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OFFICE OF THE CITY CLERK  
OAKLAND

# AGENDA REPORT

2019 JUN -7 AM 10: 12

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Katano Kasaine  
Director of Finance

**SUBJECT:** Supplemental Report To The  
Report On Independent Budget And  
Finance Analysis-Harvey M. Rose  
Associates

**DATE:** June 4, 2019

City Administrator Approval

Date:

6/7/19

## RECOMMENDATION

**Staff Recommends That The City Council Accept This Supplemental Report To The Report On Independent Budget And Finance Analysis-Harvey M. Rose Associates (HMRA).**

## ANALYSIS

After a thorough analysis of the memo presented by Harvey M. Rose Associates (HMRA), LLC, staff has identified areas of concern. Below is a response for each area identified, along with sources cited. Detailed City responses to all HMRA recommendations can be found in **Attachment 1**. Below is a summary of key concerns staff has identified in the HMRA report.

### ***A. Local Tax Forecasting and the Business License Tax Structure***

The Finance Department – in close consultation with the other City departments – prepares a revenue forecast each year as part of the budget process. For certain revenue streams (i.e., sales and property tax) the City uses outside consultants to assist with projections. The forecast is based on revenue collection trend data and prevailing economic conditions at the time of the forecast. The revenue forecasts take into consideration several economic factors including changes in economic growth, assessed valuation, growth in income levels, consumer consumption, and the Consumer Price Index (CPI), among other factors. Anticipated changes in State and local tax policy are also considered to the extent that such actions drive specific revenue streams.

**The Harvey Rose analysis of FYs 2017-18 and 2018-19 business tax revenues does not appear to control for unanticipated one-time revenues (which are legally obligated pursuant to the CFP).** With regards to business taxes, receipts of one-time revenues can occur when a long-running, high dollar taxpayer audit is successfully completed. These audits include several years of back taxes, penalties and interest, which cannot be considered on-going revenues. In FY 2016-17, the City received \$2.3 million one-time revenues from the successful closeout of a single taxpayer audit. While in FY 2017-18, the City received \$2.4 million one-time

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revenues from successful closeout of another single taxpayer audit. Furthermore, in December 2016, the City launched a new local tax software program. After years of working with a difficult and failing database, the new software has been instrumental in allowing staff to identify scofflaw taxpayers. As noted in the FY 2018-19 Third Quarter Revenue & Expenditure report, the City has received \$7 million in one-time revenues due to a massive clean-up of the business tax database.

Staff recommends against increasing the business tax revenue forecast. The revenue forecast for business taxes in FY 2019-20 is already highly aggressive. In the Mayor's proposed budget, after controlling for one-time business tax revenues received in FY 2018-19, business tax revenues are forecasted to increase 15.28%. The FY 2020-21 forecast maintains that growth and increases forecasted revenues by an additional 4.13%. As noted in the table shown in **Attachment 4**, implementing the Harvey Rose recommendation (which did not contemplate the negative revenue impact of reducing business tax revenues received from cannabis businesses reporting less than \$500,000 in gross receipts) would require business tax revenues to increase 16.43% in FY 2019-20.

Increasing the transient occupancy tax forecast or any revenue forecast may have a negative impact if other General Purpose Fund revenues do not meet forecasted targets. Caution should be used when looking at a single revenue in a vacuum, as this recommendation is proposing. **Historically, after controlling for unanticipated one-time revenues, the total General Purpose Fund forecast to actuals has only varied less than 2%.**

Transient occupancy tax is highly responsive to market demands. As evidenced in the growth rates over the past few years, this revenue stream should be considered volatile.

Detailed comparison charts can be found in **Attachment 4**.

### **B. Police Overtime**

An increase to OPD's overtime budget would result in budgetary cuts in the fund in the same amount which would require eliminating positions and would result in layoffs across City departments. We recommend an incremental adjustment to the OPD overtime budget that is manageable within the City's overall financial framework, such as that included in the FY 2019-21 Proposed Budget. An increase to OPD's overtime budget should not be at the expense of the City's ability to deliver needed services to the public.

The statement "*which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures*" is inaccurate. The City Administrator does not transfer funds between Departments.

### **C. Positions, Vacancies, and Salary Savings**

HMRA's analysis of personnel costs (Exhibit 12, Page 15) contradicts this recommendation. Adjusting the vacancy credit to a percentage that is higher would result in a significant increase in overspending. It would result in Departments keeping positions vacant to meet budgetary levels, sacrificing vital City services.

The vacancy rate is based on vacant positions and is not comparable to the vacancy credit that is factored into the budget. The vacancy rate is calculated based on position vacancies at a moment in time. The vacancy credit is a target that Departments must meet in order to prevent overspending in their personnel budget. It is not intended to mirror the number of vacant FTE, nor require Departments to keep positions unfilled in order to meet an inflated target. The budget is a planning tool that assumes staffing levels are sufficient to meet the City's goals and service levels.

The amount of paid leave obligations are a function of the terms of MOUs provisions for vacation, sick, and compensatory time, that are negotiated between the City and its labor unions. In order to ensure sufficient resources to pay these obligations, the City accrues leave as it is earned. The City has \$49.4 million accrued liability for paid leaves as of June 30, 2018 (*Comprehensive Annual Financial Report FY 2017-18, Page 76*) which is primarily unfunded. Reducing the leave accrual will cause the City to have insufficient resources to pay leave related obligations to employees and result in a growing deficit on our balance sheet.

***D. Department of Transportation and Department of Public Works***

The information and data presented in the report imply that there would be cost savings by combining these two departments. DOT and OPW are collectively responsible for \$220 million of operating expenditures and over \$90 million of capital improvement projects. Consolidating these two departments would have a detrimental effect on the City's ability to deliver on the recently approved three-year paving plan. Reorganizing these departments would require substantial analysis for the merger of multiple units within them, including their fiscal and personnel units, capital delivery units, infrastructure/maintenance units and the funding structures underlying them. Establishing the DOT required two years of careful planning, including consultation with labor partners and other key stakeholders, and another two years of operational implementation.

HMRA Exhibit 45 incorrectly assumes that there is a duplication of efforts between Public Works and Transportation solely based on the position classification titles without an understanding of the operational functions in either department. Specifically, the two departments were separated to increase efficiency and promote critical work of both departments.

***E. Misleading Presentation of the Data***

HMRA Exhibits 1 and 2 compare the FY 2019-20 proposed budget to the FY 2017-18 adopted budget which is misleading. The appropriate comparison is to the most recently adopted FY 2018-19 midcycle budget. The tables below compare FY 2018-19 to FY 2019-20 showing a significantly lower increase year-over-year.

	FY 2017-18 Adopted	Actual FY 2017-18	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (midcycle v. proposed)	% Change (midcycle v. proposed)
<b>ALL FUNDS</b>						
Revenues	\$1,409,510	\$1,742,860	\$1,484,149	\$1,613,900	\$129,751	8.74%
Expenditures	\$1,409,510	\$1,485,957	\$1,484,149	\$1,613,900	\$129,751	8.74%

	FY 2017-18 Adopted	Actual FY 2017-18	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (midcycle v. proposed)	% Change (midcycle v. proposed)
<b>GPF</b>						
Revenues	\$584,072	\$590,677	\$602,453	\$650,782	\$48,329	8.02%
Expenditures	\$584,072	\$582,739	\$602,453	\$650,782	\$48,329	8.02%

HMRA Exhibit 6 compares the FTE changes to FY 2017-18. The table below compare FY 2018-19 to FY 2019-20 showing a significantly lower increase year-over-year.

	FY 2017-18 Adopted	FY 2018-19 Mid-cycle	FY 2019-20 Proposed	# Change (midcycle v. proposed)	% Change (midcycle v. proposed)
<b>FTE CHANGE</b>					
GPF Funded	2,443.46	2,490.15	2,482.59	-7.56	-0.30%
All Other Funds FTEs	1,827.94	1,956.04	2,024.17	68.13	3.48%
<b>TOTAL FTEs</b>	<b>4,271.40</b>	<b>4,446.19</b>	<b>4,506.76</b>	<b>60.57</b>	<b>1.34%</b>

Again, HMRA Exhibit 7 provides data that does not include the proper context. The amounts corresponding to the FTE are total increases in personnel, not solely the increase associated with the FTE. This misleads readers to assume the increase in FTE of 60.57 corresponds to a \$62 million increase in cost. The primary cost drivers are retirement, fringe benefits and cost of living increases.

