

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2010 MAY 13 PM 1:37

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Public Works Agency
DATE: May 25, 2010

RE: **Follow Up Report To The City Auditor's Performance Audit Of The Public Works Agency Regarding General Purpose Funds That Support Public Works Activities**

At the September 29, 2009 Public Works Committee meeting discussion, the Committee requested additional information from staff on the General Purpose Fund allocation to the Public Works Agency (PWA). For reference purposes, attached are the reports dated July 14, 2009 from the City Auditor and September 29, 2009 from staff.

The additional information requested was a breakdown of funds that contribute to the Fund 4400 – City Facilities, (2) Fund 4100 – Equipment, and (3) Fund 7760 – Public Works Overhead portion.

The supplemental information based on the FY 2009-10 Adopted Budget is as follows:

Fund 4400 – City Facilities (custodial services, security services, building maintenance services)

| 56113 - Facilities: General Support | | |
|---|---------------------|----------------------|
| 1010 - General Fund: General Purpose | \$14,857,550 | } General Fund Group |
| 1700 - Mandatory Refuse Program | \$246,510 | |
| 1710 - Recycling Program | \$51,810 | |
| 1720 - Comprehensive Clean-up | \$424,810 | |
| 1750 - Multipurpose Reserve | \$40,350 | |
| 2211 - Measure B: ACTIA | \$93,800 | |
| 2230 - State Gas Tax | \$306,640 | |
| 2240 - Library Services Retention-Enhancement | \$487,080 | |
| 2310 - Lighting and Landscape Assessment District | \$4,133,970 | |
| 2416 - Traffic Safety Fund | \$15,910 | |
| 3100 - Sewer Service Fund | \$363,330 | |
| 4100 - Equipment | \$191,100 | |
| 4200 - Radio / Telecommunications | \$239,660 | |
| 4300 - Reproduction | \$157,100 | |
| 4500 - Central Stores | \$64,070 | |
| 4550 - Purchasing | \$30,010 | |
| 7760 - Grant Clearing | \$1,555,850 | |
| 56113 - Facilities: General Support Total | \$23,259,550 | |

Item: _____
Public Works Committee
May 25, 2010

Fund 4100 – Equipment (fleet and equipment maintenance)


| 56411 - City Vehicle Rentals | | |
|--|---------------------|--------------------|
| 1010 - General Fund: General Purpose | \$6,867,720 | General Fund Group |
| 1710 - Recycling Program | 53,420 | |
| 1720 - Comprehensive Clean-up | \$3,378,480 | |
| 1740 - Hazardous Materials Inspections | \$2,460 | |
| 1750 - Multipurpose Reserve | \$20,300 | |
| 1760 - Telecommunications Reserve | \$6,760 | |
| 2102 - Department of Agriculture | \$290 | |
| 2128 - Department of Health and Human Services | \$65,370 | |
| 2211 - Measure B: ACTIA | \$33,300 | |
| 2230 - State Gas Tax | \$1,681,610 | |
| 2310 - Lighting and Landscape Assessment District | \$2,344,770 | |
| 2415 - Development Service Fund | \$142,110 | |
| 2416 - Traffic Safety Fund | \$152,410 | |
| 3100 - Sewer Service Fund | \$1,222,820 | |
| 4200 - Radio / Telecommunications | \$20,080 | |
| 4400 - City Facilities | \$234,080 | |
| 4500 - Central Stores | \$64,430 | |
| 7760 - Grant Clearing | \$45,000 | |
| 7780 - Oakland Redevelopment Agency Projects (ORA) | \$42,510 | |
| 56411 - City Vehicle Rentals Total | \$16,327,920 | |

