

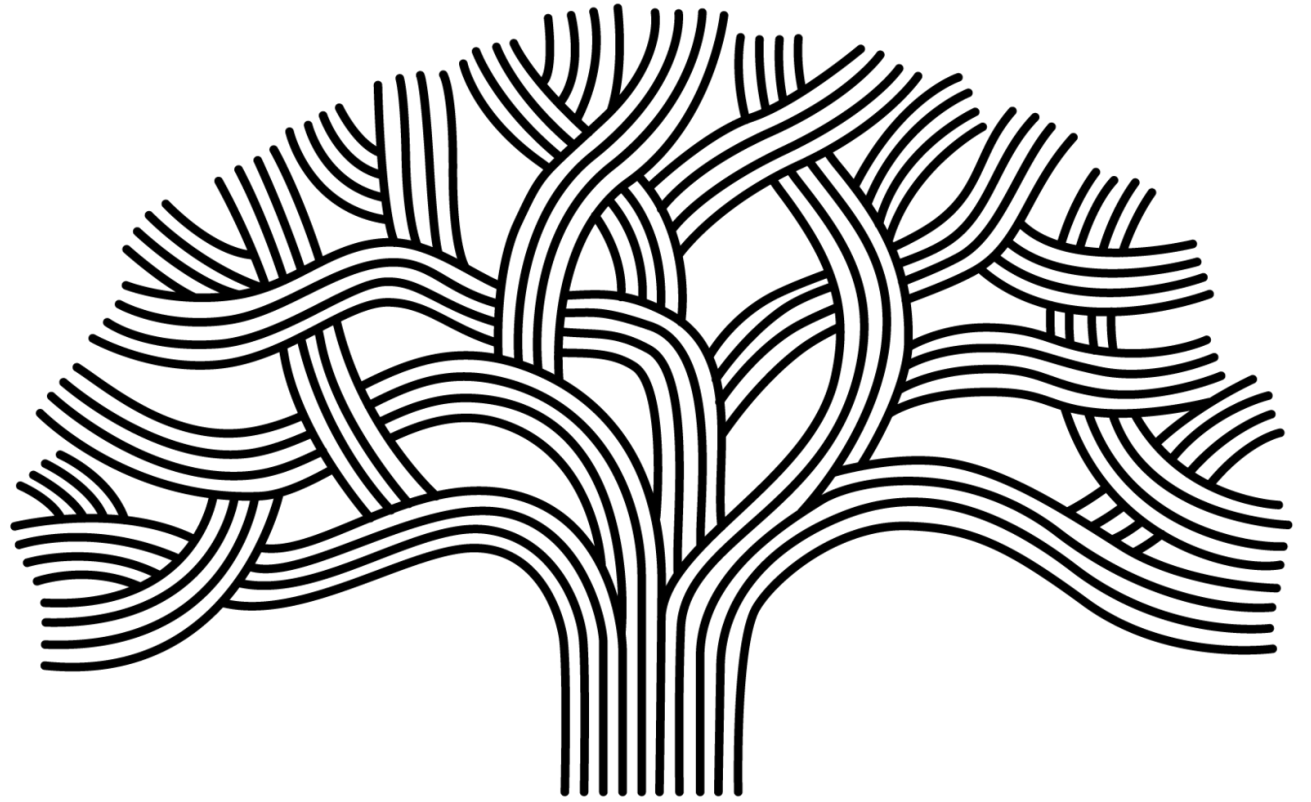
Oakland Promise Investigation

Rules & Legislation Committee

February 20, 2020

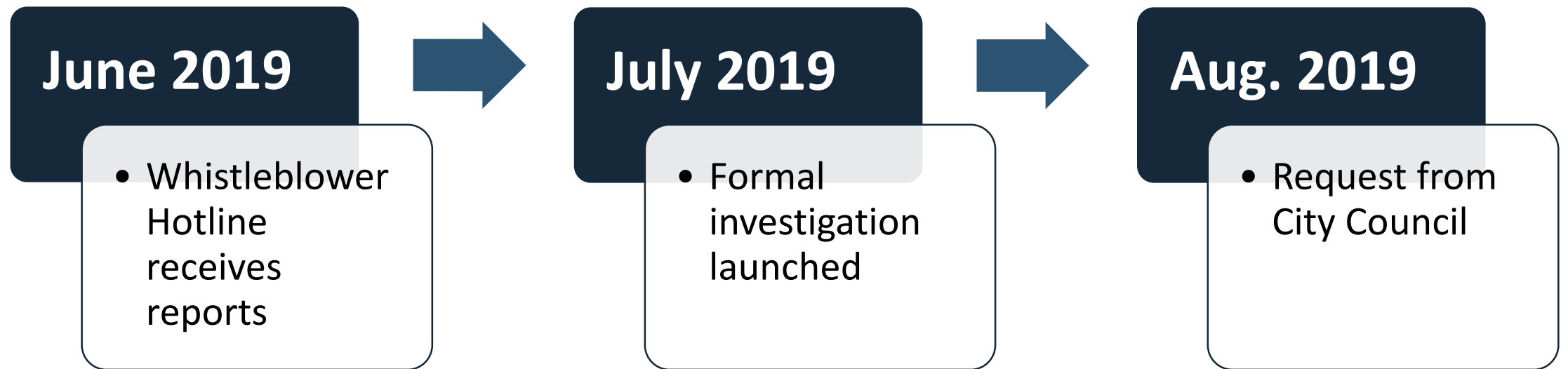
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CITY OF OAKLAND

Investigation Background



Investigation Objectives

1. Determine if the Mayor's Office directed the City Administration to provide inappropriate contributions to Oakland Promise
2. Determine if contributions to Oakland Promise were transparent and accountable to the public
3. Clarify areas of public concern

Investigation Conclusions



The Mayor's Office directed the City Administration to provide work space to Oakland Promise without following Municipal Code requirements (OMC 2.42.110)



Some aspects of the City's involvement with Oakland Promise were not authorized, lacked transparency, and presented additional risks and costs to the City.



The City's financial contributions to Oakland Promise – though complex and hard to follow – were neither prohibited nor irregular.

Investigation Questions

1. Oakland Promise work space
2. Mayor's Director of Education
3. Oakland Promise financial contributions and status as a nonprofit organization
4. City authorized contributions

1. Did the Mayor and City Administration follow the Municipal Code in providing work space?

In 2016, the Mayor's Office directed the City Administrator's Office to provide work space on the 11th floor of City Hall.

- 3 work stations
- Phones, phone extensions, computers, and internet
- <5 employees of the Oakland Promise partner organization

