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OAKLAND

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CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Budget Office
DATE: March 31, 2009

RE: **Supplemental Report with Responses to Council Questions from March 17, 2009
City Council Meeting Regarding Balancing Measures to Address the FY 2008-09
Projected \$8.22 Million Deficit in the General Purpose Fund.**

SUMMARY

At its March 17th meeting, the City Council requested that staff prepare a supplemental report responding to questions on the proposed balancing measures for the FY 2008-09 projected deficit of \$8.22 million in the General Purpose Fund (GPF). Additionally, staff is providing updated information on known GPF revenue and expenditure changes based on recently received information; and the most recent update on savings from October 2008 budget cuts.

UPDATE ON FINANCIALS

Staff continues to monitor GPF revenues and expenditures. At the time of the second quarter revenue and expenditure analysis, the projected year-end deficit of \$8.22 million was largely an expenditure problem due primarily to Police overspending. However, staff's preliminary analysis of recently released information indicates that the GPF projected year-end shortfall may grow due to softening of revenues. Further, the cost of labor negotiations has increased with the extension of the chief negotiator's contract. Specifically:

1. **Real Estate Transfer Tax revenue** maybe under-collected by as much as \$5 million by year-end if recent trends hold. January and February 2009 collections were at \$1.6 million and \$1.4 million, respectively, reflecting an alarming 50 percent to 26 percent reduction from the same period last fiscal year. It is not completely apparent if this "dip" in real estate transfer tax revenue is temporary or an indication of yet another downward trend. March 2009 revenue collection will bring additional clarity. We are evaluating reports of new life in the real estate market (brought about by the increased availability of credit) and will incorporate such analysis into the third quarter revenue and expenditure report scheduled for the May 12, 2009 Finance and Management Committee.
2. **Parking Tax revenue** maybe under-collected by as much as \$1 million by year-end due to a slow-down in collections as indicated by the January and February 2009 data. The economic downturn is a significant factor of these reduced collections, primarily from the airport parking.

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3. **Labor negotiator's contract** expenses will be higher than initially estimated by up to \$0.15 million, due to additional work on Oakland Police Officers' Association contract.

UPDATE ON OCTOBER 2008 BUDGET REDUCTIONS

In the February 24, 2009 report to the Finance & Management Committee (forwarded on March 3, 2009 to the full City Council), staff indicated that 4.5 FTEs were eliminated and additional salary savings from vacancies realized in the City Administrator's Office (CAO), in order to meet the \$430,000 reduction target imposed in October 2008. These changes were detailed in the above reports, and there were no revisions to staffing / budget in the CAO since that reporting.

In the same report, 4.0 position reductions and 1.0 position freeze was reported as planned in the Mayor's Office, in order to meet the \$200,000 reduction target approved in October 2008. Since the February / March reporting, the components of the savings in the Mayor's Office have changed. The revised and final reductions instead came from two employee releases (and freezes of the resulting vacancies), and savings of an additional \$170,000 in the Media Relations account that is normally used for Citywide constituent communications, press relations and related activities. With these revised reductions, the Mayor's Office is meeting its \$200,000 budget reduction target for the current year.

RESPONSES TO QUESTIONS

During their discussion at the March 17th City Council meeting, Council members requested responses to the following questions:

Council President Brunner

Q. What is the time frame for completion of the Hardy Park Restroom project? How much has been achieved so far?

A: The project is in the final design stage. It will be submitted for bid in May for award by June. Staff expects to present the contract to the City Administrator for approval by July. The project will take four months to complete, with final completion anticipated by the end of the calendar year.

Q. Provide a citywide list of officers on leave (administrative or injury) by district.

A. Please see *Attachment A*.

Council Member Brooks

Q. What is Development Service Fund (2415) revenue to date (through last closed month)? What are the current vacancies in this fund?

A. As of February 28, 2009, the Development Service Fund year-to-date revenue collection was \$17.6 million. There are currently 19.42 FTE vacant positions in this fund, which accounts for 11.5 percent of the total 168.52 FTEs budgeted. Due to under-collection of revenue, this fund currently has a negative \$1 million cash balance. However expenditures are also being reduced by leaving positions vacant and curtailing other operating costs wherever possible.

Q. The Geologic Hazardous Abatement District (GHAD) assessment was adopted by Council on November 21, 2006. How much assessment revenue has been collected since then?

A. There are two GHAD assessments: a) one for Leona Quarry and b) the other primarily for the Siena Hills Project, which is named the Oakland Project Area GHAD. As of November 24, 2008, Leona Quarry year-to-date assessments are approximately \$466,000. As of December 31, 2008, the Oakland Project Area year-to-date assessments are \$35,000.

Q. Why is the City going to the Insurance Company and not directly to BART for reimbursement for overtime claims for the shooting protests?

A. The City's insurance claim is for property damage to City-owned facilities and staff costs involved in mitigating this damage. This claim will be filed regardless of who or what caused the damage. Regarding the liability claim potential against BART, the City Attorney's Office has opined that it is unlikely that the City has a claim against BART.

