and Procedures for City Council Office expenditures; 2) new or modified rules, if necessary; 3) formal report by the City Administrator on Council Office Expenditures; 4) legal clarification of what are the areas of responsibility and the procedures the Council and City Administrator should follow to fulfill its fiduciary and ethical role in response to possible unauthorized use or misuse of public funds; and 5) determining whether an independent investigation on the use of the funds is required; 6) additional formalization of the budget rules protecting the Council's budget policy authority, including but not limited to, restoring the inadvertent removal of the 2004-2005 budget rules; 7) developing rules and public reports to make transparent all city funds given to all non-city entities and projects by all city officials and departments

### FISCAL IMPACT

This discussion may result in additional Rules and Procedures as to the process for City Councilmembers' modifying the funding allocations for their districts, as well as to allocating public funds for private entities. It may also result in new levels of transparency and accountability for private or non-profit recipients of public monies.

### BACKGROUND

Recent articles in the Press have raised issues about Council Office Budgets and city allocations to outside organizations. Although Administrative Instruction 1029 (September 1, 2005) as well as City Council Resolution 77895, passing the 2003-2005 Policy Budget (June 23, 2003) seem to preclude such activity, there needs to be a formal review of these issues.

Item: \_\_\_\_\_  
Finance & Management Committee  
June 13, 2006

## KEY ISSUES AND IMPACTS

Questions have been raised about the use of City Council Office Personnel Funds and of the transparency and accountability of funds given to external agencies. The City Attorney has developed some positions on these issues which have not been released to the public.

We seek a public Legal Opinion from the City Attorney on these matters, including but not limited to: 1) previous opinions given the Council; 2) whether funds in the Council Office budgets can be reallocated to external agencies without Council approval; 3) clarification of what are the areas of responsibility and the procedures the Council and City Administrator should follow to fulfill its fiduciary and ethical role over the possible misuse of public funds; and 4) an opinion on whether an independent investigation on the use of the funds is required. Shall the City Attorney conclude that an independent investigation is not required, the Council may still decide to initiate an independent investigation or refer the issues to the Public Ethics Commission or City Auditor's Office.

The Committee may also wish to determine, if the current rules were fully implemented, and consider new Rules and Procedures that might:

- Strengthen procedures for City Council approval for deviations from Policy Budget funding allocations
- Develop methods to make public and track spending of amounts for external organizations under \$14,999 for all Departments
- Improve accountability of all City funding going to external organizations

## DISCUSSION

It appears from both the aforementioned Administrative Instruction and Council Resolution that the overall will of the Council is to demand adherence to the funding categories of the Policy Budget.

*Beyond accountability within the City process, there is the issue of accountability from the recipients of City monies. While certain city funding processes such as the Community Development Block Grant, Measure K, etc., require strict accountability on the part of private recipients of public funds, allocations by individual Council Members may not. There is the need for heightened accountability, so that the public can know how public funds are allocated.*

**SUSTAINABLE OPPORTUNITIES**

**Economic:** The purpose of this discussion and ultimate Rules and Procedures is to insure the proper use of public money.

**Environmental:** There are no primary environmental benefits from this discussion and any eventual Rules and Procedures.

**Social Equity:** This discussion and eventual Rules and Procedures will ensure fair and equal access to all city funds that are addressed by it.

**DISABILITY AND SENIOR CITIZEN ACCESS**

The disabled and senior citizen communities will receive the same benefits from this discussion and Rules and Procedures as will all other constituencies.

**RECOMMENDATION(S) AND RATIONALE**

Councilmember Quan recommends that a full and open discussion of these issues.

Respectfully submitted,



Richard Cowan for  
Vice Mayor Jean Quan,  
City Council, District 4