

CITY OF OAKLAND
COUNCIL AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 DEC -2 PM 6:38

TO: Oakland City Council Colleagues
FROM: Council President De La Fuente and Councilmember Larry Reid
DATE: December 14, 2004 (Finance and Management Committee)
RE: **RESOLUTION DIRECTING THE CITY ADMINISTRATOR TO PRESENT FOR CITY COUNCIL APPROVAL BY JANUARY 18, 2005 A SHORT-TERM PROFESSIONAL SERVICES CONTRACT WITH AN EXPERIENCED PRIVATE FIRM OR FIRMS TO PROVIDE TO CITY COUNCIL BY MAY 1, 2005 AN INDEPENDENT PERFORMANCE AUDIT OF THE OVERTIME, PAYROLL, AND RELATED SYSTEMS OF THE OAKLAND POLICE DEPARTMENT THAT INCLUDES CONCRETE RECOMMENDATIONS FOR IMPROVING THOSE SYSTEMS AND REALIZING COST SAVINGS.**

SUMMARY OF RESOLUTION

The purpose of this Resolution is to direct the City Administrator to present for City Council approval by January 18, 2005 a short-term professional services contract with an experienced private firm or firms to provide to City Council an independent performance audit of the overtime, payroll, and related systems of the Oakland Police Department. This performance audit will include concrete recommendations for improving those systems and for realizing cost savings. The firm will present the final audit/report to Council by May 1, 2005 so that Council can evaluate its recommendations when considering solutions to the City's budget challenges.

BACKGROUND

We commend the brave men and women who protect Oakland's neighborhoods as sworn police officers. Their jobs are critical because improving public safety continues to be a chief concern for the citizens and businesses of Oakland.

The City is facing a budget deficit for fiscal year 2006-2007 of approximately \$30 million. The budget deficit will require every City department, including the Police Department, to operate as efficiently as possible.

The Police Department's most recently published budget (mid-cycle budget for fiscal year 2004-2005) is over \$156 million, thereby comprising, by far, the largest component of the City's general purpose fund (approximately 40% of the total). The Police Department has historically requested additional taxpayer dollars to fund overtime costs, thereby straining the City budget.

The amount of overtime is affected by numerous factors including, but not limited to, the need for police to respond to suspected criminal activity, the existing Memorandum of Understanding with the Oakland Police Officer's Association (effective July 1, 2001 through June 30, 2006), and decisions by police management on how to allocate resources and officers. Ensuring that managers and officers use overtime (including compensatory "comp" time) only when absolutely necessary requires systematic management controls and appropriate checks and balances. A goal of the audit is to ensure sufficient controls are in place and, if not, to suggest how to implement sufficient controls immediately.

The success of the audit depends, in large part, on the selected firm's ability to obtain complete information quickly from the Police Department, Finance and Management Agency, and other relevant departments. Therefore, the Resolution explicitly states it is the policy of the City Council that the City of Oakland will provide sufficient information to the selected firm(s) to complete the performance audit expeditiously.

SCOPE OF WORK

The exact scope of work will be contained in the contract the City Administrator will present to the City Council by January 18, 2005. In general, the scope of work will focus on the overtime, payroll, and related systems of the Oakland Police Department. The audit will (1) describe the existing systems, (2) identify weaknesses in those systems (such as insufficient management controls), and (3) recommend concrete improvements to those systems that can save money.

TIMELINE

Date	Action
December 2, 2004	Rules & Legislation Committee schedules the Resolution.
December 14, 2004	Finance & Management Committee considers and approves the Resolution.
December 21, 2004	City Council considers and approves the Resolution.
January 18, 2004	City Council considers and approves contract (including scope of work and cost) with an independent firm recommended by the City Administrator.
May 1, 2005	The firm issues its final report/audit to the full City Council and answers questions from Council.
May 5, 2005	Mayor / City Administrator present 2005-2007 budget proposal to City Council.

