

CITY OF OAKLAND

BUDGET ADVISORY COMMISSION

Notice is hereby given that a **special meeting** [date] of the City of Oakland Budget Advisory Commission (BAC) is scheduled for **Wednesday, January 24, 2017 at 6:00 pm**
In the **Hearing Room 4, City Hall, 2nd Floor**, at 1 Frank Ogawa Plaza.

Commission Members:

Lori Andrus, Brandon Baranco, Jon Bauer, Ken Benson, Margurite Fuller,
Ed Gerber, Alicia John-Baptiste, Geoffrey Johnson, Darin Ranahan, Noelle Simmons,
Adam Van de Water, Danny Wan, & Jennifer West

City's Representative:

Brad Johnson – *Finance Department*

Meeting Agenda:

1. Administrative Matters
 - Welcome & Attendance
2. Status Update on BAC Membership: [15 minutes]
3. Possible Action on the Nomination and Election of Officers (Chair, Vice-Chair, and F&M Liaison) for the BAC's 2017-18 Term. [15 minutes]
4. Update on the BAC's report on the FY 2017-19 Budget Process and reception at the Finance Committee: [30 minutes]
5. Discussion regarding the proposal before City Council to allocate capital funds to Job Training Programs see attached materials. [30 minutes]
6. Discussion regarding the CalPERS Pension Rates Report see attached materials. [30 minutes]
7. Discussion regarding the Overtime Expenditures In The Police And Fire Departments Report see attached materials. [30 minutes]
8. Discussion regarding the Budget Advisory Commission Calendar for the coming year. [15 minutes]
9. Open Forum
10. Adjournment

2017 NOV -6 AM 10: 54

DRAFT

CITY OF OAKLAND
ORDINANCE NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBERS
DESLEY BROOKS, LARRY REID, AND REBECCA KAPLAN

PERCENT FOR CYPRESS MANDELA TRAINING PROGRAM &
CITYWIDE JOB CENTERS ORDINANCE

An ordinance authorizing the allocation of 5% of the City's capital improvement projects costs to the Cypress Mandela Training Program and the Citywide Job Centers for training, job readiness, and job placement of city residents; establishing a method for calculating Cypress Mandela Training Program and Citywide Job Centers appropriations of capital projects, establishing a Cypress Mandela Training Program and Citywide Job Centers project account; establishing method of administering Cypress Mandela Training Program and Citywide Job Centers program; and establishing general guidelines for the administration of the Cypress Mandela Training Program and Citywide Job Centers program.

Whereas, The Oakland City Council, in accordance with the provisions of the Charter of the City of Oakland, the state law, and applicable ordinances of the City, have reviewed and recommended this ordinance;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF OAKLAND THAT:

SECTION 1. PURPOSE

The City of Oakland accepts responsibility for expanding training and job opportunities for its citizens through tested programs like the Cypress Mandela Training Program & Citywide Job Centers. A policy is hereby established to develop and grow Oakland's workforce, reduce unemployment and poverty through certain City capital improvement projects.

SECTION 2. DEFINITIONS

CITY CAPITAL IMPROVEMENT PROJECT means any capital improvement project paid for wholly or in part by funds appropriated by the City of Oakland to construct or remodel a building, decorative or commemorative structure, park, street, sidewalk, parking facility, or utility or any portion thereof, within the City limits of, or under the jurisdiction of, the City of Oakland.

CAPITAL IMPROVEMENT COSTS include all construction costs as well as architectural and engineering fees and site work associated with capital improvement projects. Capital improvement costs do not include administrative costs or costs related to the investigation and remediation of hazardous materials.

engineering fees and site work associated with capital improvement projects. Capital improvement costs do not include administrative costs or costs related to the investigation and remediation of hazardous materials.

CYPRESS MANDELA TRAINING PROGRAM is a community based organization dedicated to improving the lives of people it serves by providing preapprentice construction and life skills training along with employment assistance.

CITYWIDE JOB CENTERS are defined as job centers which provide accessible, high-quality training and employment services to local residents and employers. The Centers work to help Oakland residents access jobs in career pathways in the Construction and Transportation, Distribution and Logistics sectors and support contractors' and operators' efforts to hire, train and retain local workers.

DEMOLITION COSTS means payment for any work needed for the removal of buildings or other existing structures from City property.

CYPRESS MANDELA TRAINING PROGRAM & CITYWIDE JOB CENTERS PROJECT ACCOUNT IN THE CITY ADMINISTRATOR'S BUDGET means a project account which is established by the City to receive monies (the 5%) appropriated from the capital improvement project budgets to the Cypress Mandela Training Program & Citywide Job Centers program.

