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15 JUN 25 PM 12:42

June 24, 2015

City of Oakland
Mayor Libby Schaaf
1 Frank H. Ogawa Plaza
Oakland, CA 94612

Dear Mayor Schaaf,

In Tuesday night's Oakland City Council meeting, Revenue & Tax Administrator David McPherson and his staff blamed SEIU 1021 members for failing to replace the duties of a recently retired worker. We find it appalling that McPherson's comments attempted to discredit his employees, whose job scope does not include doing the work he blames us for not providing.

Additionally, his mismanagement of the division has jeopardized millions of dollars in revenue and exposed the city to millions of dollars in potential litigation damages. SEIU 1021 members blew the whistle about the potential programs with the psi contract, exposed the nepotism in hiring and promotions, and exposed waivers of business tax fines and interest.

Since David McPherson was hired in March 2010, no comprehensive audit of tax accounts has been conducted. David has systematically marginalized the employees in the tax enforcement unit of the revenue division. He has effectively stripped TEO's of their fundamental duties and withheld tools for discovery of new business and rental property owners, as well as pursuing delinquent and outstanding business tax accounts.

TEO's in the department had the experience with the IT collection system prior to McPherson's arrival and could generate any kind of revenue reports for council. Instead of investing in existing employees, McPherson claimed staff were "untrainable" and then assigned TEO's to backfill the customer service unit and answer phone calls, which has prevented them from discovering new accounts to replace closed accounts, and referring viable outstanding accounts to central collections. He shifted the discovery function to the now defunct strategic support unit and new auditors David McPherson hired. McPherson continues to mislead the council about the skills of the employees in the revenue division simply to deflect criticism away from his mismanagement.

On behalf of the Oakland Chapter of SEIU 1021,

Al Marshall, President
City of Oakland Chapter

cc: Dana MacPherson, Area Field Director, SEIU 1021
Councilmembers, City of Oakland
David A. McPherson, Revenue & Tax Administrator, City of Oakland
File

AT(crm)opeiu:29/afl-cio

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Issues in Revenue which need to be resolved

I compiled the following information -- below -- from the Administration's Q&A and Errata. I have not received my requested breakdown of the Administration's proposed \$2.8 million per year in revenue budget cuts, in terms of listing what dollar amount of the proposed cut comes from which revenue categories (e.g. rental property tax, commercial, retail, etc).

From Budget Q&A Batch 2

10) Please provide the amount of Oakland revenue from tax on rental property each year for the most recent five years.

Below are the approximate amounts received in the GPF from Business License Tax (BLT) from rental properties:

Business License Tax Rental Properties					
Fiscal Year	FY 2009-10	FY 2010-11	FY 2011-12 *	FY 2012-13	FY 2013-14
Amount (millions)	\$ 21.66	\$ 21.26	\$ 29.36	\$ 24.15	\$ 25.16
* Includes a landlord audit					

11) What is the amount per year, in each of the two years of the Administration's proposed 2015-2017 budget, that is anticipated to come from tax on rental property?

In FY 2015-16 the budget includes \$28.65 million for BLT from rental properties, which includes \$965,000 of non-recurring revenue from a landlord audit project. FY 2016-17 assumes a revenue budget of \$28.88 million for BLT from rental properties.

12) What is the status of the project to allow people to pay their business license taxes online? How much money has been devoted to this project so far? How much is proposed in the 2015-2017 budget? When is the system expected to be online?

The City is currently in a contract dispute with its current local tax software provider. Thus, this project is on hold pending resolution of existing contract issues or identification of a new local tax software provider. To date, the City has spent \$112,455. Remaining funds allocated to this project in the current year's budget will carryforward in order to complete the project. There is no additional funding requested in the FY 2015-17 budget. The system is expected to be on-line no sooner than the FY 2016-17 BLT renewal cycle.

13) How much revenue from Airbnb is in the proposed budget?

Currently there is no revenue assumed in the proposed budget from short-term residential rentals, and financial data associated with a single taxpayer cannot be disclosed.

From Mayor's Budget Errata (dated May 22nd 2015, page 3)

2. Business License Tax Based upon the results of FY 2014-15 Q3 data, the forecast is being adjusted to better reflect current and anticipated market conditions. Business tax is being decreased by approximately \$2.8 million in both fiscal years.

From Budget Q&A Batch 4:

40) Explain why the business tax revenue is below projections.