HMRA Exhibits 9 and 10 incorrectly show the Adjusted Budget compared to expenditures without reducing appropriations for amounts carried forward into the subsequent fiscal years. Those amounts carried forward are obligated to be spend over several years therefore the available budget at year end cannot be used to offset current year spending. The table below shows the amounts of appropriation authorized to carry forward and the correct over/under spending analysis:

Category	FY 2016-17	FY 2017-18	FY 2018-19 Projected*
Adopted Budget	530,689,270	584,072,049	595,954,802
Adjusted Budget	604,750,369	606,633,666	602,706,390
Amounts Auth to CF	(23,347,568)	(33,037,966)	-
Total Expenditures	594,056,927	582,738,727	625,836,212
<b>Over/(Under) - Spent vs. Adjusted Budget</b>	<b>12,654,126</b>	<b>9,143,027</b>	<b>23,129,822</b>

\* as reported in the Q3 FY 2018-19 Revenue & Expenditure Report

HMRA Exhibit 11 does not consider adjustments made during the third quarter analysis for the Q3 FY 2018-19 Revenue & Expenditure Report. Departments provide input on expenditures that they anticipate or costs that must be moved from grant funds to matching fund sources. For example, projections were increased off-line based on negotiated MOU retroactive increases not yet reflected in the actual expenditures.

HMRA Exhibit 13 does not provide context on overall personnel expenditures and focuses solely on overtime. Unspent personnel dollars cover unbudgeted overtime costs which are generally incurred due to vacant positions (turnover, minimum staffing requirements, etc.).

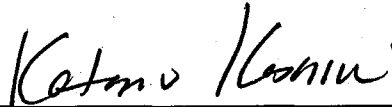
It is misleading to compare actual expenditures in each Department without context. All personnel charges to capital projects are recorded in the performing department. Therefore, the expenditures will reflect charges against multi-year projects that are carried forward. HMRA presents the comparison regardless and acknowledges that the table is not accurate.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council accept this supplemental report to the Report On Independent Budget And Finance Analysis-Harvey M. Rose Associates (HMRA).

For questions regarding this report, please contact Kirsten LaCasse, Controller, at 510-238-6776.

Respectfully submitted,



KATANO KASAINÉ  
Director of Finance, Finance Department

Attachments (4)

1. Budget & Fiscal Analysis Response Matrix
2. Third Quarterly Report On Police Overtime
3. Ordinance 12741 – Development Service Fund (2415)
4. Response to HMRA Revenue Recommendation 1

Section III. Positions, Vacancies, and Salary Savings

# Issue	HMR Recommendation	Impact	CITY RESPONSE
<p><b>1 Salary savings, leave expenditures, and overtime:</b> The actual Citywide 12.5% vacancy rate for non-encumbered positions is substantially higher than the 2.4% percent rate budgeted for City-wide. The City has substantially over-budgeted paid and unpaid leave expenditures and substantially under-budgeted overtime expenditures in recent fiscal years.</p>	<p>Increase the vacancy credit in departments with especially high vacancy rates. Reduce the City's budget for paid and unpaid leave and increase the City's budget for overtime to conform to historical spending.</p>	<p>The City's personnel expenditures budget will be more effective at controlling overtime costs and will allow for spending evaluation. No net fiscal impact if the reductions match the increases.</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>HMRA's analysis of personnel costs (Exhibit 12, Page 15) contradicts this recommendation. Adjusting the vacancy credit to a percentage that is higher would result in a significant increase in overspending. It would result in Departments keeping positions vacant to meet budgetary levels, sacrificing vital City services.</p> <p>The vacancy rate of 12.49% is based on vacant positions and is not comparable to the vacancy credit that is factored into the budget. The vacancy rate is calculated based position vacancies at a moment in time. The vacancy credit is a target that Departments must meet in order to prevent overspending in their personnel budget. It is not intended to mirror the number of vacant FTE, nor require Departments to keep positions unfilled in order to meet an inflated target. The budget is a two year planning tool that assumes staffing levels are sufficient to meet the City's goals and service levels.</p> <p>The amount of paid leave obligations are a function of the terms of MOUs provisions for vacation, sick, and compensatory time, that are negotiated between the City and its labor unions. In order to ensure sufficient resources to pay these obligations, they City accrues leave as it is earned. The City has \$49.4 million accrued liability for paid leaves as of June 30, 2018. (<i>Comprehensive Annual Financial Report FY 2017-18, Page 76</i>) which is primarily unfunded. Reducing the leave accrual will cause the City to have insufficient resources to pay leave related obligations to employees and result in a growing deficit on our balance sheet.</p>
<p><b>2 Overtime controls:</b> The Police Department and the Fire Department spend the majority of the City's General Purpose overtime expenditures. The overtime budgets for these departments are not realistic. As a result, the City's ability to use the budget to monitor and hold these departments accountable for overtime spending is impaired</p>	<p>Enact policy that requires the Police Department and the Fire Department to request a supplemental appropriation for any General Purpose overtime costs in excess of the overtime included in their budget. Such requests should be subject to City Council approval.</p>	<p>Once realistic overtime budgets have been established for these departments, requiring the Departments to request supplemental appropriations for excess overtime will allow the City Council to use the overtime budget to monitor and track expenditures and to hold departments accountable for overtime spending.</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>However, we agree that the overtime budgets in OPD are not realistic and should be incrementally increased. Once a realistic level of overtime budget is achieved, we can develop the appropriate policies to reduce overtime overspending.</p> <p>Additional information on Police overtime can be found in Attachment 2.</p>

Section IV. Police Overtime

#	Issue	HMR Recommendation	Impact	CITY RESPONSE
1	<p><b>Police overtime budget:</b> The Police Department overtime budget for sworn members has not historically reflected actual overtime use, which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures. Actual overtime hours for sworn police officers decreased by nearly 9 percent between FY 2015-16 and FY 2017-18, although overtime hours in FY 2018-19 will likely exceed FY 2017-18 hours.</p> <p>According to the Chief of Police's report to the City Council, the Oakland Police Department does not generally make a request of Council for additional budgetary approval when exceeding the overtime budget.</p>	<p>The City Council should request the City Administrator to (1) increase the Police Department overtime budget to accurately reflect overtime hours necessary to meet the Department's operational needs, including (a) setting a goal to reduce overtime hours by at least 9 percent per year, and (b) providing for adjustments corresponding to collective bargaining increases; and (2) identify reductions in the City's budget to offset the increase in budgeted overtime.</p> <p>The City Council should require Council approval for any increase in overtime above the budgeted amount..</p>	<p>\$13,000,000 increase in FY 2019-20 and FY 2020-21</p> <p>Increase would be offset by reduced transfers from other sources to the Police Department's overtime budget.</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>An increase to OPD's overtime budget would result in budgetary cuts in the General Purpose Fund in the same amount which would require eliminating positions and would result in layoffs across City departments. We recommend an incremental adjustment to the OPD overtime budget that is manageable within the City's overall financial framework, such as that included in the FY 2019-21 Proposed Budget. An increase to OPD's overtime budget should not be at the expense of the City's ability to deliver needed services to the public.</p> <p>The statement "which has required the City Administrator to transfer funds allocated to other City uses by the City Council to the Police Department to backfill overtime expenditures" is inaccurate. The City Administrator does not transfer funds between Departments.</p>
2	<p><b>Monitoring of overtime:</b> In order to meet the goal to reduce overtime by 9 percent, the Police Department needs to monitor unnecessary use of overtime. This should include a 500-hour limit on overtime use by individual employees.</p>	<p>The City Council should request the City Administrator to implement a 500 hour limit on overtime use by an individual employee, including criteria and procedures for when 500- hour limit may be increased.</p>	<p>No direct budget impact.</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>Given the Department's current staffing level, setting limits on the number of overtime hours an employee can earn in a fiscal year can potentially lead to mandatory overtime.</p> <p>Also, setting limits on the number of overtime hours an employee can earn in a fiscal year can potentially create a violation in federal law that mandates non-exempt employees be paid for hours worked.</p> <p>The Department will evaluate limiting the number of special events an employee can work, however, doing so could have serious unintended consequences (i.e. not enough employees to work an event, causing a public safety concern).</p> <p>The Department understands the concern with employees working too much overtime and wants to ensure the wellbeing of its members and the public. There is currently an eight (8) hour rest period incorporated in the OPOA MOU. The Department will continue to monitor overtime usage and rest periods and make adjustments, when necessary.</p>



Section V. Fund Balances Over \$1 million

#	Issue	HMR Recommendation	Impact	CITY RESPONSE
1	<p><b>Large Fund Balance on Fund 2415 Development Service Fund:</b> Fund 2415 has accrued a large balance and some of these monies can be used to address certain housing concerns in Oakland through tenant and landlord education related to code violations, or providing information to property owners regarding building codes.</p>	<p>The City Council should consider requesting the Director of Planning and Building to work with the City Attorney's Office to develop tenant and landlord education programs, consistent with state law, aimed at allowing all parties to understand relevant codes and their rights.</p>	<p>Must be determined in consultation with City Attorney staff, but likely several thousand dollars annually.</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>City Ordinance No. 12741 C.M.S. specifies which fees and programs are not included in the Development Service Fund (2415) and further states that these funds cannot be transferred to the General Purpose Fund unless it is treated as an interest bearing loan (Attachment 3). California Health and Safety Code Section 17951 requires that <i>"the amount of the [development] fees... shall not exceed the amount reasonably required to administer or process these permits, certificates, or other forms or documents, or to defray the costs of enforcement required by this part to be carried out by local enforcement agencies, and shall not be levied for general revenue purposes"</i>. Any changes to the use of funding stated in the Ordinance would not be applicable to existing fund balance and must comply with State law.</p>
2	<p><b>General Purpose Fund Available Balance:</b> According to the Finance Director (FY 201819 Q3 Revenue and Expenditure Report), the General Purpose Fund has an estimated ending available fund balance in the current year of \$720,000.</p>	<p>The City Council should consider appropriating a portion of these funds (\$575,000, or 80 percent, would be a conservative amount) to meet the City's critical needs.</p>	<p>Up to \$720,000 onetime</p>	<p><b>The Administration disagrees with the recommendation.</b></p> <p>The City projects that \$720,000 in one-time revenue will be available in the General Purpose Fund at FYE 2018-19, however it should be noted that since FY 2016-17 the fund balance in the General Purpose Fund has declined nearly 41%. Prudent care must be taken to ensure fiscal responsibility during uncertain times.</p>