FISCAL IMPACTS

The bottom line is that we do not know the cost of the audit at this time. One of the goals of the audit is to produce concrete recommendations the City Administrator and/or Police Department can implement that will save the City money and more than offset the cost of the audit.

As of the date of this report (filed with the City Clerk's Office on December 2, 2004), we are still researching the potential costs for this project. As required by the Resolution itself, the City Administrator will ultimately present a contract (with costs) for City Council approval by January 18, 2005. Therefore, the City Administrator will provide the fiscal impact information at that time.

The cost of the audit depends, in large part, on the scope of work and the reputation of the firm. If the scope is unlimited and the firm selected is internationally recognized, the cost will be on the higher end of the range. To complete this three-month project, we predict the cost will range from \$100,000 to \$275,000. We recommend that the contract be capped at a specific amount (i.e. "not to exceed") rather than be open-ended.

It is likely the City Administrator will recommend that the Police Department absorb the cost of the audit because the audit will focus exclusively on that department and the audit is intended to produce cost savings in that department.

ACTION REQUESTED OF THE CITY COUNCIL

We are asking the City Council to approve this Resolution so that the City Administrator can present a contract (including the scope of work and cost) for Council approval by January 18, 2005.

Initial Draft Prepared by: Alex Pedersen, Policy Analyst, Office of City Council President Ignacio De La Fuente

Approved as Form
Shirley Park
City Attorney

OFFICE OF THE CITY CLERK
OAKLAND

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OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER Council President Ignacio De La Fuente and Councilmember Reid

RESOLUTION DIRECTING THE CITY ADMINISTRATOR TO PRESENT FOR CITY COUNCIL APPROVAL BY JANUARY 18, 2005 A SHORT-TERM PROFESSIONAL SERVICES CONTRACT WITH AN EXPERIENCED PRIVATE FIRM OR FIRMS TO PROVIDE TO CITY COUNCIL BY MAY 1, 2005 AN INDEPENDENT PERFORMANCE AUDIT OF THE OVERTIME, PAYROLL, AND RELATED SYSTEMS OF THE OAKLAND POLICE DEPARTMENT THAT INCLUDES CONCRETE RECOMMENDATIONS FOR IMPROVING THOSE SYSTEMS AND REALIZING COST SAVINGS.

WHEREAS, improving public safety continues to be a chief concern for the citizens and businesses of Oakland; and

WHEREAS, the City Council values and commends the brave men and women who protect Oakland neighborhoods as sworn police officers; and

WHEREAS, the City is facing a budget deficit for fiscal year 2006-2007 of approximately \$30 million; and

WHEREAS, the budget deficit will require every City department to operate as efficiently as possible; and

WHEREAS, the Police Department's most recently published budget (mid-cycle budget for fiscal year 2004-2005) is over \$156 million, thereby comprising, by far, the largest component of the City's general purpose fund (approximately 40% of the total); and

WHEREAS, the Police Department has historically requested additional taxpayer dollars to fund overtime costs, thereby straining the City budget; and

WHEREAS, the amount of overtime is affected by numerous factors including, but not limited to, the need for police to respond to criminal activity, the existing Memorandum of Understanding (in effect from July 1, 2001 through June 30, 2006), and decisions by management on how to allocate resources and officers; and

WHEREAS, ensuring that managers and officers use overtime (including compensatory "comp" time) only when absolutely necessary requires systematic management controls and appropriate checks and balances; now, therefore, be it

RESOLVED, the City Council hereby directs the City Administrator to present for City Council approval by January 18, 2005 a short-term professional services contract with an experienced private firm or firms to provide to City Council by May 1, 2005 an independent performance audit of the overtime, payroll, and related systems of the Oakland Police Department that includes concrete recommendations for improving those systems and realizing cost savings, and be it further

RESOLVED, it is the policy of the City Council that the City of Oakland will provide sufficient information to the selected firm(s) to complete the performance audit expeditiously.

IN COUNCIL, OAKLAND, CALIFORNIA, _____,

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California