Council Member Kaplan

Q. Oakland Police Department (OPD) is over-staffed (above 803) and still experiencing overtime. Why? Provide an analysis of overtime spending versus staffing levels.

A. Full staffing reduces the need for backfill overtime (OT); however, there are other drivers of overtime. Although backfill overtime has declined substantially due to increased staffing, it is not possible to eliminate backfill overtime entirely without a significant negative impact on operations. On any given day, there are unfilled positions due to vacations, administrative leave, and illness. In addition to backfilling sworn positions, OPD also needs to backfill non-sworn positions such as telecommunicators and records clerks in order to comply with policies and legal obligations. During February, holiday pay and special events security were the major drivers of overtime expense. Some special event OT is reimbursable. Other drivers of OT are court time, criminal investigations and responses to emergencies that require specialized or additional staffing.

Q. Identify items that qualify for crime prevention and other grant funds now available.

A. As of March 10, 2009, OPD spent approximately \$3.3 million of grant funds on crime prevention activities. OPD will continue to actively pursue grant opportunities for additional resources. Items qualifying for grant funding include: solving cold cases, dealing with human trafficking, interdiction efforts and technology enhancements. Generally, grant funding supplements – not supplants – City funding for such crime prevention activities.

Q. Is the City collecting the Cigarette Tax (OMC 4.12)?

A. According to Oakland Municipal Code Chapter 4.12 – Cigarette Tax Ordinance – an excise tax imposed at the rate of one mill (\$0.001) per cigarette, is imposed upon the privilege of distributing cigarettes to retail outlets in the city. The City of Oakland does not collect any Cigarette Tax per OMC 4.12. The State collects and regulates the cigarette excise tax, which is built into the retail cost.

Q. Is the City receiving additional revenue from blight enforcement? If yes, how much?

A. Blight enforcement revenue results from fees charged to owners of blighted property. Fees that are not paid turn into liens. CEDA estimates that property owner liens are up by 40 to 50 percent, which translates to an increase in the range of \$1.5 - \$2 million for FY 2008-09. However, since the City historically has only collected 20 percent of liens within the same fiscal year they are placed, this increase would translate to \$0.4 million in cash in FY 2008-09. It should be noted that even with the increase from blight enforcement, the Development Service Fund's revenue is expected to end the year significantly below budget due to the slowdown in residential and commercial real estate activity.

Council Member Kernighan

Q. Instead of running department backfilling on an overtime basis, why not backfill on a straight time basis?

A. There is insufficient staff to backfill on straight time. When possible, Police Services runs open beats until the next shift comes on duty, thereby filling the open beats on straight time.

Council Member Nadel

Q. Is the Mandela Parkway Project balance being eliminated or deferred to next fiscal year? Will this affect the work to be performed in the current fiscal year?

A. Approximately two-thirds of the funding for the Mandela Parkway Project has been deferred until FY 2009-10. This will not negatively impact the current fiscal year as sufficient funds remain in FY 2008-09 to complete the work for this first year of the three year contract.

Council Member Quan

Q. Provide additional information on the proposed Information Technology personnel reduction proposal. What is the impact of this reduction? What is the status of laptop installation at the Dimond Branch Library?

A. During the October 2008 Revised budget, the Department of Information Technology (DIT) was faced with funding cuts for 12 positions. None of these 12 positions were associated with the consolidation of information services from other departments and none affected any of the Department's original staff positions. All position cuts as part of that reduction were cuts that affected the Information Technology Division when it was within the Finance and Management Agency (through the end of FY 2006-07).

The current proposed reductions for April 2009 reduce 50 percent of the desktop support personnel funded by the General Purpose Fund. This reduction retains positions in support of Public Safety and two positions to provide bench repairs as well as vacation and sick leave relief.

This reduction will require all departments that were supported by GPF-funded positions to use help desk phone support and / or physically bring the unit to DIT's office for repair. These departments include: Mayor, City Council, City Administrator, City Auditor, City Clerk, Department of Human Services, Parks and Recreation, Library, Finance and Management, and Contract and Purchasing.

The Police and Fire Departments will continue to obtain the same type of service as currently provided. Such service but service will be impacted due to:

- elimination of the current staff who are trained on Police and Fire specific systems and will impact the future deployment of police systems, vehicles and software; and
- staff reversions by seniority.

In addition, no funding is available to retrain these positions on the current systems.

The elimination of the Systems Analyst I position will have some impact on public safety and other systems and will show the greatest impact during new installations and major deployments. Full impact will not be known until the total scope of new public safety projects are known.

The elimination of the Systems Analyst III position has minimal impact on the work presently being provided and could be absorbed within the current structure. The residual effect is again staff reversion (e.g., "bumping").