The initial baseline upon which the FY 2015-17 forecast was created was FY 2013-14 actual revenue received and forecasted at FY 2014-15 Q2 to increase 7.6% to \$67 million. This baseline was predicated upon strong growth experienced in the local economy since 2013, including increases in both the residential and commercial rental markets due to improved rental values and increased occupancy rates. Then the baseline forecast was projected to increase 4.05% in FY 2015-16 and a more modest 3% in FY 2016-17. The data as of FY 2014-15 Q3 (when the bulk of business tax revenues are actually received) was not reflective of the anticipated increase, even after controlling for anticipated collection of delinquent accounts. Thus, it was prudent to reduce the FY 2015-17 forecast to be more reflective of what is being experienced in the FY 2014-15 business tax cycle.

41) Explain why rental property revenue is below projection; and, how the City will pursue enforcement of taxes for rental properties.

Staff has been proactively addressing this concern. After conducting an initial analysis, one of the contributing factors to lower than anticipated landlord business tax revenue is turn over in rental property ownership. Using the HDL property tax software, the County Assessor's database, and the City's local tax software, staff identified 8,142 leads where the property tax bill is being mailed to an address that is different from the property's sites address. Historically, this has been indicative of real property that is being rented and the property tax bill being mailed to the owner or manager of the rental property who resides at a different address. Some of these properties may be multi-unit properties, like apartment complexes and some may be single-family homes or condos. Staff is not assuming all 8,142 leads will result in the discovery of a non-compliant renter. Staff is assuming a conservative collection rate of 40% of the 8,142 leads, which equals 3,224 new landlord business licenses being issued. When factoring possible penalties and interest, it is conservatively assumed that each of 3,224 new landlord business licenses will generate approximately \$600 in revenue in FY 2015-16 and \$300 thereafter. Furthermore, staff has identified 260 possibly unlicensed commercial landlords that compliance staff will contact and better discern current usage of the property. The additional revenue expected from this audit is already factored into the FY 2015-17 revenue budget.

44) Provide status of Council's direction to setup an online payment system for business taxes.

The City is currently in a contract dispute with its current local tax software provider. Thus, this project is on hold pending resolution of existing contract issues or identification of a new local tax software provider. The system is expected to be on-line no sooner than the FY 2016-17 BLT renewal cycle.

From Budget Q&A Batch 5:

30. In response to Question # 41 in the Administration's June 1, 2015 Budget Questions #4 memo received on June 4, the proffered reason that rental property tax revenue is below projections is "turn over in rental property ownership," similar to the answers given to Council questioning on this topic at the June 1st special meeting, despite the fact that the proposed budget notes that real estate sales volume has significantly declined since 2007 (p. E-77). The rest of the response to this question topic can be summarized as staff laying out the steps it intends to take regarding an audit of potential non-compliant, tax and business license delinquent rental property owners. Given that (1) a significant percentage (though not a majority) of Oakland rental units are not subject to rental control, (2) rents are increasing sharply, (3) the business license tax is based on gross receipts, and (4) that p. E-73 of the proposed budget itself states "The City expects to see a benefit from an increase in the rental real estate market," that actual revenue is below projections (see Questions #10 & 11 in the May 18, 2015 Budget Questions #2 memo) is highly suggestive of a collection problem. How many audits of delinquent rental property business licenses and back taxes has the Revenue Management Bureau conducted in each of the following years?: 2005 – 2014. Three comprehensive audit projects have been completed since 2010. Records of audits prior to this date are not available.

31. For each of the years from 2005-2014, please provide the annual number of additions and deletions of identified businesses in the RMB's business license tracking systems.

Staff is unable to provide an answer to this question at this time. The supervisor who had the knowledge to pull these reports recently retired, and while staff was trained on the process and could provide this information, RMB is currently awaiting a meet and discuss being scheduled with SEIU 1021 regarding the assignment of this work.

38. List all individual Finance Department waivers of fines and fees for delinquent business taxes each year, 2012 – 2015, including the name of the entity that received the waiver and the amount of the waiver.

The Finance Department does not maintain a database that tracks these records.

49. Please provide copies of all active fee and fine waiver policies.

Finance Department: 5.04.520 - Duties of the Director of Finance—Notice of decisions. It shall be the duty of the Director of Finance, acting by and through the Business Tax Section, to collect and receive all taxes imposed by this chapter and to keep an accurate record thereof. Said Director of Finance, acting by and through the Business Tax Section, is charged with the enforcement of this chapter, except as otherwise provided herein, and may prescribe, adopt and enforce those rules and regulations necessary or advisable to effectuate the purposes of this chapter, including provisions for the re-examination and correction of declarations and payments; *the exclusive discretionary authority to waive penalties*; and the authority to defer the payment due dates as prescribed by Section 5.04.190 by up to ten calendar days. In individual cases, the Director of Finance may make findings of fact in support of decisions, determinations and rulings enforcing this chapter. The Director of Finance may prescribe the extent to which any ruling or regulation shall be applied without retroactive effect. (Ord. 12838 § 3 (part), 2007; prior code § 5-1.52)

54. Who in the City of Oakland has the authority to waive taxes, fees, fines and penalties? What dollar amount has been waived over the past two years? By whom?