Fund 7760 – Grant Clearing (PWA Overhead portion) – (Public Works Agency Administration and agencywide operating costs)

| 58521 - Overhead: Departmental Cost Allocation | | |
|---|--------------------|--------------------|
| 1010 - General Fund: General Purpose | \$213,970 | General Fund Group |
| 1710 - Recycling Program | \$178,950 | |
| 1720 - Comprehensive Clean-up | \$1,028,300 | |
| 2141 - State Traffic Congestion Relief - Proposition 42 | \$180,380 | |
| 2211 - Measure B: ACTIA | \$310,870 | |
| 2230 - State Gas Tax | \$291,360 | |
| 2310 - Lighting and Landscape Assessment District | \$518,630 | |
| 2416 - Traffic Safety Fund | \$71,520 | |
| 2990 - Public Works Grants | \$4,490 | |
| 3100 - Sewer Service Fund | \$796,920 | |
| 4100 - Equipment | \$612,340 | |
| 4400 - City Facilities | \$1,032,710 | |
| 5510 - Capital Reserves | \$30,810 | |
| 7760 - Grant Clearing | \$367,110 | |
| 7780 - Oakland Redevelopment Agency Projects (ORA) | \$72,370 | |
| 58521 - Overhead: Departmental Cost Allocation Total | \$5,710,720 | |

The City Auditor's Performance Audit of the Public Works Agency includes a specific recommendation (#290) to increase General Fund appropriations for asset renewal and replacement. Staff estimates that in order to adequately preserve and renew some of the City's assets as per the Audit recommendations, additional funding in the amount of \$55.25 million annually would be needed. Given the City's financial circumstances, acting upon the recommendation is not feasible for the City of Oakland at this time.

Respectfully submitted,



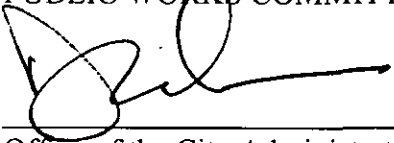
Vitaly B. Troyan, P.E.
Public Works Agency Interim Director

Prepared by:
Stephanie Hom, Agency Administrative Manager

Attachments:

- 1) Follow Up Report To The City Auditor's Performance Audit Of The Public Works Agency Regarding Funding Sources That Support Public Works Activities, from the Public Works Agency, dated September 15, 2009.
- 2) Request For Additional Information On The General Fund Contribution Reported In The Public Works Agency Performance Audit, from the City Auditor, dated July 14, 2009.

APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:



Office of the City Administrator

Item: _____
Public Works Committee
May 25, 2010

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

AGENDA REPORT

2009 SEP -3 PM 1:08

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Public Works Agency
DATE: September 15, 2009

RE: **Follow Up Report To The City Auditor's Performance Audit Of The Public Works Agency Regarding Funding Sources That Support Public Works Activities**

SUMMARY

At the July 14, 2009 Public Works Committee meeting (Item #8), the Committee discussed an item from the City Auditor titled, "Request for Additional Information on the General Fund Contribution Reported in the Public Works Agency Performance Audit." As an outcome of that discussion the Committee directed staff to prepare a report providing the following information:

1. Listing of funding sources used by the Public Works Agency.
2. Listing of funding sources used by the Public Works Agency fund group (General Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds)

This report provides the requested information.

FISCAL IMPACT

There is no direct or immediate fiscal impact related to this report. The content provided in this report is for informational purposes.

BACKGROUND

At the July 14, 2009 Public Works Committee meeting (Item #8), the Committee discussed an item from the City Auditor titled, "Request for Additional Information on the General Fund Contribution Reported in the Public Works Agency Performance Audit." Matrix Consulting Group prepared the report with the following conclusion:

While the review of this data should be cognizant of variances in makeup and organization of the public works departments in these peer cities, it should be recognized that essential services such as traffic signal maintenance, signing and striping maintenance, park maintenance, street and sidewalk maintenance are highly dependent upon general fund operating budget support. Oakland will not be able to address the essential asset management challenges without a higher level of general fund operating budget and capital budget support.

Item: _____
Public Works Committee
September 15, 2009

DISCUSSION

Table 1 below lists the Public Works Agency funding sources in accordance with the FY 2009-10 Adopted Budget.