The OMC requires the City to authorize the use of City-owned real property by outside entities and establish rent and lease terms.

- No authorizing documents related to the use of the space
- No written agreements

2. Questions related to the Mayor's Director of Education

- A. Does the Mayor's Director of Education work for the City or Oakland Promise?
- B. Was the Mayor's Director of Education position authorized and implemented in accordance with City rules?
- C. How is this position funded?
- D. What are the costs to the City?

2a. Does the Mayor's Director of Education work for the City or Oakland Promise?

Exhibit 1: The Mayor's Director of Education has been an employee for 2 separate organizations and has been funded by three different sources

Employer (funding source)	July 2015- Nov. 2016	Nov. 2016 – Jun. 2017	July 2017 - Present
Ed Fund (Ed Fund)	16 months		
City of Oakland (Ed Fund grant)		8 months	
City of Oakland (General Purpose Fund)			28 months

Source: City Auditor's summary based on review of financial records, payroll records, grant terms, and City budget documents.

2a. Does the Mayor's Director of Education work for the City or Oakland Promise?

 Oakland Promise

2b. Was the Mayor's Director of Education position authorized and implemented in accordance with City rules?

 Yes.

 *However... there was no formal arrangement or approved terms for non-employees working within the City.*

The City Council did not authorize the Mayor's Director of Education as an in-kind contribution.

2c. How is this position funded?

➡ General Purpose Fund since FY 2017-18

2d. What are the costs to the City?