The laptops for Dimond Branch Library were delivered by DIT in November 2008. The IT logistics and technical issues for installation were resolved by DIT in December. The final issues to be resolved are:

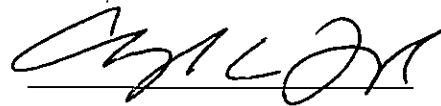
- Formulating a method of laptop security from theft; and
- Formulating policies and procedures for check-out of the laptops.

These remaining issues are the Library's responsibility. The check-out issue has been resolved; securing laptops from theft has been more difficult. In order to ensure that the City's property is protected, Library staff is carefully formulating best practices before the laptops are offered to the public. The Library anticipates that this laptop installation will be completed by May 2009.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council accept this informational supplemental report.

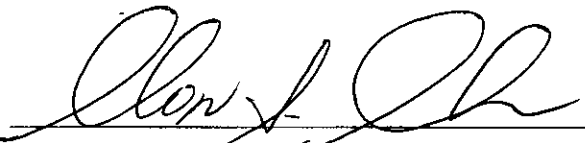
Respectfully submitted,



CHERYL L. TAYLOR
Budget Director

Prepared by:
Kiran Bawa
Budget Office

APPROVED FOR FORWARDING TO THE
CITY COUNCIL



Office of the City Administrator

Attachments:

A: *List of OPD Officers on Leave*

LIST OF OFFICERS ON LEAVE

ADMINISTRATIVE LEAVE

Classification	Current Assignment	Council District	Comments
Captain of Police (PERS)	Internal Affairs Division	NA	
Deputy Chief of Police (PERS)	Bureau of Services	N/A	
Police Officer (PERS)	Spec Res Sec 1-CRT 2	District 1	no beat
Police Officer (PERS)	Spec Res Sec 3-CRT 6	District 7	no beat
Police Officer (PERS)	Patrol Area 2B-1700-1	Districts 4 and 5	no beat
Police Officer (PERS)	CID-TETF Unit	N/A	
Police Officer (PERS)	Spec Res Sec 3-CRT 6	District 7	no beat
Police Officer (PERS)	Spec Res Sec 3-PSO 5	District 6	27X
Police Officer (PERS)	Spec Res Sec 2-CRT 4	District 5	no beat
Police Officer (PERS)	Spec Res Sec 3-PSO 5	District 6	26Y
Police Officer (PERS)	Spec Res Sec 2-CRT 3	District 2	no beat
Police Officer-84 (PERS)	Patrol Area 3A-1700	District 7	no beat
Police Officer-84 (PERS)	BFO FTO	N/A	no beat
Police Officer-84 (PERS)	Spec Res Sec 2-CRT 3	District 2	no beat
Police Officer-84 (PERS)	Patrol Area 2B-1700-2	District 5	no beat
Police Officer-84 (PERS)	Patrol Area 2B-1100	Districts 4 and 5	FTO - no beat
Police Officer-84 (PERS)	Patrol Area 2A-1700	Districts 4 and 5	no beat
Police Officer-84 (PERS)	Patrol Area 1B-2300	District 3	no beat
Sergeant of Police (PERS)	CID-Gang Invest Unit	N/A	
Sergeant of Police-84 (PERS)	Spec Res Sec 1-PSO 1	District 3	PSO 1 sgt slot

MEDICAL LEAVE

JobClassTitle	Current Assignment	Council District	Temporary Assignment
Police Officer-84 (PERS)	Patrol Area 2A-1700	Districts 4 and 5	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 3A-2000	District 7	Personnel - Medical Unit
Police Officer-84 (PERS)	Spec Res Sec 3-PSO 5	District 6	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 1A-2000	District 3	Personnel - Medical Unit
Police Officer (PERS)	IAD - Intake Unit	N/A	Personnel - Medical Unit
Police Officer (PERS)	Domestic Violence Unit	N/A	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 2A-2000	District 4	Personnel - Medical Unit
Police Officer-84 (PERS)	Spec Res Sec 1-PSO 1	District 3	Personnel - Medical Unit
Police Officer (PERS)	CID-Field Support Unit	N/A	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 2B-1700-2	District 2	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 3B-0500	District 7	Personnel - Medical Unit
Police Officer-84 (PERS)	BFO Administration	N/A	Personnel - Medical Unit
Police Officer (PERS)	Spec Res Sec 3-CRT 5	District 6	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 1A-0800	District 1	Personnel - Medical Unit
Police Officer (PERS)	Spec Res Sec 2-CRT 3	District 2	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 2A-1100	Districts 4 and 5	Personnel - Medical Unit
Sergeant of Police (PERS)	Communications - 2nd Watch	N/A	Personnel - Medical Unit
Police Officer (PERS)	Spec Res Sec 1-PSO 1	District 3	Personnel - Medical Unit
Police Officer-84 (PERS)	Patrol Area 1A-0500	District 3	Personnel - Medical Unit
Police Officer-84 (PERS)	Spec Res Sec 1-PSO 2	District 1	
Police Officer-84 (PERS)	Patrol Area 2A-2000	District 5	
Police Officer-84 (PERS)	Patrol Area 3B-1100	District 6	