TABLE 1. FY 2009-10 Public Works Agency Budget Funding Sources¹

| FUND | FY 2009-10 | Percent of Total Budget |
|---|----------------------|--------------------------------|
| 1010 - General Fund: General Purpose | \$4,450,890 | 3.99% |
| 1100 - Self Insurance Liability | \$2,629,140 | 2.36% |
| 1710 - Recycling Program | \$9,621,920 | 8.63% |
| 1720 - Comprehensive Clean-up | \$16,950,700 | 15.20% |
| 1750 - Multipurpose Reserve | \$330,000 | 0.30% |
| 2141 - State Traffic Congestion Relief - Proposition 42 | \$1,897,510 | 1.70% |
| 2211 - Measure B: ACTIA | \$2,983,860 | 2.68% |
| 2230 - State Gas Tax | \$6,243,820 | 5.60% |
| 2310 - Lighting and Landscape Assessment District | \$13,709,890 | 12.30% |
| 2416 - Traffic Safety Fund | \$989,620 | 0.89% |
| 2990 - Public Works Grants | \$70,000 | 0.06% |
| 3100 - Sewer Service Fund | \$12,244,810 | 10.98% |
| 4100 - Equipment | \$16,880,360 | 15.14% |
| 4400 - City Facilities | \$21,736,210 | 19.50% |
| 7760 - Grant Clearing | (\$226,570) | -0.20% |
| 7780 - Oakland Redevelopment Agency Projects (ORA) | \$980,570 | 0.88% |
| Grand Total | \$111,492,730 | 100.00% |

It is relevant to note that the City of Oakland's budget is presented with offsets to the Self Insurance Liability fund (1100) as budgetary appropriations. In other words, budgetary dollars within some of the funds is used to fund the Self Insurance Liability Fund. The Self Insurance Liability Fund is restricted to payments and costs associated with claims and lawsuits and cannot be used for operational expenditures. Within the Public Works Agency budget, there is a total of \$3.6 million that is directed to the Self Insurance Liability Fund, including \$2.1 million from the General Purpose fund (1010).

¹ Of the \$4.5 million of 1010 – General Fund: General Purpose, \$2.1 million is a pass through to the 1100 – Self Insurance Liability fund. In effect, the remaining \$2.4 million (or 2.2%) of the total budget is available for operational expenditures.

Item: _____
Public Works Committee
September 15, 2009

Table 2 below lists the Public Works Agency funding sources by Fund Group (General Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds).

TABLE 2. FY 2009-10 Public Works Agency Budget Funding Sources by Fund Group²

| FUND GROUP | FY 2009-10 | Percent of Total Budget |
|--|----------------------|-------------------------|
| General Fund | | |
| 1010 - General Fund: General Purpose | \$4,450,890 | |
| 1100 - Self Insurance Liability | \$2,629,140 | |
| 1710 - Recycling Program | \$9,621,920 | |
| 1720 - Comprehensive Clean-up | \$16,950,700 | |
| 1750 - Multipurpose Reserve | \$330,000 | |
| <i>Subtotal</i> | <i>\$33,982,650</i> | <i>30.48%</i> |
| Special Revenue Funds: Federal & State Grants | | |
| 2141 - State Traffic Congestion Relief - Prop 42 | \$1,897,510 | |
| 2211 - Measure B: ACTIA | \$2,983,860 | |
| 2230 - State Gas Tax | \$6,243,820 | |
| 2310 - Lighting and Landscape Assessment District | \$13,709,890 | |
| 2416 - Traffic Safety Fund | \$989,620 | |
| 2990 - Public Works Grants | \$70,000 | |
| <i>Subtotal</i> | <i>\$25,894,700</i> | <i>23.23%</i> |
| Enterprise Funds | | |
| 3100 - Sewer Service Fund | \$12,244,810 | |
| <i>Subtotal</i> | <i>\$12,244,810</i> | <i>10.98%</i> |
| Internal Service Funds | | |
| 4100 - Equipment | \$16,880,360 | |
| 4400 - City Facilities | \$21,736,210 | |
| <i>Subtotal</i> | <i>\$38,616,570</i> | <i>34.64%</i> |
| Fiduciary Funds / Trust & Other Agencies | | |
| 7760 - Grant Clearing | (\$226,570) | |
| 7780 - Oakland Redevelopment Agency (ORA) | \$980,570 | |
| <i>Subtotal</i> | <i>\$754,000</i> | <i>0.68%</i> |
| Grand Total | \$111,492,730 | 100.00% |