Section VI. Contracts and Projects

#	Issue	HMR Recommendation	Impact	CITY RESPONSE
1	<p><b>Estimated available contract/project funds:</b> The City carried forward approximately \$10 million in contract/project funds in FY 2017-18 and FY 2018-19, resulting in available funds for contracts and projects that exceed the budget approved by the City Council.</p> <p>We estimate at least \$5 million in contract/project funds that will remain unspent at the end of FY 2018-19, for which new appropriations are recommended in the FY 2019-20 and FY 2020-21 budget. Because contracts and projects overall have not been fully spent in the fiscal year, we consider \$500,000 (10 percent of the available balance to be carried forward into FY 2019-20) to be available for re-allocation by the City Council.</p>	<p>Request the City Administrator to identify carry forward funds or new allocations in the FY 2019-20 budget for contracts/projects that can be re-allocated by the City Council for Council priorities</p>	<p>\$500,000 annually</p>	<p><b>The Administration disagrees with this recommendation.</b></p> <p>Project carryforwards and encumbrances are evaluated each year pursuant to Section 1. Part G of the Consolidated Fiscal Policy. Any projects that are not carried forward into future fiscal years are returned to fund balance and are available for appropriation by the City Council. For FY 2019-20, these resources are already accounted for in the FY 2018-19 Q3 Revenue and Expenditure Report. Carryforward for FY 2018-19 will be evaluated once audited financials are available (December 2019). All appropriations carried forward to the next fiscal are authorized by Council either in the adopted budget, or via Resolutions approved outside of the budget process. Funds are carried forward for multi-year contracts and projects because the monies are intended to be spent in a time frame that will cross fiscal years. Analyzing the data at the Department and account level does not provide the reader context for these contract amounts. Funds are spent and new projects/contracts come online every year, therefore, it is important to note that these are not the same population of contracts year-over-year. While unspent, these monies are obligated (encumbered) if associated with multi-year contracts and will be spent.</p>

Section VII. Local Tax Forecasting and the Business License Tax Structure

# Issue	HMR Recommendation	Impact	CITY RESPONSE
<p><b>1 The Finance Department consistently under-estimates local tax revenues.</b></p>	<p>The City Council could consider more aggressive revenue assumptions for the Business License Tax and Transient Occupancy Tax.</p>	<p>A one percent increase in the assumed revenues from these taxes (including a 7.5 percent set aside) would result in an additional \$1,167,001 in General Purpose Fund Revenue in FY 2019-20 and \$1,209,617 in FY 2020-21.</p>	<p><b>The Administration disagrees with this recommendation.</b>  Please see Attachment 4</p>
<p><b>2 Businesses of vastly different sizes are treated equivalently under Oakland's business license tax structure</b></p>	<p>The City Council should request that the Finance Director model and present different opportunities for graduated business tax rates, which more equitably distributes the tax burden across businesses in Oakland.</p>	<p>The City Council would have more useful information when considering changes to the business license tax structure. Changes to the tax structure could result in a more progressive structure such that larger businesses pay a larger marginal tax rate. Changes could also result in greater revenues for the City.</p>	<p><b>The Administration neither agrees or disagrees with this recommendation.</b>  For the purposes of the FY 2019-2021 budget, this recommendation has no fiscal impact. If the City Council wishes to pursue a comprehensive update of the Oakland business tax code, then the City Council could direct staff to conduct an analysis of the impact a graduated tax rate. Any comprehensive updates are subject to voter approval of a simple majority.</p>
<p><b>3 Finance Department staff state that they are unable to disclose how much individual businesses pay in taxes based on current municipal code. This creates a system that lacks transparency and flexibility.</b></p>	<p>The City Council should consider amending City Code Section 5.04.140 to allow for the study of the business tax revenues by allowing the release of aggregated information.</p>	<p>Amending City Code Section 5.04.140 would allow for aggregated information to be provided to analysts and policy makers in order to make informed decisions regarding the structure of the business license tax.</p>	<p><b>The Administration neither agrees or disagrees with this recommendation.</b>  For the purposes of the FY 2019-2021 budget, this recommendation has no fiscal impact. Government Code Section 6254(i) exempts from disclosure information required from any taxpayer in connection with the collection of local taxes that are received in confidence. Release of aggregate information is possible but only if it is certain that there are enough registered taxpayers in a classification and there is ample diversity within the classification to ensure that financial information from a major taxpayer is not discernible.</p>

Section IX. Fiscal Accountability

#	Issue	HMR Recommendation	Impact	CITY RESPONSE
1	<b>Budget Oversight:</b> The City Council does not have sufficient information or authority to approve reallocation of funds once the Council has approved the budget.	The City Council should consider adopting practices to increase budgetary control, including adopting the two-year budgets through an ordinance (which is a legislative act) rather than by resolution (which is a policy statement). Such a change would require a Charter amendment.	No fiscal impact.	<b>The Administration neither agrees or disagrees with this recommendation.</b>  Adoption of the budget via ordinance instead of resolution would require an amendment to the City Charter.
2	<b>Budget Oversight:</b> The City Council has insufficient analytical resources to fully exercise oversight over the budget.	Consider speaking with peer cities that have implemented other models for reviewing proposed budgets.	Potential fiscal impact depending on the Council's choice of action.	<b>The Administration neither agrees or disagrees with this recommendation.</b>  The City Council could request staff analyze different models.



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## AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Anne E. Kirkpatrick  
Chief of Police

**SUBJECT:** Quarterly Report on Police Overtime  
Supplemental #3

**DATE:** May 17, 2019

City Administrator  
Approval

Date

5/30/19

### RECOMMENDATION

**Staff Recommends That The City Council Receive A Supplemental Quarterly Report From The Oakland Police Department (OPD) That Includes Overtime Policies, Procedures, and Controls.**

### REASON FOR SUPPLEMENTAL

The City Council at the April 9, 2019 meeting asked for a supplemental report to include the following information:

1. Additional information for which expenditures are reimbursed within the budget, including the net overtime spent;
2. Additional information related to the number of hours worked per year and the salary increases each year;
3. Additional information related to the Department's internal budget;
4. Additional information on the amount of overtime pre-approved by the Chief or supervisor and the amount of overtime that does not require advance approval;
5. Analysis of how much overtime by category can be managed in advance;
6. Analysis on how professional staff can be utilized more for special events;
7. Analysis of how police officers are assigned to Council meetings, community events, Neighborhood Crime Prevention Council meetings, etc;
8. Analysis of how special enforcement can be performed on regular time versus overtime (e.g. Ceasefire);
9. Additional information related to the minimum overtime amounts approved in the Oakland Police Officers Association Memorandum of Understanding (MOU) versus the actual number of hours worked; and
10. Explanation from the City Administrator's Office on why police overtime is budgeted at levels consistently lower than historical actual expenditures.

This report addresses the concerns raised by the City Council.

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Public Safety Committee  
June 11, 2019

**Overtime Expenditures That Are Reimbursed**

As of March 31, 2019, OPD spent \$27,404,422 in General Purpose Fund overtime (\$21,487,506 excluding reimbursable overtime). Table 1 below provides a snapshot of the overtime spent by category.