Please refer above, response #49 (page 25). There is currently no mechanism for tracking fee/fine waivers on a citywide basis due to varying legal provisions and systems utilized.

65. Ensure that phone number for service is on every parking meter and explain the location of that number on the new single space meters.

The Bureau of Revenue has awarded the "Pay by Phone" contract to a vendor. Staff anticipates taking the contract to City Council in September. Once the contract is executed the new vendor will be putting new stickers and signs up throughout the City

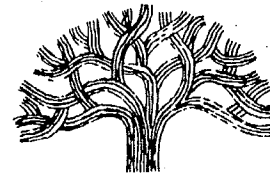
From Budget Q&A Batch 6

18) Please provide the annual number of Oakland landlords with business licenses 2007 – 2014.

The Revenue Management Bureau cannot insure that accuracy of the data retrieved from the local tax software, the data are unreliable.

19) Please provide the annual business license tax by business category 2007-2014.

The Revenue Management Bureau cannot insure that accuracy of the data retrieved from the local tax software, the data are unreliable.



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Budget Questions & Answers Related to police overtime, recruitment and costs

From Q & A Batch 1

1) What is the total amount by which police overtime exceeded the budgeted amount in the current budget so far?

The FY 2014-15 Adjusted Budget for Oakland Police Department (OPD) overtime across all funds is \$17,025,864 and through the end of March total overtime expenditure has been \$24,183,226, exceeding the overtime budget by \$7,157,362 across all funds. And in General Purpose Fund (GPF) the FY 2014-15 Adjusted Budget is \$16,491,334 with a total spending of \$22,717,065 through March 31, 2015 exceeding the GPF overtime budget by \$6,225,731.

2) Amount expected to exceed by the end of the fiscal year?

Averaging the overtime spent in the first nine months of the fiscal year, OPD is expected to exceed its overtime budget by \$13,798,097 in GPF. This does not take into account any projected salary savings or overall OPD spending projections for the fiscal year.

3) What is the dollar amount of policing time/resources that has been devoted to policing protests/demonstrations during this budget cycle?

The Oakland Police Department does not use special tracking codes for regular time worked, therefore, OPD is unable to provide the total dollar amount associated with protests/demonstrations. However, from July 2014 – March 2015, it is estimated that approximately \$5,633,215 in overtime was spent on protests/demonstrations. In addition, approximately \$398,000 in operations and maintenance costs can be attributed to protests/demonstrations this fiscal year.

7) What is the total amount of OPD deployment/costs in this budget cycle targeted to crack down on illegal gun dealing?

Currently, OPD submits gun trace requests to the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) National Tracing Center (NTC) via "eTrace 4.0" (eTrace), a submission system and an interactive firearms trace analysis tool that provides an electronic exchange of crime gun incident-based data in a secure webbased environment. OPD currently has one officer authorized and assigned to operate the eTrace system and one Police Services Technician II in the Property and Evidence Unit responsible for centralized firearm documentation and reporting responsibilities. The approximate cost this fiscal year is \$267,941 (excluding non-personnel costs). 8) What would be the expected cost to add needed costs/deployment to more effectively target illegal gun dealing? By adding an additional 10 sworn officers to OPD's gun tracing efforts, OPD can greatly increase both its eTrace efforts as well as gun-crime related investigatory efforts, which will lead to greater gun tracing and impact the quantity of guns on Oakland streets. The annual fully burdened cost for 11 Officers and one Police Services Technician II at top step would be \$2,080,760.

From Budget Q&A Batch 5

6. During the most recent attempt to recruit laterals for the police department, please provide: i - How much total was spent on outreach/recruitment. ii - Was relocation assistance offered to prospective lateral recruits? iii - Please provide copies of all advertising/outreach materials used in the most recent lateral recruitment. iv - Please provide a list of all places where advertising/outreach materials were sent/distributed/advertised in the most recent lateral recruitment. v - What was the total number of applicants in that recruitment?