SUSTAINABLE OPPORTUNITIES

This report does not directly impact economic, environmental or equity issues.

DISABILITY AND SENIOR CITIZEN ACCESS

This report does not directly impact disability or senior access.

² The General Fund group figures include the 1100 – Self Insurance Liability fund and the General Purpose Fund pass through to the Self Insurance Liability fund, in effect, increasing the value of the General Fund group by approximately \$4.8 million.

RECOMMENDATION OR ACTION REQUESTED OF THE CITY COUNCIL

This report provides a listing of funding sources used by the Public Works Agency and a listing of these funding sources categorized by fund group. Staff recommends that the Committee accept the report.

Respectfully submitted,



Raul Godínez II *FOR*
Public Works Agency Director

Prepared by:
Stephanie Horn, Agency Administrative Manager

APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:



Office of the City Administrator

Item: _____
Public Works Committee
September 15, 2009

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Office of the City Auditor
Courtney A. Ruby, CPA
City Auditor

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July 14, 2009

HONORABLE CITY COUNCIL
CITY OF OAKLAND

**RE: REQUEST FOR ADDITIONAL INFORMATION ON THE GENERAL FUND
CONTRIBUTION REPORTED IN THE PUBLIC WORKS AGENCY
PERFORMANCE AUDIT**

Dear Chairperson Nadel and Members of the Committee:

Attached is the information you requested at the Public Works Committee on Tuesday, June 9th, 2009 regarding the General Fund contribution reported in the Public Works Performance Audit.

Should you have additional questions, please contact me at (510) 238-3379.

Respectfully submitted,

COURTNEY A. RUBY, CPA
City Auditor

Public Works Committee, July 14th 2009
Item # _____

DATE: June 28, 2009

TO: Courtney Ruby, CPA
City Auditor
City of Oakland

FROM: Gary Goelitz
Vice President
Matrix Consulting Group

SUBJECT: General Fund Contribution to the Public Works Department

BACKGROUND: As noted in page 19 of the Introduction and Executive Summary of the *Performance Audit of the Public Works Agency*, the Agency has a fiscal year 2008-09 budget of \$118,701,366 for all funds. The general-purpose fund provides only \$2,427,861 or 2% of the operating funds for the Agency. All other funding for the Agency comes from other funds such as the Recycling Fund, Comprehensive Clean-up, State Gas Tax, Landscape and Lighting Assessment District, Sewer Service, Equipment, City Facilities, and other funds.

The *Performance Audit of the Public Works Agency* noted that the City's General Fund contribution is less than that of other public works departments in similar cities. In Long Beach, for example, the General Fund provides 17% of the operating funds for the Public Works Department. In Anaheim, the General Fund provides 19% of the operating funds of the Public Works Department. In Fresno, the General Fund provides 26% of the operating funds of the Public Works Department. In Sacramento, the General Fund provides 22% of the operating funds of the Transportation Department (Sacramento does not have a Public Works Department). In Santa Ana, the General Fund provides 5% of the operating funds of the Public Works Department (this lower proportion of General Fund contribution in Santa Ana results from inclusion of a water utility within the Department that significantly increases departmental expenditures and reduces the proportion of General Fund expenditures).