**Table 1: General Purpose Fund Overtime from July 1, 2018 – March 31, 2019**

Row Labels	2018						2019			Grand Total
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Acting Higher Rank	48,329	91,543	49,322	36,854	52,063	46,102	32,784	21,196	30,523	408,717
Administrative Investigation	103,300	101,085	124,267	137,510	151,829	132,021	125,423	83,591	117,746	1,076,773
Backfill	621,228	578,007	499,537	547,420	569,668	585,840	502,687	427,049	641,944	4,973,380
Callback	107,474	85,378	90,071	85,130	77,970	76,042	92,480	91,666	84,038	790,249
Canine	3,220	3,182	2,711	2,994	2,787	3,521	3,559	3,231	3,152	28,355
Community Meetings	376		376	435		392		279	239	2,098
Comp Time Earned	34,661	39,495	46,140	29,644	26,505	22,428	31,752	28,895	16,889	276,409
Court	28,543	43,338	25,217	31,901	17,546	25,873	36,776	29,492	32,406	271,093
Extension of Shift	486,928	513,781	522,469	494,791	398,100	378,773	443,885	323,531	397,623	3,959,879
FLSA	110,405	160,567	160,934	170,594	150,569	140,379	134,933	124,134	105,903	1,258,417
Holiday	313,031	(461)	525,110	(1,814)	697,759	216,316	503,559	626,187	198,584	3,078,271
Recruiting/Background	73,320	64,829	57,763	48,329	46,447	36,357	51,570	36,256	66,454	481,326
Special Events/Enforcement	804,036	1,339,701	1,776,183	983,482	821,399	1,016,370	923,268	621,015	759,776	9,045,230
Training	202,003	163,017	170,704	228,767	228,580	220,513	196,778	126,529	217,332	1,754,225
<b>Grand Total</b>	<b>2,936,855</b>	<b>3,183,463</b>	<b>4,050,806</b>	<b>2,796,037</b>	<b>3,241,222</b>	<b>2,900,925</b>	<b>3,079,453</b>	<b>2,543,051</b>	<b>2,672,610</b>	<b>27,404,422</b>

OPD spent \$9,045,230 in the Special Events/Enforcement category. This category includes overtime expenditures associated with reimbursable special events. The total amount associated with reimbursable overtime, as of March 31, 2019, is \$5,916,916. The table below language concerning the definition of special enforcement and special event overtime is from the supplemental agenda report on overtime policies, procedures, and controls presented to the January 9, 2018 Public Safety Committee:

*Special Enforcement* overtime allows OPD to plan and participate in special actions such as violence suppression projects (such as those related to Ceasefire), special task forces, human trafficking operations, and crowd management events that are not covered by Special Events overtime.

*Special Events* overtime allows OPD to provide police services at sporting events, concerts, or other events, including overtime for planning, traffic control and enforcement activities.

**Attachment A** provides a list of all reimbursable overtime for the period of July 1, 2018 to March 31, 2019 and includes amount spent on overtime, number of hours claimed and the number of OPD employees assigned.

### Historical Overtime

As mentioned in previous reports, past annual expenditures have not resulted in corresponding initial approved budget amounts. OPD has consistently spent over \$20 million every year on overtime since FY 2012-13 (see *Table 2*, below). Rather than receiving an overtime budget based on this consistent expenditure pattern (with increases based on employee raises), OPD continues to receive between \$12 million and \$16 million every fiscal year.

*Table 2: OPD Overtime Adopted Budget, Actual Expenditures and Amount Invoiced*

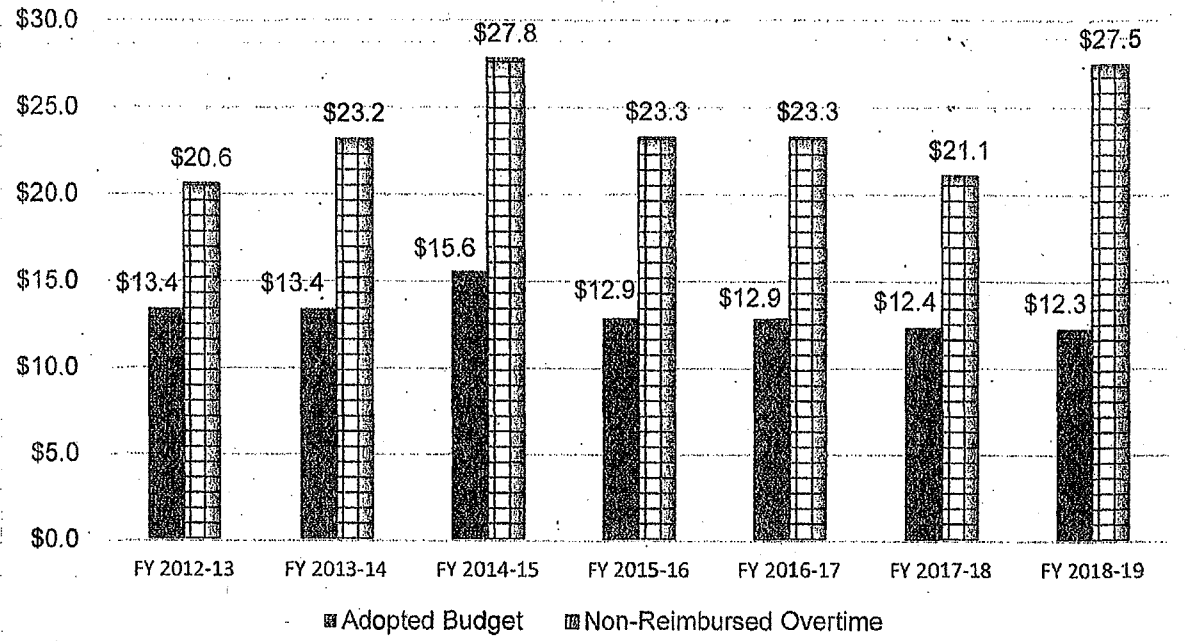
Fiscal Year	Adopted Budget	Actual	Amount Invoiced	Non-Reimbursed Overtime	(Over) / Under Adopted Budget*
2012-13	\$13,435,458	\$23,491,096	\$2,849,014	\$20,642,082	(7,206,624)
2013-14	\$13,435,548	\$26,112,356	\$2,884,679	\$23,227,677	(9,792,129)
2014-15	\$15,571,768	\$31,690,464	\$3,927,914	\$27,762,550	(12,190,782)
2015-16	\$12,935,458	\$27,779,646	\$4,449,479	\$23,330,167	(10,394,709)
2016-17	\$12,935,458	\$28,265,038	\$4,976,304	\$23,288,734	(10,353,276)
2017-18	\$12,435,458	\$28,515,402	\$7,373,866	\$21,141,536	(8,706,078)
2018-19**	\$12,335,458	\$36,166,883	\$8,628,414	\$27,538,469	(15,203,011)

\*Does not include the adjusted overtime budget

\*\*Projected as of 05 APR 19

The chart below illustrates the initial adopted overtime budget versus the non-reimbursable overtime spent from FY2012-13 through FY2018-19 (projected expenditures).

**Chart 1: GPF Overtime – Adopted Budget vs. Actual Non-Reimbursed Overtime\***



**Overtime Hours**

The *Overtime Expenditures in the Fire and Police Departments* report, dated November 17, 2017 and subsequent reports, referenced 505,214 overtime hours used in FY2006-07. During the April 9, 2019 Public Safety Committee meeting, it was requested that the overtime hours for each of the past 10 years be included in this supplemental report. Unfortunately, the Department does not have readily available data associated with historical overtime hours prior to FY2012-13. Therefore, the Department provided, in *Table 3* below, the actual overtime hours for the past six years and the projected overtime hours for FY2018-19.

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**Table 3: Overtime Hours Worked**

Fiscal Year	GPF	All Funds
FY 2012-13	351,247	362,044
FY 2013-14	382,930	399,917
FY 2014-15	457,905	459,228
FY 2015-16	388,810	395,849
FY 2016-17	373,977	382,410
FY 2017-18	350,432	376,271
FY 2018-19*	406,466	416,636

\*projected as of April 5, 2019

The projected increases in overtime hours in FY2018-19 is associated with increase service level demands and enforcement (crime reduction strategies, downtown club detail, hospital guard, sideshow operations, homeless outreach, etc.).

### Salary Increases

As mentioned in past reports, OPD has not received increases in overtime funding even though hourly overtime rates have substantially increased. The City of Oakland has provided a number of raises to members of OPD over the last several years. This has resulted in a higher per-hour overtime cost, but there has been no corresponding increase in the OPD overtime budget to match cost increases.