REAL PROPERTY ACQUISITION COSTS means payments made for the purchase of parcels of land, existing buildings or structures; and costs incurred by the City for appraisals or negotiations in connection with such purchases.

SECTION 3. FUNDING

APPROPRIATIONS. All appropriations for City capital improvement projects, including all bond projects and all other capital projects funded from other sources excluding sewer repairs funded from sewer service charge fees shall include an amount equal to five-percent (5%) of the total capital improvement project cost to be dedicated to the Cypress Mandela Training Program & Citywide Job Centers Project Account. Funds appropriated will be used for the Cypress Mandela Training Program, Citywide Job Centers, and administrative costs to manage the program.

The 5% appropriation shall include but not be limited to General Fund funded capital improvements, gas tax funded capital improvements, Measure KK funded projects, Measure DD funded projects; Measure B funded capital improvements, off street parking funded capital improvements and any and all other capital improvements funded from other revenues including grants which may be so appropriated.

METHOD OF CALCULATION. The minimum amount to be appropriated to the Cypress Mandela Training Program & Citywide Job Centers Project Account to fund said programs shall be the total capital project appropriation including all construction costs as well as architectural and engineering fees and site work expenses multiplied by 0.05, excluding amounts budgeted for real property acquisition; demolition; and financing costs. Cypress Mandela shall be allocated 75% and the Citywide Job Centers shall be allocated 25% of the Cypress Mandela Training Program & Citywide Job Centers Project Account funds less administrative costs not to exceed \$200,000.00 in per fiscal year.

EXCLUSIONS. If the source of funding or other applicable law or regulation with respect to any particular capital improvement project or portion thereof prohibits or restricts the use of the 5% dedication of such funds for Cypress Mandela Training Program & Citywide Job Centers, this ordinance shall not apply to the projects expenses, so prohibited or restricted.

GRANT APPLICATIONS. All City departments shall, from the effective date of this ordinance, include in applications for capital improvement projects to outside granting authorities, amounts for construction training, job readiness and job placement as specified herein, where permitted or unless otherwise waived by the City Council. Receipt of such funds shall be administered as part of

include in applications for capital improvement projects to outside granting authorities, amounts for construction training, job readiness and job placement as specified herein, where permitted or unless otherwise waived by the City Council. Receipt of such funds shall be administered as part of the City's Cypress Mandela Training Program & Citywide Job Centers Program.

SECTION 4. DISTRIBUTION OF FUNDS

It is intended that funds in the Cypress Mandela Training Program & Citywide Job Centers Project Account will be distributed to quarterly to Cypress Mandela Training Program and Citywide Job Centers pursuant to Section 3(B) above.

SECTION 5. CYPRESS MANDELA TRAINING PROGRAM & CITYWIDE JOB CENTERS PROJECT ACCOUNT

Monies appropriated pursuant to this ordinance shall be transferred by the City Administrator or his designee to the project account within the City Administrator's Office designated "Cypress Mandela Training Program & Citywide Job Centers Project Fund" into which monies appropriated hereof shall be deposited.

Contracts and disbursements shall be in accordance with the City's fiscal and purchasing policies and procedures.

SECTION 6. SEVERABILITY

Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance be declared unconstitutional or invalid for any reason, such declaration shall not affect the validity of the remaining portions of this ordinance.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2017.

PASSED BY THE FOLLOWING VOTE:

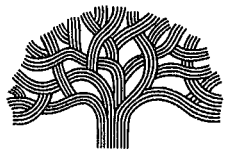
AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, GIBSON-MCELHANEY,
KALB, KAPLAN, AND PRESIDENT REID

NOES- NONE

ABSENT-NONE

ABSTENTION- NONE

ATTEST:
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California



CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2017 NOV -2 AM 10: 22

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: CalPERS Pension Rates for FY
2018-19 and forecast through FY
2024-25

DATE: October 30, 2017

City Administrator Approval

Date:

11/1/17

RECOMMENDATION

Staff Recommends That The City Council Accept An Informational Report On The June 30, 2016 CalPERS Actuarial Valuation Reports for Miscellaneous and Safety Plans that Establishes Employer Pension Contributions for Fiscal Year (FY) 2018-19 And Provides Forecast Employer Contribution Rates Through Fiscal Year 2024-25.

EXECUTIVE SUMMARY

In August 2017, CalPERS provided the City with the June 30, 2016 Actuarial Valuations for Pensions for Miscellaneous and Safety employees. These valuations establish the City's Employer Contribution rates for FY 2018-19 and forecast future Employer Contributions over a multi-year period. This is the first valuation report since CalPERS announced its phased-in reduction to the discount rate, from 7.5 percent to 7.0 percent over a three-year period (discussed in more detail in the "Background / Legislative History" section).