On the most recent lateral academy, approximately \$2,500 was spent on advertising, food for assessors, and contracted HR services (not counting internal HR or OPD staff time). Relocation assistance is not offered for lateral recruits. Please see Attachment B for copies of recent outreach and recruitment materials. OPD advertised on POST.com, Nixle, Nextdoor, Twitter, PORAC.com, E-mail blast forwarded to non-affiliate academies in California. Human Resources administered two consecutive recruitments for a total of 135 applicants (Jan 2015 – 76 applicants with a result of 16 on the eligible list; March 2015 – 59 applicants with a result of 18 on the eligible list). Six officers were hired from this recruitment

[Attachment B]:

(Email record)

From: Brewster, Sylvian A

Sent: Tuesday, January 06, 2015 10:05 AM

Subject: Now Hiring!

Greetings,

Please share the following information with your non-affiliated students: The Oakland Police Department (OPD) extends a special opportunity to pursue a challenging career in law enforcement with one of the best police agencies in the State. The OPD is currently accepting applications for the position of Police Officer (PERS) - Lateral/Academy Graduate. For further information on how to apply, click on the link below and scroll down to the Current City Job Openings icon. Please Note: The application closing date/time is TODAY January 6, 2015 11:59 PM Pacific Time.



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Additional Policy Directives

The following are supplemental Policy Directives submitted by Vice-Mayor Kaplan. These Policy Directives are in addition to the Policy Directives submitted in the Budget proposal by Council President Gibson-McElhaney, et al, Vice Mayor Kaplan is in support of the Policy Directives already submitted; these Policy Directives are complimentary to those of the Council President and are submitted in an effort to improve revenue collection, make government more responsive and provide support for enforcement efforts against those who do harm to our city.

1. To create clarity and consistency, and support bringing action against those who harm Oakland, authorize a City attorney presumed recovery rate of 1/3 for settlements, awards and judgments. In a specific case if there is reason to differ from this rate it may be recommended by the city attorney, council or administration and must be approved by Council. Otherwise, the recovery rate shall be presumed to be 1/3.
2. Expand and improve business license tax collection effectiveness, including from those not currently paying. Pursue options for expanding collections from new technology industries such as transportation network companies, and the creation of an option to collect from those who do not declare a business category by authorizing collection at a the top rate for "undeclared" businesses, report back to Council by January 2016 on these efforts.
3. The Administration shall conduct a review of the tax payment status of all residential properties which have changed hands since 2007 and which do not have a homeowner exemption filed with the county. Any property which in prior years claimed no income due to renovations to be re-inquired. Property owners shall be informed of the various tax obligations and payment methods and requirements, and create follow-up system to ensure tax payments are not being improperly avoided. This will allow for a more robust and accurate collection of tax revenue to fill public service needs such as public safety, libraries, senior centers, etc.
4. Launch the previously Council-authorized online business tax payment system, and take action to insure that all aspects of revenue data tracking systems are functioning properly. (See Supplemental with Q&A regarding revenue for details on current problems with revenue computer system). Making revenue collection more customer friendly will enhance the City's ability to capture much needed revenue and provide a faster and less cumbersome process for residents. Report back to Council by October 2015 on progress on this issue.

Kaplan Amendments to Council President's Budget Proposal
REVENUE

Item #	Dept.	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes
1	REV	ADD BACK: Business License Tax (From errata)	\$ 800,000	\$ 800,000	\$ -	\$ 1,600,000	Restores a portion of Administration's errata cut to biz tax
Subtotal Revenue			\$ 800,000	\$ 800,000	\$ -	\$ 1,600,000	

REDUCTIONS

Item #	Dept.	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes
2	OPD	REDUCE: OPD overtime	\$ (500,000)	\$ (500,000)	\$ -	\$ (1,000,000)	Report back on OPD overtime no later than mid-cycle.
3	OPD	Exchange one Basic Academy for one Transitional academy			\$ (500,000)	\$ (500,000)	Likely saves more money from trainee salaries. Below, funds added for outreach/relocation assistance. See Supplemental Q&A re: police for explanation of lack of prior effort
4		Slight reduction in Mayor's office increase	\$ (100,000)	\$ (100,000)	\$ -	\$ (200,000)	Mayor's budget proposed 39% increase for Mayor's office, this keeps a large increase that is still bigger than other depts
5		Change Fund: ADA improvements to Woodminster			\$ (1,000,000)	\$ (1,000,000)	Relocate to Litigation Fund
6		Change fund: Mattress recycling grant match			\$ (100,000)	\$ (100,000)	Relocate to non-GPF
Subtotal Reductions			\$ (600,000)	\$ (600,000)	\$ (1,600,000)	\$ (2,800,000)	
FUNDS FOR REPROGRAMMING			\$ 1,400,000	\$ 1,400,000	\$ 1,600,000	\$ 4,400,000	

