

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2007 OCT -4 PM 5: 50

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Budget Office
DATE: October 9, 2007

RE: **Supplemental Report – FY 2006-07 Council and Mayoral Pay-Go Commitments**

BACKGROUND

The Finance and Management Committee, on September 25, 2007, received an informational report identifying Mayor and Councilmember Pay-Go expenditures incurred during the 2006-07 fiscal year. The Committee reviewed the report and directed that staff return with clarification of certain non-capital Pay-Go expenditures and provide additional information on the expenditure of Pay-Go funds for public versus private property. Additional information in response to the expenditures questioned by the Committee is provided below and in Attachment A.

KEY ISSUES AND IMPACTS

Pay-Go monies are approved and allocated to City Council members and the Mayor during the adoption of the two-year budget. There are two types of Pay-Go allocations:

- **Regular Pay-Go** allocations have in the past been funded by the City's Municipal Improvement Capital Fund (MIC). This funding was held in a trust which was administered by the Bank of New York Trust Co., N.A. The trust agreement which governed the expenditures of the MIC funds limited expenditures to the purchase, lease, construction or improvement of real or personal property to which the City and/or Oakland Unified School District hold title or control for their public entity or governmental purposes, including all activities essential to the health, morale, protection and welfare of the City. Due to the depletion of the MIC fund, Regular Pay-Go expenditures have recently been funded utilizing the City's General Purpose Fund. The General Purpose Fund does not have the expenditure restrictions of the MIC.
- **Neighborhood Transportation Pay-Go** allocations are funded by the City's proceeds from the Alameda County Transportation Improvement Authority Measure B and State Gas Tax funds. State Gas Tax funds are governed by the State of California and can be used for:

“the research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for non-motorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes....”

Measure B funds are governed by Alameda County and can be used for local transportation projects involving streets and roads, bicycles, and pedestrians. Examples of projects supported by Measure B include streetscapes, guardrails, traffic signals, signs and striping, sidewalks, bicycle/pedestrian safety projects, and a variety of measures to improve traffic safety.

The City Attorney issued a memorandum dated June 22, 2006 titled “Requirements For Grants, Including Pay-Go Grants; Checklist”. That document reiterated that a grant of public funds (including Pay-Go funds) must be for a public purpose, must be for a use permitted by the funding source and that an agreement should be executed and approved as to form and legality by the City Attorney.

The expenditure of Pay-Go funds is further defined within Section 2.04.018 of the Oakland Municipal Code (Pay-Go funded purchases of services, goods and materials – Conditions for Exemption from Council Approval) which states that the City Administrator is authorized to purchase services (professional or otherwise), goods, materials, or equipment for capital improvement projects, in any amount, designated by the Mayor or individual Councilmembers from their respective balances in the City’s Pay-Go fund account without review or action by the City Council subject to each of the following requirements:

1. such purchases may be made only for the purposes permitted by the funding source(s) of the Pay-Go account; and
2. such purchases shall be paid in full out of the Pay-Go funds of the designating Mayor and/or Councilmembers, or in full by a combination of Pay-Go and private funds; and
3. such purchases shall be competitively bid or solicited in accordance with competition requirements or City Council waiver by resolution shall be obtained; and
4. such purchases shall be subject to all City of Oakland contracting programs and policies such as, but not limited to, living wage, prevailing wages, equal benefits, local and small local business enterprise and nondiscrimination or City Council waiver by resolution shall be obtained.

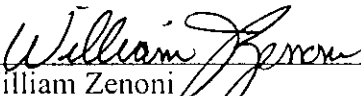
The City Council, on July 17, 2007, adopted Resolution No. 80777 C.M.S., establishing rules and reporting requirements to enhance fiscal accountability and transparency. Included in that legislation are rules and criteria for Pay-Go expenditures. This resolution clarified the permitted uses for which the Mayor and Councilmembers may expend their

Pay-Go funds, without regard to funding source. Prior to the adoption of that resolution, the expenditure of Pay-Go funds was largely governed by restrictions of the various funding sources utilized. With the depletion of the Municipal Capital Improvement Fund (which had specific restrictions on its use) and its replacement with General Purpose Fund monies (which have less restrictive use requirements), the expenditure restrictions on Councilmember Pay-Go expenditures became less clear. Given this clarification, the City Attorney's Office and City Administrator's Budget Office have begun scheduling training sessions for Councilmembers and their staff to review expenditures allowed under Resolution No. 80777 C.M.S.

RECOMMENDATION

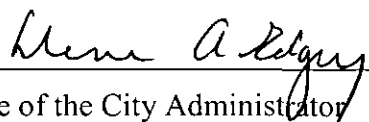
Staff recommends that the City Council accept this report

Respectfully submitted,



William Zenoni
Interim Budget Director

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE



Office of the City Administrator

Enclosures:

Attachment A: Mayor/Council Pay-Go Commitments – Expenditure Review

**Mayor/Council Pay-Go Commitments - Expenditure Review
FY 2006-07**

Attachment A

	<u>Committee Question</u>	<u>Staff Response</u>
<u>District 2/ District 4</u>		
Recipient: Safe Places Alternative Center Purchase of Furniture	\$10,000.00 Capital purchase for City facility?	Furniture purchased for Measure Y program focused on needs of sexually exploited minors. Furniture tagged as City property and will be returned to City if program discontinued.
<u>District 5</u>		
Recipient: Unity Council of Alameda County Replacement of Elevators at the Posada De Colores Senior Living Facility	\$83,000.00 Capital expenditure for City facility?	City programs provided at facility. Grant agreement signed by City Attorney subsequently signed by City Administrator.
<u>District 6</u>		
Recipient: Everett & Jones/Michael Chambers Earth Day Event	\$1,588.54 Expense Clarification	Services associated with Earth Day event
Recipient: MacArthur Tours & Transportation Transportation to Homeless Food Event	\$1,100.00 Expense Clarification	Rental of 2 buses for homeless feeding program
Recipient: Marriott Hotel Room Rental Fees for Kwanzaa and Christmas Expo	\$2,740.00 Expense Clarification	Funding for portion of cost of event (on behalf of Mr. James Moore, African American Business)
Recipient: Landau Chartworks/ Leslie Salmon-Zhu Police Forum	\$1,624.00 Expense Clarification	Meeting notes, charts, graphic recording for Police Forum

**Mayor/Council Pay-Go Commitments - Expenditure Review
FY 2006-07**

Attachment A

District 7

Recipient: East Oakland Youth Development Center

Exterior Paint at East Oakland Youth
Development Center

\$2,000.00

City-owned facility?

City owns this facility

Recipient: Secure Alert, Inc.

Lease of 42 Ankle Devices for Monitoring Parolees
and High Risk Sex Offenders

\$100,000.00

Does City control
equipment?

Ankle devices installed and monitored
by Oakland Police Department

Recipient: Western Aerospace Museum

Facility Improvements to Oakland Aviation
Museum

\$25,000.00

Capital expenditure for
City facility?

Museum located on Port of Oakland
property. Grant agreement signed by
City Attorney subsequently signed by
City Administrator.