➡ **\$704,374** (July 1, 2017 – November 7, 2019)

3. How was Oakland Promise able to receive financial contributions when it was not a nonprofit organization?

Fiscal Sponsorship

The Oakland Public Education Fund (Ed Fund) lent its status as a nonprofit organization and more

- October 13, 2016 through June 2019
- Restricted account to receive charitable donations of cash and other property
- Allowed Oakland Promise to retain employees to support each of its individual programs
- Facilitated disbursements for Oakland Promise
- Oakland Promise was subject to the direction and oversight of the Ed Fund Board
- As of June 27, 2019, Oakland Promise is a nonprofit organization

4a. What contributions has the City authorized and provided to Oakland Promise?

Exhibit 3: Between fiscal years 2016-17 and 2019-20*, the City authorized \$1,518,054 from the Oakland Fund for Children and Youth to Oakland Promise programs, and made \$1,117,011 in payments

Fiscal year	EBCF "College & Career Access and Success"		Ed Fund "Brilliant Baby"		Total	
	authorized	spent	authorized	spent	authorized	spent
2016-17	\$213,000	\$210,001	\$133,800	\$127,400	\$346,800	\$337,401
2017-18	\$213,000	\$178,067	\$208,800	\$167,090	\$421,800	\$345,157
2018-19	\$219,390	\$219,388	\$215,064	\$215,064	\$434,454	\$434,452
2019-20*	\$0	\$0	\$315,000	\$0	\$315,000	\$0
Total	\$645,390	**\$607,457	\$872,664	\$509,554	\$1,518,054	**\$1,117,011

Source: City Auditor’s summary of City Council-approved resolutions and City financial records

*Note: Fiscal year 2019-20 amounts reflect only part of the current fiscal year’s financial records

**Note amounts are rounded up to the nearest dollar making totals minimally different from those in Oracle

Exhibit 4: Between fiscal years 2016-17 and 2020-21, the City authorized \$2,150,000 from its General Purpose Fund to Oakland Promise’s “K2College” Program

Fiscal Year	Authorized	Spent
2016-17	\$150,000	\$0
2017-18	\$500,000	\$0
2018-19	\$500,000	\$0
2019-20	\$500,000	\$0
2020-21	\$500,000	\$0
Total	\$2,150,000	\$0

Source: City Auditor’s summary of information outlined in City budget documents and financial records

Exhibit 6: The City contributed over \$4 million to Oakland Promise including in-kind contributions

Contributions	Financial/In-kind	Amount
OFCY Brilliant Baby grant	Financial (authorized)	\$ 872,664
OFCY College & Career grant	Financial (authorized)	\$ 645,390
City General Fund for K2College	Financial (authorized)	\$ 2,150,000
Mayor's Director of Education	In-kind (unauthorized)	\$ 704,374
Office space and equipment*	In-kind (unauthorized)	<i>unknown</i>
Total Contributions		\$ 4,372,428

Source: City Auditor's summary of information outlined in City budget documents and financial records, and City Council-approved resolutions

*We did not estimate the value of the 11th floor work space and use of City equipment.

4b. How does the City's share of contributions to Oakland Promise compare to those of Oakland Promise's other partners?

→ We Don't Know

Recommendations

1. The Mayor and the City Administration should comply with the Municipal Code in providing space to other organizations.
2. The City Council should request the Administration to annually report on leases or other arrangements with organizations using City facilities. This report should include the level of subsidy these organizations are receiving from the City.
3. The City Council should develop a formal policy on appropriate justifications for allowing other organizations to use City facilities.
4. The City Council should establish a policy for non-City employees working at City facilities to have a formal agreement that protects the interests of both parties.
5. The City Council should develop a policy that establishes when in-kind contributions of personnel are appropriate. The policy should require such in-kind contributions be formally authorized in advance and any risk to the City appropriately addressed.

A large, gnarled tree trunk in the foreground, with a city skyline and a body of water in the background.

Questions and Comments

Photo: Greg Linhares, City of Oakland