**Table 4: Average Annual Overtime Rate for Police Officer to Lieutenant of Police**

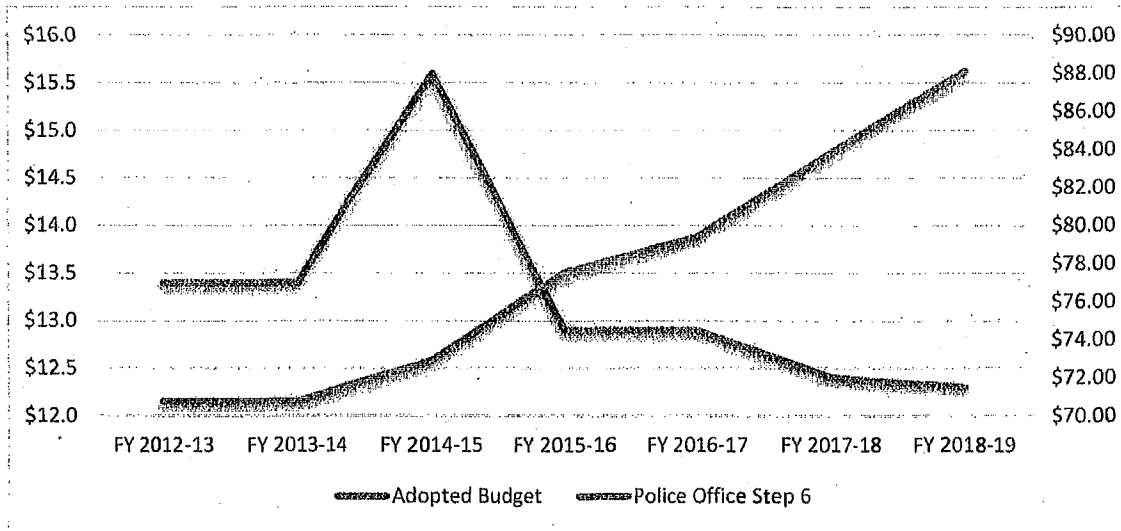
Classification	FY* 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Police Officer Step 1	\$50.51	\$50.51	\$52.04	\$55.34	\$56.68	\$59.88	\$62.92
Police Officer Step 2	\$58.94	\$58.94	\$60.73	\$64.58	\$66.14	\$69.88	\$73.42
Police Officer Step 3	\$61.20	\$61.20	\$63.05	\$67.05	\$68.67	\$72.55	\$76.23
Police Officer Step 4	\$63.22	\$63.22	\$65.13	\$69.26	\$70.94	\$74.95	\$78.75
Police Officer Step 5	\$65.48	\$65.48	\$67.45	\$71.74	\$73.47	\$77.63	\$81.56
Police Officer Step 6	\$70.74	\$70.74	\$72.88	\$77.50	\$79.38	\$83.86	\$88.11
Sergeant of Police	\$81.62	\$81.62	\$84.08	\$89.42	\$91.58	\$96.76	\$101.66
Lieutenant of Police	\$94.40	\$94.40	\$97.26	\$103.42	\$105.93	\$111.92	\$117.58

FY = Fiscal Year

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There has been a 20 percent cost of living and equity increase for sworn members from FY2012-13 to FY2018-19. Salaries also increased, by approximately 13 percent, for professional staff from FY2012-13 to FY2018-19. In FY2018-19, the adopted budget was \$12,335,458, which is nine percent less than the adopted overtime budget of \$13,435,458 in FY2012-13. The chart below illustrates the adopted budget and Police Officer Step 6 overtime rate from FY2012-13 through FY2018-19.

**Chart 2: Adopted Budget (in Millions) Versus Step 6 Police Officer Overtime Rate**



**Department's Internal Overtime Budget**

The Department created an internal overtime budget of \$21 million which is \$8,664,542 higher than the Council approved overtime budget of \$12,335,458 and \$6,947,766 higher than the FY18-19 adjusted overtime budget of \$14,052,234.

The adjusted overtime budget includes budget change requests (BCRs) to move funds to the proper accounts after the budget was released. For example, if funds were placed in a contingency operations and maintenance account (54011) for a special project (e.g. an academy), the Department could move some of the funds to an overtime account after the budget was released. The BCR would modify the adopted budget allocations.

The \$21 million internal budget also incorporates reimbursable Special Events. The adjusted overtime budget and the projected reimbursable overtime is how the Department arrived at an internal overtime budget of \$21 million.

### ***Pre-approved Overtime***

The language below concerning internal OPD approval for overtime spent is from **Attachment A** of the supplemental agenda report on overtime policies, procedures, and controls presented to the February 27, 2018 Public Safety Committee:

#### **Overtime Approval**

Overtime in OPD can be approved by any commander or manager. This practice is in place due to the dynamic nature of police work. For example, a patrol officer may be in the process of obtaining a victim's statement when the officer's shift is nearing completion. Interrupting this process to obtain approval for the officer to obtain approval from a high-ranking member of the organization would be time-consuming and very insensitive to the victim's needs. Similarly, requiring high-level overtime approval for homicide investigators who are working an unfolding investigation could hinder their progress in identifying or apprehending a violent individual.

When a watch commander is faced with a last-minute unexpected vacancy, the watch commander must act very quickly to ensure that minimum staffing levels are met. To seek higher-level approval (often outside of business hours) would be time-consuming and impractical to the point of endangering public and officer safety.

### ***Advance Approval for Overtime per Policy***

The language below is from the draft OPD policy on overtime (Department General Order (DGO) D-01, provided as **Attachment C** to the agenda report to the February 26, 2019 Finance and Management Committee:

## **B. OVERTIME PROCEDURES**

### **B – 1. Overtime Authorization**

#### **1. Approval Process**

Members shall obtain advance approval from a commander or manager before working overtime except when overtime is necessary to:

- a. Complete a radio-dispatched assignment.
- b. Complete an assignment provided by a supervisor (e.g. follow up to an incident that cannot wait until the next shift).
- c. Self-dispatch to a required emergency response (e.g. an officer in need of immediate assistance).

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- d. Complete an on-view assignment that requires immediate and continuing police action (e.g., civil disturbances, serious traffic accidents, homicide investigations, etc.)
- e. Attend a court session, judicial or administrative proceeding related to Departmental business in response to a subpoena or lawful order of a superior officer.
- f. Fill unplanned vacancies in the Patrol, Communications, or Records Divisions that would bring the division under minimum staffing levels.

The above list does not apply to callback overtime. Callback overtime is addressed by Memoranda of Understanding.

The above is intended to be a comprehensive list of reasons why advance approval from a commander or manager is not required for an individual employee to work overtime. The above list is intended to address the realities of police staffing and the impracticality of requiring approval before overtime is used.

Given current systems and data, it is not possible to provide the exact amount of overtime pre-approved and the amount that does not require advance approval. The member enters his/her hours, task, organization and element the City's time and attendance system, Oracle. There is not designated space for additional information to be entered, nor is there a special box to check to identify if the overtime was pre-approved. However, based on the element used, we can get an idea of how much overtime is associated with pre-approved overtime and overtime that does not require advance approval.

Acting Higher Rank, Court, Extension of Shift, Fair Labor Standard Act (FLSA), Holiday and half of Backfill overtime is most likely related to overtime that does not require advance approval. The total amount for these categories, as of March 31, 2019, is \$11,463,067. Administrative Investigation, Callback, Canine, Community Meetings, Comp Time Earned, Recruiting/Background, Special Events/Enforcement, Training and half of Backfill overtime is most likely related to overtime that is pre-approved by a supervisor. The total amount for these categories, as of March 31, 2019, is \$15,941,355.

### ***Managing Overtime***

All overtime categories can be managed to some extent. The only categories that would be difficult to fully manage is Acting Higher Rank, Extension of Shift, Holiday and FLSA-related overtime. It is difficult to associate a dollar amount, by category, that can be managed. However, the Department is working on updating Telestaff to better manage and track overtime.

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***Professional Staff for Special Events***

OPD provides security services for special events at the request of event organizers. Professional staff cannot provide security services for most of the special events requests, however, there are some events that can have additional professional staff and less sworn personnel. The cost to provide the service with additional professional staff depends on the event. Generally, the cost would be the number of hours worked at top step for that classification.

The Department finds great value in staffing events with sworn personnel. The presence of sworn OPD personnel at an event – ranging from a small party to a large sporting event – provides an opportunity for OPD to prevent problems from occurring. If a problem at a special event does develop, OPD personnel assigned to the event on special event overtime can address the problem immediately and effectively without draining extremely limited patrol resources.

***Members Assignments at Community Events***

OPD Policy DGO B-7 states that “personnel shall receive all appearance requests that address a specific concern regarding police personnel or police practices, when made by representatives of established organizations that are active in the City of Oakland, community groups, and church groups.” OPD attempts to meet these requests within 60 days. The Negotiated Settlement Agreement (NSA) Task 47 requires that OPD host at least one (1) community meeting per quarter in each Patrol Service Area; OPD requires field personnel to attend one community meeting a quarter. In addition, CROs endeavor to attend every NCPC meeting. Attempts are made to not have multiple officers at the same meeting. However, meeting schedules and availability sometimes result in multiple officers at meetings.

On-duty foot patrol officers provide coverage at council meetings for additional security. Generally, there are no open beats created or overtime costs incurred with this assignment.

### ***Special Enforcement Staffing***

Some Ceasefire operations require work well beyond an officer's assigned shift, particularly for long-term investigations. The Ceasefire Commander monitors overtime and adjusts minimize expenditures. To increase capacity in Ceasefire, the department would need to increase staff which would result in open patrol beats and additional backfill overtime.

Other special enforcement operations include weekend downtown details. The entertainment venue detail is an overtime expense created because of several shootings and homicides in the downtown club area. With the increased downtown night life, Friday and Saturday nights have increased tremendously with people enjoying restaurants and clubs. Unfortunately, this activity has increased chance contacts with gang and groups which have resulted in violent crimes. The downtown detail is essential in maintaining public safety. The detail has established and maintained good communication with the security and management at the different venues. OPD has monthly meetings to continuously explore ways to maintain public safety.