At its meeting of June 9, 2009, the Public Works Committee requested additional information regarding the general fund contributions made to the public works departments in these other cities and their comparability to Oakland. The concern included the impacts of internal service funds (fleet and facilities) on the comparability to Oakland.

DISCUSSION: To assure that the comparison of these cities and their general fund contributions to their public works departments are comparable to Oakland, the fleet and facilities internal service funds from each public works department were excluded. These comparisons are provided below.

- Sacramento.** As noted previously, Sacramento does not have a public works department. It does have a Transportation Department. That department is responsible for engineering; traffic engineering; parking enforcement, meters, and garages; street maintenance including signs, markings, signals and streetlights; and urban forestry. It does NOT include any fleet and facility internal service funds. The general fund provided 22% of the total operating budget funding for the department. The department was authorized 436.95 positions in FY 2008-09.
- Fresno.** The Public Works Department in Fresno includes engineering (GIS, development review, traffic engineering, special districts, etc.); capital management; parking operations (garages, lots, and meters); street maintenance including tree maintenance and median islands; traffic signal and streetlights. It does NOT include any fleet and facility internal service funds. The general fund provided 26% of the total operating budget funding for the department. The department was authorized 338.40 positions in FY 2008-09.
- Anaheim.** The Public Works Department in Anaheim includes engineering (traffic engineering, development review, real property, design); fleet and facility services; public works operations (street maintenance, wastewater collection, street sweeping, sidewalk maintenance, sign maintenance, etc.); and construction management and inspection. Excluding the fleet and facility internal service funds and their revenues, the general fund provided 24% of the total operating budget funding for the department; this is higher than originally reported as a result of the exclusion of the fleet and facility internal service funds. The department was authorized 252 positions in FY 2008-09.
- Long Beach.** The Public Works Department in Long Beach includes facilities management; solid waste collection, recycling, and litter abatement; street sweeping; fleet management; towing; engineering (design, construction management and inspection, etc.); street maintenance; storm drainage maintenance; traffic and transportation; and the airport. Excluding the fleet and facility internal service funds and the airport, the general fund provided 21% of the total operating budget funding for the department; this is higher than originally reported as a result of the exclusion of the fleet and facility internal service funds. The department was authorized 624 positions in FY 2008-09.
- Santa Ana.** The Public Works Department in Santa Ana includes engineering (design, traffic, and construction management / inspection); streets and sidewalk maintenance; traffic signal maintenance; tree and landscaping maintenance; streetlight maintenance; wastewater and stormwater collection maintenance; water distribution maintenance and production; graffiti removal; and street sweeping. It does NOT include any fleet and facility internal service funds. The general fund provided 5% of the total operating budget funding for the department. The department was authorized 205 positions in FY 2008-09.

- **Oakland.** The Public Works Agency in Oakland includes streets, sidewalks, parks, wastewater, stormwater, fleet and facility, streetlight, and vehicle maintenance, litter and graffiti abatement, recycling, and environmental compliance. The Agency was budgeted \$2,427,861 in general-purpose fund operating budget in 2008-09. This excludes the recycling program and comprehensive cleanup fund since those funds cannot be utilized for other purposes without approval of the electorate in Oakland (Proposition 218 limitations). Excluding the fleet and facility internal service funds and their revenues, the general fund provided 3% of the total operating budget funding for the department; this is higher than originally reported as a result of the exclusion of the fleet and facility internal service funds. The department was initially authorized 691 positions in FY 2008-09.

Each of these peer cities – Sacramento, Fresno, Long Beach, Anaheim, and Santa Ana – provide a higher level of general fund operating budget support for their public works departments.

CONCLUSION: While the review of this data should be cognizant of variances in makeup and organization of the public works departments in these peer cities, it should be recognized that essential services such as traffic signal maintenance, signing and striping maintenance, park maintenance, street and sidewalk maintenance are highly dependent upon general fund operating budget support. Oakland will not be able to address the essential asset management challenges without a higher level of general fund operating budget and capital budget support.