ADDITIONS/TRADE-OFFS/OAKLAND PRIORITIES

Item #	Dept.	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes
7	CAO	ADD: For Labor Negotiations	\$ 150,000	\$ 150,000	\$ 200,000	\$ 500,000	Subject to labor negotiations
8	CAO	ADD: Increase Oakland Animal Shelter support	\$ 60,000	\$ 80,000	\$ -	\$ 140,000	Improve public service, hours of access, increase adoption rate
9	CAO	ADD: Support for Unaccompanied Minors		\$ -	\$ 600,000	\$ 600,000	Return at mid-cycle to discuss/review
10	HSD	ADD: Housing services for Commercially Sexually Exploited Children	\$ 130,000	\$ 170,000	\$ 100,000	\$ 400,000	Expand Transitional housing services and support for exploited youth, more beds, \$100K for capital improvements
11	OCC	RESTORE: prior-year cuts for Council offices, allow support for community events	\$ 160,000	\$ 160,000	\$ -	\$ 320,000	Improve constituent services; commensurate with citywide restorations -- ALLOW for use for community events if preferred (\$20k/yr/office)
12	OPL	ADD: Expand library hours	\$ 100,000	\$ -	\$ -	\$ 100,000	Focused on libraries w greatest need, Moves start date slightly earlier relative to CP budget
13	OPD	Recruitment and outreach, including relocation assistance, for transitional police academy	\$ 25,000	\$ 25,000	\$ 100,000	\$ 150,000	Save money and time by recruiting one police academy as a transitional academy. Outreach in year 1, academy in year 2, relocation assistance from one-time
14	OPD	Safety Facilities improvement/location plan. Launch effort for training range and plan for future PAB			\$ 150,000	\$ 150,000	For planning, grant-seeking, launch of effort for weapons training range and new PAB
15	OPD	Pilot program to target gun violence, illegal gun dealing	\$ 500,000	\$ 500,000	\$ -	\$ 1,000,000	Costs (incl police time, investigations) to target illegal guns
16	OPW	Increase tree services	\$ 40,000	\$ 40,000	\$ 20,000	\$ 100,000	Adds hours for maintenance, and \$20k for one-time costs
17	CAO	Law implementation and education -- min. wage	\$ 50,000	\$ 50,000	\$ -	\$ 100,000	City Administrator/Contract Compliance (unless/until this duty is relocated)
18	HSD	Senior services/Lincoln Rec Center	\$ 28,000	\$ 29,000	\$ -	\$ 57,000	Increase hours of service, improve access for seniors
19	OPB	Enforcement of mobile vending, sidewalk vending etc	\$ 52,000	\$ 108,000	\$ -	\$ 160,000	Staff who can issue tickets, etc, assumes start 1/2016, decision of which staff by fall 2015
20	OCC	Grants for blight abatement (murals, clean-up)			\$ 300,000	\$ 300,000	To be allocated to specific projects by future action of Council
TOTAL Additions			\$ 1,295,000	\$ 1,312,000	\$ 1,470,000	\$ 4,077,000	
GPF Surplus/Deficit			\$ 105,000	\$ 88,000	\$ 130,000	\$ 323,000	

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NON-GPF ADJUSTMENTS

Item #	Dept	Description	FY 2015 - 16	FY 2016 - 17	One-Time	Totals	Notes
		ADD: Grant match for mattress recycling program				\$ 100,000	Keep old mattresses from ending up on our streets and sidewalks, work with stopwaste.org, local mattress recyclers and leverage funds. 1710
		ADD: Support for façade improvement etc for businesses that were vandalized			\$ 200,000	\$ 200,000	From Redevelopment balance
		ADD: Pilot program to target/identify illegal dumpers			\$ 80,000	\$ 80,000	One-time equipment cost, Fund 1710
		ADD: Cable TV production assistant KTOP 1 FTE	\$ 68,000	\$ 69,000		\$ 137,000	Fund 1760
		ADD: Pedestrian safety and way-finding signage improvements, \$40K per Council office			\$ 320,000	\$ 320,000	Measure B from fund balance 2211
		Change Fund: Woodminster ADA to Litigation Fund			\$ 1,000,000	\$ 1,000,000	Relocate to Litigation fund per prior Council action