### ***Minimum Overtime Per the Oakland Police Management Association (OPOA) Memorandum of Understanding (MOU)***

The Oakland Police Officers Association (OPOA) MOU with the City stipulates required rules for officer overtime compensation:

- an employee who is called back to work after completion of a regular shift and has left the place of employment, or who is required to make a job-related court appearance on off-duty hours shall be compensated for a minimum of two and one-half hours of overtime worked.
- An employee who is required to make a job-related court appearance on a scheduled day off shall be compensated for a minimum of four hours of overtime worked.
- An employee who is required to work on a scheduled day off shall be compensated for a minimum of five hours of overtime worked.

There is no official tracking mechanism for actual hours worked versus the minimum hours claimed, as the member would only enter at least the minimum hours of overtime allowed in Oracle. However, Command staff members anecdotally monitors the actual hours worked to ensure the Department is utilizing the officers' time in the most effective and efficient way.

### ***City Administrator's Office Response on Police Overtime Annual Budget***

The projected increases in overtime hours in FY 2018-19 is associated with increased demands for policing services. This report also explains that the City of Oakland has provided a number of raises to members of OPD over the last several years. The City must now manage higher per-hour overtime costs. The Mayor's proposed FY 2019-21 Budget now reflects an increase of 22.71% for the FY 2019-20 year and an additional 2.29% for the FY 2020-21 year.

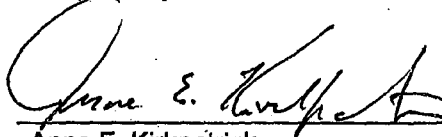
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**ACTION REQUESTED OF THE FINANCE AND MANAGEMENT COMMITTEE**

Staff Recommends That The City Council Receive This Third Supplemental Quarterly Report From The Oakland Police Department (OPD) That Includes Information On Overtime Policies And Procedures.

For questions regarding this report, please contact D. Nell Wallington, Police Services Manager I, at (510) 238-3288.

Respectfully submitted,



Anne E. Kirkpatrick  
Chief of Police  
Oakland Police Department

Prepared by:  
D. Nell Wallington, Police Services Manager I  
OPD, Bureau of Services, Fiscal Section

Attachments (1):

A – List of reimbursable Special Events/Special Operations overtime spent in the Oakland Police Department for the first, second and third quarters of FY 2018-19

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## OPD Special Events Overtime July 1, 2018 – March 31, 2019

Event	Amount	# of Hours	# of Employees	Event	Amount	# of Hours	# of Employees
AC Transit Project	674,946	8,049.00	50	A's vs. Dodgers 8/07	24,613	293.00	34
PORT-JLS OT SECURITY	214,951	2,483.50	31	First Friday	24,043	297.25	35
Rolling Loud Music	191,668	2,233.50	135	Warriors vs. Timber	23,368	261.75	35
Kamala Harris Event	156,171	1,803.90	193	Warriors vs. Clipper	22,487	258.25	36
Raiders vs. Steelers	134,264	1,608.00	147	Warriors vs. Thunder	22,294	254.25	35
Raiders vs. Browns	127,989	1,546.50	137	Warriors vs. Rockets	22,245	244.75	36
Raiders vs. Broncos	127,769	1,531.75	155	Warriors vs. Pelican	22,163	246.00	35
Raiders vs. Chiefs	121,763	1,454.75	137	Warriors vs. Thunder	22,125	248.75	35
Raiders vs. Colts	121,609	1,452.50	139	Warriors vs. Jazz	22,104	241.25	35
Raiders vs. Chargers	114,431	1,369.00	138	Warriors vs. Rockets	22,003	246.25	34
Raiders vs. Rams	109,147	1,309.75	135	Warriors vs. Mavericks	21,953	251.75	35
Raiders vs. Packers	105,946	1,278.00	129	Warriors vs. Suns	21,556	237.75	35
All Day & A Night	105,808	1,310.00	66	Warriors vs. Kings	21,523	237.50	35
Raiders vs. Lions	105,741	1,266.75	127	TBS World Tour	21,500	249.25	28
Oakland Running Fest.	81,700	954.90	128	Warriors vs. Heat	21,448	238.50	35
BANK OF AMERICA	79,862	1,023.00	20	Warriors vs. Lakers	21,383	240.00	34
Aubrey & 3 Amigos	69,495	800.50	61	A's vs. Mariners	21,351	256.25	31
Monster Supercross	65,872	748.00	63	Warriors vs. Raptors	21,265	240.50	35
PG&E San Leandro St	64,422	822.00	11	Warriors vs. Trail Blazers	21,241	240.75	34
Marriott Hotel Strike	54,366	639.00	43	Warriors vs. Trail	21,210	242.25	35
Bed Bath & Beyond	52,801	646.00	6	Warriors vs. Kings	21,193	241.00	35
LANEY SWAP MEET	47,383	558.00	25	Warriors vs. Hornets	21,146	235.00	35
A's vs. Giants 7/21	46,123	561.00	54	Warriors vs. Pistons	21,121	236.75	35
Monster Jam	44,224	507.75	59	A's vs. Dodgers 8/08	21,106	250.40	34
Oakland Zoo Traffic	42,957	546.50	37	Warriors vs. Lakers	21,075	245.00	35
Monster Jam	42,223	476.75	60	Warriors vs. Magic	21,029	240.75	34
A's vs. Giants 7/20	41,309	503.50	54	Warriors vs. Pelican	20,977	245.50	34
A's vs. Angels	41,174	491.50	53	Warriors vs. Grizzlies	20,973	242.50	35
Treasure Island Music	40,453	489.25	27	Warriors vs. Grizzlies	20,871	234.00	35
A's vs. Giants 7/22	39,454	468.50	52	Warriors vs. Celtics	20,841	230.00	36
CONSTRUCTION	39,002	493.00	18	Warriors vs. Hawks	20,767	234.50	35
Levy Restaurants	36,967	444.25	32	Warriors vs. Wolves	20,662	234.00	32
A's vs. Yankees 9/03	35,737	416.25	51	Warriors vs. Spurs	20,620	227.50	35
A's vs. Yankees 9/04	35,260	426.10	52	Warriors vs. 76ers	20,592	227.00	35
Oaktown 5K and Half	32,974	410.50	61	Warriors vs. Timberw	20,584	233.00	35
Dia De Los Muertos	29,607	376.50	36	Warriors vs. Suns	20,532	237.00	35
Disney on Ice	29,361	325.75	26	A's vs. Twins 9/22	20,518	238.75	28
Oakland Triathlon	26,821	332.00	65	Warriors vs. Nets	20,511	236.25	33
PG&E Construction	26,244	335.00	17	Warriors vs. Bulls	20,479	226.25	31



Event	Amount	# of Hours	# of Employees	Event	Amount	# of Hours	# of Employees
Wonder Woman Run	20,458	257.50	50	A's vs. Angels 9/18	12,747	145.25	18
PG&E Construction	20,331	251.00	10	Kevin Hart	12,697	144.00	21
A's vs. Twins 9/23	20,320	248.00	30	Art & Soul Fest	11,937	137.25	12
Twenty One Pilots	20,293	236.25	28	Trans Siberian Orchestra	11,893	132.25	21
Warriors vs. Wizards	20,173	229.25	34	Oakland Pride	13,564	170.50	17
Warriors vs. Knicks	19,977	220.50	34	AR Rahman	13,520	156.50	20
Home Depot	19,916	248.50	19	Warriors Open Practice	13,505	163.00	32
Warriors vs. Suns	19,876	226.00	34	A's vs. Tigers	13,481	161.75	21
Travis Scott	19,699	228.50	31	A's vs. Astros 8/17	13,310	153.50	19
A's vs. Padres 7/3	19,333	229.50	31	Phil Collins	13,120	145.75	21
Warriors vs. Bucks	19,188	222.00	33	NA LCS 9/08	13,030	148.50	15
A's vs. Angels	19,124	227.50	28	A's vs. Blue Jays	11,868	134.00	18
Warriors vs. Nuggets	19,006	213.25	34	A's vs. Mariners	11,831	141.50	18
First Friday	18,718	246.00	36	J. Balvin Concert	11,586	136.25	18
A's vs. Angels	18,427	211.40	29	Hall & Oates and Train	11,482	130.50	17
Disney on Ice	18,372	209.50	17	A's vs. Mariners	11,391	129.75	18
Warriors vs. Pacers	18,298	202.65	35	A's vs. Tigers 8/05	11,360	133.50	19
Warriors vs. Mavericks	18,192	207.00	33	A's vs. Padres 7/4	11,241	140.00	20
Santa Cruz Warriors	18,036	199.50	32	A's vs. Indians 6/29	11,097	130.00	20
A's vs. Tigers	17,865	215.00	29	First Friday 10/05	11,041	172.50	15
A's vs. Astros 8/18	17,388	205.50	27	A's vs. Rangers 9/09	11,010	126.00	16
A's vs. Giants	17,311	196.00	32	NA LCS 9/09	10,927	120.75	15
First Friday	17,258	226.50	27	Oakland A's FanFest	10,917	120.00	18
Elton John	17,063	187.25	26	First Friday	10,861	158.25	15
Justin Timberlake	17,056	186.50	24	A's vs. Rangers 8/21	10,608	119.75	18
Panic at the Disco	16,594	179.75	24	A's vs. Rangers 9/08	10,595	124.25	16
A's vs. Yankees 9/05	16,482	194.25	29	A's vs. Blue Jays	10,493	118.50	18
Muse	16,467	183.75	24	First Friday	10,363	141.00	16
J. Cole Concert	16,092	181.75	23	A's vs. Angels 9/20	10,324	126.25	17
Childish Gambino	15,810	183.00	27	A's vs. Mariners	10,254	127.50	19
A's vs. Angels	15,795	180.00	26	A's vs. Mariners	10,222	117.25	19
Nick Cannon	15,490	174.50	24	Kelly Clarkson	10,209	113.00	15
385 14th St	14,677	182.00	16	Smashing Pumpkins	10,167	115.00	15
Hiero Day	14,595	178.00	17	MTC Comm. Parking	10,156	128.00	11
A's vs. Twins 9/21	14,073	166.00	21	The Phone	10,107	115.00	7
A's vs. Astros 8/19	13,999	162.00	20	Raiderville	10,102	124.75	7
A's vs. Mariners	13,912	164.50	22	A's vs. Mariners	10,014	115.50	18
Jeff Lynne's ELO	13,830	156.00	22	Eat Real Festival	9,994	111.00	9
Fleetwood Mac	13,738	155.00	23	A's vs. Angels 9/19	9,885	111.75	18
Sam Smith Concert	13,713	155.75	24	Chinatown Street Fest.	9,649	120.00	11
A's vs. Rangers 9/07	13,711	155.25	21	Championship Boxing	9,649	114.25	13
A's vs. Indians 7/01	13,650	159.50	22	A's vs. Blue Jays	9,497	121.50	17

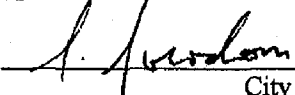
Event	Amount	# of Hours	# of Employees	Event	Amount	# of Hours	# of Employees
Black Joy Parade	9,455	110.65	20	Alan Walker	2,873	30.50	3
A's vs. Rangers 8/20	9,429	107.00	18	John Legend	2,811	30.00	4
Hilton Hotel	9,321	105.50	9	Brownies & Lemonade	2,768	30.50	4
Steph Curry UA Event	8,832	98.50	13	2126 MLK Jr. Way	2,719	33.50	4
Oakland Black Cowboy	8,185	105.00	20	Warriors STH Event	2,669	29.00	5
A's vs. Rangers 8/22	8,141	96.25	14	Oakland Grand Prix	2,604	29.00	4
Oaktoberfest	7,978	100.25	12	Apple TV Show	2,949	33.00	4
Mike Epps	7,883	92.50	13	1100 Broadway	2,931	37.00	4
5110 Broadway	7,718	98.00	11	Breakin Bread MC	2,338	26.50	4
532 39th St	7,442	91.00	10	Tenacious D	2,239	25.50	4
La Arrolladora	7,216	83.75	9	Oakland Fam Bam	2,058	24.50	3
COPA Festival	7,125	87.00	8	Clayton Valley HS	1,895	21.25	2
Bad Bunny	6,985	83.50	14	2820 Broadway	1,886	23.25	2
Raider Image	6,770	82.50	14	Myittar	1,881	25.00	2
Lunar New Year Baza	6,499	71.00	6	2820 Broadway	1,862	24.50	3
5110 Telegraph Ave	6,240	76.50	9	CJ Group	1,784	19.50	3
Harlem Globetrotters	5,965	66.00	6	Comcast	1,775	21.50	1
Oakland A's Watch Party	5,956	67.25	9	C.H Wines	1,756	23.00	2
447 17th St	5,713	68.25	6	Niantic Labs Video	1,661	21.00	2
Harlem Globetrotters	5,594	62.00	6	FESTAC	1,499	16.00	2
Alameda Point Antique	5,286	60.00	9	ESPN MNF	1,450	16.50	3
Oakland Turkey Trot	5,132	60.00	12	Lil Baby	1,441	16.50	2
My Culture	5,104	68.50	6	W. VS. CAV'S	1,432	15.75	2
447 17th St	4,990	57.00	6	3093 Broadway	1,427	16.00	2
PG&E (66th Ave @ Oak)	4,958	61.00	4	Oakland Natives Give	1,356	17.00	2
BIG 3	4,942	56.75	7	TriNet	1,338	15.00	2
Family Bridges	4,861	57.00	8	Subaru	1,318	16.00	2
Tyler Perry	4,834	55.00	6	Money Mondays	1,314	15.00	3
College Football Pla	4,712	51.25	5	And1 Paint in the Park	1,154	15.00	3
Our Lady of Guadalup	4,685	54.00	9	Comcast	1,153	13.25	1
WWE Live Holiday Tour	4,315	49.50	8	Alameda Point Antiques	1,128	15.00	3
Supercross Futures	4,261	46.00	5	Monte Vista HS Prom	1,115	12.50	2
PG&E (Fruitvale Ave)	4,132	50.75	3	Brothers Osbourne	1,113	12.00	2
Grand Theft Auto	3,664	39.00	3	1032 Full Throttle	1,088	15.00	2
Warriors Practice	3,481	39.00	6	Near Future	1,071	14.00	2
All Day I Dream Fest	3,435	42.50	6	San Ramon Valley HS	1,070	12.00	2
Raider Escort	3,400	38.00	7	EBRHA	1,069	12.00	2
Burger Boogaloo	3,354	40.50	6	First Friday	1,054	10.50	1
Butler Amusement	3,324	36.00	6	Blindspotting	1,044	12.00	2
PBR Oakland Classic	3,293	36.00	6	PINK Concert	958	8.25	1
Slam Magazine	3,139	35.00	5	Harvest	892	12.00	1
Joe Biden	3,104	40.00	3	SantaCon	890	10.00	2
Genesis 6	3,014	32.50	2	Saweetie Fan Event	870	10.00	2

Event	Amount	# of Hours	# of Employees	Event	Amount	# of Hours	# of Employees
Bishop O'Dowd HS	870	10.00	2	Raider Image	376	5.00	1
COPA Festival	856	11.00	1	A's vs. Angels 6/15	247	1.75	2
Nina Cried Power	798	11.00	1	A's vs. RAYS	115	1.50	3
Levi's	785	11.00	2	W. VS. CAV'S	87	1.00	1
Fitbit	754	9.50	2	AEG 602L Ops	75	1.00	1
A's vs. Indians 6/30	735	8.50	3	DIRTYBIRD BBQ	28	0.00	2
WARRIORS VS BULLS	720	7.00	1	Warriors vs. Spurs	25	0.25	1
Johnstone Moyer, Inc	717	9.00	1	A's vs. Astros 6/13	22	0.25	1
W VS. ROCKETS	714	8.00	1	Black Cowboy Parade	5	0.00	1
W VS. ROCKETS	696	8.00	1	A's vs. Angels 6/16	0	0.00	1
W VS. PELICANS	674	7.75	1	PINK Concert	-19	-0.25	1
Sorry To Bother You	622	8.00	1	BLURRY VISION MUSIC	-44	-0.50	1
PG&E Construction	609	7.00	1	Warriors Watch Party	-87	-1.00	2
Ridge Communications	520	7.00	1	A's vs. Royals 6/08	-87	-1.00	1
True Buddha Vijaya	479	5.50	1	WARRIORS W. PARTY	-87	-1.00	1
Warriors Watch Party	452	4.50	1	Oakland Zoo Traffic	-339	-4.50	1
Feed Oakland	452	6.00	1	Oakland Zoo Traffic	-464	-6.00	2
KD Fantasy Expo	435	5.00	1	First Friday	-502	-5.00	1
Uber Driver Ambition	435	5.00	1	W VS. PELICANS	-827	-9.50	1
Oversize Load	435	5.00	1	AC Transit Project	-847	-9.50	1
The Connected Car	389	5.00	1	First Friday	-954	-9.50	1
				<b>Total</b>	<b>\$5,916,916</b>		

OFFICE OF THE CITY CLERK  
 INTRODUCED BY COUNCILMEMBER: \_\_\_\_\_

2006 JUN -1 PM 12: 50

Approved as to Form and Legality

  
 \_\_\_\_\_  
 City Attorney

## OAKLAND CITY COUNCIL

ORDINANCE NO. 12741 C.M.S.

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**ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR TO ESTABLISH THE DEVELOPMENT SERVICE FUND, EFFECTIVE JULY 1, 2006, AND TO IMPLEMENT THE FUND BY JANUARY 1, 2007**

**WHEREAS**, the City of Oakland desires to establish a separate fund, to be known as the Development Service Fund, to account for the revenues and expenditures related to development and enforcement activities in the City of Oakland; and

**WHEREAS**, establishment of the Development Service Fund (DSF) will create a direct correlation between revenues realized from fees and penalties which are collected for development and enforcement services paid by citizens of the City and the associated expenditures related to these activities and made necessary by providing services; and

**WHEREAS**, establishment of the Development Service Fund will help ensure that the City complies with the requirements of California Government and Health and Safety Codes including Health and Safety Code Section 17951; and

**WHEREAS**, development and enforcement fees and penalties are currently recorded in the General Purpose Fund (GPF) of the City of Oakland; and

**WHEREAS**, recording all development and enforcement revenues and expenditures in the General Purpose Fund does not allow for audits or analysis to identify whether the General Purpose Fund is subsidizing development and enforcement programs and services; and

**WHEREAS**, the City of Oakland can establish a more direct correlation between development and enforcement fees and penalties and the services provided for those activities; and

**WHEREAS**, the establishment of this direct correlation will allow for a clear explanation and justification of future increases and decreases to development and enforcement fees and penalties as identified in the Master Fee Schedule, the Oakland Municipal Code and State Law, and make it possible for the City to eliminate subsidies by the General Purpose Fund for the services provided; now therefore,

**THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**Section 1:** The Development Service Fund (Fund 2415) shall be established effective July 1, 2006 and shall be implemented through a transfer of budgeted and actual revenues and expenditures from the General Purpose Fund (Fund 1010) to Development Service Fund by January 1, 2007.

**Section 2:** The City Administrator, or his or her designee, is hereby authorized to adjust the date of implementation of the Development Service Fund, without returning to Council, upon his or her determination that all required administrative procedures and budgetary and financial tasks necessary to transfer the revenues and expenditures from General Purpose Fund to the Development Service Fund have been completed.

**Section 3:** The Development Service Fund shall receive all fees and penalties authorized by State Law and City ordinance, including all fees and penalties identified under "Community and Economic Development" Section in the FY 2005-06 Master Fee Schedule, and its successors, as set forth in Ordinance 12611 C.M.S., as amended and beginning in section "BUILDING SERVICES-ADMINISTRATION" on page N-1 through "PLANNING & ZONING" on page N-30.

The following fees and programs are not included in the Development Service Fund:

- (a) Jobs/Housing Impact Fee (page N-2)
- (b) Creek Protection Permit (page N-9)
- (c) Commercial & Residential Lending (page N-22)
- (d) Miscellaneous (page N-23)
- (e) Real Estate (page N-23)
- (f) Residential Rent Adjustment (page N-23)
- (g) Workforce Development (page N-24)

**Section 4:** All FY 2006-07 budgeted and actual revenues in the General Purpose Fund (Fund 1010), as of July 1, 2006, which are related to the Development Service Fund shall be transferred to the Development Service Fund.

**Section 5:** All FY 2006-07 budgeted and actual expenditures in the General Purpose Fund, as of July 1, 2006, which are related to the identified land use and enforcement services and programs shall be transferred to the Development Service Fund. Expenditures from the Development Service Fund shall be restricted to paying direct and indirect cost of the services and programs supported by the fees identified in Section 3.

**Section 6:** The actual balance of deposit accounts in the General Purpose Fund (20000 series), as of July 1, 2006, which are related to the identified land use and enforcement services and programs shall be transferred to the Development Service Fund.

**Section 7:** To ensure the integrity of the Development Service Fund, a reserve of 7.5% of the current annual budgeted revenues shall be maintained.

**Section 8:** The Development Service Fund shall reimburse the General Purpose Fund a total outstanding balance of \$6,640,779 for repayment of prior year subsidies, recently purchased telephone equipment, and Capital Improvement Program (CIP) funding of the Permit, Enforcement and Record Tracking System (PERTS). These repayments to the General Purpose Fund shall begin in FY 2006-07 and shall be made from accumulated funds, if any, in the reserve identified in Section 6 above, that exceed a 3% temporary minimum accumulated reserve. The Development Service Fund shall pay interest to the General Purpose Fund at the City's cost of funds on the Development Service Fund's outstanding balance effective July 1, 2006. Full repayment to the General Purpose fund shall be completed six (6) years from the date of establishment of the Development Service Fund. If Development Service Fund is initiated by July 1, 2006 repayment shall be completed by June 30, 2012.

**Section 9:** After full repayment to the General Purpose Fund has been completed, future transfers from Development Service Fund to General Purpose Fund and from General Purpose Fund to Development Service Fund shall be considered and treated as loans. Loans to the General Purpose Fund shall be made from the accumulated reserve, if any, in the Development Service Fund. The interest on loans shall be based on the City's cost of funds at the time of loan.

**Section 10:** The City Administrator, or his or her designee, is hereby authorized to transfer revenue and expenditures between the Development Service Fund and the General Purpose Fund from time to time and subject to the requirements set forth herein, without returning to Council.

IN COUNCIL, OAKLAND, CALIFORNIA, JUN 20 2006, 2006

**PASSED BY THE FOLLOWING VOTE:**

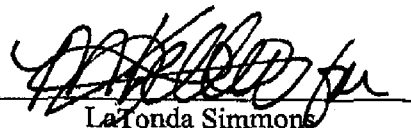
AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID AND  
PRESIDENT DE LA FUENTE - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

ATTEST:



LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

**Section VII. Local Tax Forecasting and the Business License Tax Structure  
Recommendation 1: City Response**

Staff recommends against adopting this recommendation. The revenue forecast for business taxes in FY 2019-20 is already highly aggressive. In the Mayor's proposed budget, after controlling for 1x business license tax revenues received in FY 2018-19, business tax revenues are forecasted to increase 15.28%. The FY 2020-21 forecast maintains that growth and increases forecasted revenues by an additional 4.13%.

Increasing the transient occupancy tax forecast or any revenue forecast may have a negative impact if other General Purpose Fund revenues do not meet forecasted targets. Caution should be used when looking at a single revenue in a vacuum, as this recommendation is proposing. Historically, after controlling for unanticipated one-time revenues, the total General Purpose Fund forecast to actuals has only varied less than 2%.

**FY 2019-20 Business Tax Revenues**

Forecasted year end business tax revenues at FY 2018-19	\$ 97,430,339
Less 1x business tax revenues from clean-up of delinquent business tax accounts	\$ 7,033,318
Less 1st year, 1x business tax revenues from new cannabis businesses	\$ 3,430,403
Less 1x business tax revenues from change in business tax structure on cannabis business grossing \$500,000 or less	\$ 502,000
FY 2018-19 on going revenues total	\$ 86,464,511
Mayor's Proposed Budget FY 2019-20 forecasted business tax revenues	\$ 99,673,792
<b>Forecasted increase FY 2018-19 to FY 2019-20</b>	<b>15.28%</b>

Forecasted year end business tax revenues at FY 2018-19	\$ 97,430,339
Less 1x business tax revenues from clean-up of delinquent business tax accounts	\$ 7,033,318
Less 1st year, 1x business tax revenues from new cannabis businesses	\$ 3,430,403
Less business tax revenues from change in business tax structure on cannabis business grossing \$500,000 or less	\$ 502,000
FY 2018-19 on going revenues total	\$ 86,464,511
Harvey Rose FY 2019-20 recommended business tax revenues	\$ 100,670,530
<b>Harvey Rose proposed increase FY 2018-19 to FY 2019-20</b>	<b>16.43%</b>

**FY 2020-21 Business Tax Revenues**

Forecasted business tax revenues FY 2019-20 Proposed Budget	\$ 99,673,792
Less business tax revenues from change in business tax structure on cannabis business grossing \$500,000 or less	\$ 542,433
Total	\$ 99,131,359
Proposed Budget FY 2020-21 forecasted business tax revenues	\$ 103,221,291
<b>Forecasted increase FY 2019-20 to FY 2020-21</b>	<b>4.13%</b>

Forecasted year end business tax revenues at FY 2019-20	\$ 100,670,530
Less business tax revenues from change in business tax structure on cannabis business grossing \$500,000 or less	\$ 542,433
Total	\$ 100,128,097
Harvey Rose FY 2020-21 recommended business tax revenues	\$ 104,253,504
<b>Harvey Rose proposed increase FY 2019-20 to FY 2020-21</b>	<b>4.12%</b>

Transient occupancy tax is highly responsive to market demands. As evidenced in the growth rates over the past few years, this revenue stream should be considered volatile.

**Budget to Actual Comparison- Transient Occupancy Tax**

	FY 2014-15 budget	FY 2014-15 actuals	FY 2015-16 budget	FY 2015-16 actuals	FY 2016-17 budget	FY 2016-17 actuals	FY 2017-18 budget	FY 2017-18 actuals	FY 2018-19 budget	Year-end forecast FY 2018-19	Proposed FY 2019-20	Proposed FY 2020-21
Year-end transient occupancy tax revenues	\$14.88	\$16.79	\$16.90	\$19.81	\$19.38	\$22.37	\$22.65	\$23.58	\$23.33	\$25.47	\$26.49	\$27.48
Difference to adopted after		\$1.91		\$2.91		\$2.99		\$0.93		\$2.14		
Year-over-year increase after				17.99%		12.92%		5.41%		8.02%	4.00%	3.74%

In FY 2015-16, the City executed an Voluntary Collection Agreement with a major home sharing platform