As of June 30, 2016, the City's Miscellaneous Plan was 65.4 percent funded, while the City's Safety Plan was 62.3 percent funded. This funding level reflects a decline from June 30, 2015 when the Miscellaneous Plan was 70.2 percent funded and the Safety Plan was 67.2 percent funded.

Based on these valuations, the City's FY 2017-18 contribution toward pension will increase from approximately \$121.91 million in FY 2017-18 to nearly \$136.82 million in FY 2018-19, a \$14.9 million increase or 12.2 percent. While the City's contribution in FY 2018-19 is increasing significantly over the previous year, the increase is consistent with prior estimates and is largely factored into the City's FY 2017-19 Adopted Policy Budget.

If CalPERS achieves its expected rate of return over the forecast period, the City's total contribution is forecast to increase from \$136.82 million in FY 2018-19 to \$204.13 million by FY 2022-23, an increase of 49.2 percent over the five-year forecast period. This is an average annual increase of 10.5 percent per year.

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Finance and Management Committee

BACKGROUND / LEGISLATIVE HISTORY

The City has three (3) defined benefit pension programs and a defined benefit program to pay partial costs of Other Post-Employment Benefits ("OPEB") (retiree medical) for certain classes of retirees. As shown in the table below, the City's cumulative unfunded liabilities for these employee retirement programs are \$2.796 billion based on the most recent actuarial valuations available. While the remainder of this report focuses on the City's CalPERS pension programs, it is important to consider the full magnitude of outstanding obligations related to employee retirement benefits when considering future employer pension contributions

Table 1. Unfunded Retirement Benefit Obligations

	Accrued Liability	Assets (MV)	Unfunded Liability	Funded Ratio	Eff. Date
PFRS ¹	\$672,916,000	\$361,611,000	\$311,305,000	53.7%	7/1/16
Other Post-Employment Benefits ²	\$910,246,745	\$4,212,564	\$906,034,180	0.5%	7/1/16
CalPERS - Miscellaneous	\$2,519,676,541	\$1,647,526,747	\$872,149,794	65.4%	6/30/16
CalPERS - Safety	\$1,872,472,345	\$1,166,391,681	\$706,080,664	62.3%	6/30/16
Sub-Total	\$5,975,311,631	\$3,179,741,992	\$2,795,569,639	46.8%	n/a

In November 2015, the CalPERS Board of Administration adopted a Funding Risk Mitigation Policy to incrementally lower the discount rate (i.e., the expected rate of return on investments) in years of good investment returns, with a goal of achieving a 6.5 percent discount rate within approximately 20 years. Under the policy, the discount rate would decrease from .05 percent to 0.25 percent when actual investment returns exceed the discount rate by two (2) percent to four (4) percent. This action would help to accelerate pay down of the system's unfunded liabilities, and provide greater predictability and less volatility in contribution rates for employers over the long-term.

In December 2016, the CalPERS Board of Administration made an ad hoc decision to lower the discount rate from 7.5 percent to 7.0 percent over a three (3) year period. The phase-in of reductions to the discount rate are as follows:

- June 30, 2016 valuation (FY 2018-19 contribution): 7.375 percent
- June 30, 2017 valuation (FY 2019-20 contribution): 7.250 percent
- June 30, 2018 valuation (FY 2020-21 contribution): 7.000 percent

The required employer contributions determined for FY 2018-19 were calculated assuming a 7.375 percent discount rate, the first phase-in of the lower discount rate. The projected employer contribution rates reflect a 7.25 percent discount rate in FY 2019-20 and 7.0 percent in FY 2020-21 and each year thereafter.

¹ Partially supported by tax override revenues.

² The assets reflected in the most recent valuation do not include \$10 million transfer to OPEB Trust authorized in FY 2017-18.

ANALYSIS

Attached to this report are the California Public Employees' Retirement System ("CalPERS") Annual Valuation Reports as of June 30, 2016 for Miscellaneous and Safety Plans of the City of Oakland (the "City"). These actuarial valuations: 1) Describe the assets and liabilities of the plans; 2) Determine the required employer contribution rate for FY 2018-19; and, 3) Forecast future required employer contributions over a multi-year period. This staff report summarizes the information contained in these actuarial valuations.

As detailed in the valuation reports, the City's CalPERS pension costs continue to escalate for several reasons, including:

- Historical benefit enhancements;
- Volatile market returns and losses;
- Actuarial methodological changes (e.g., asset smoothing method and the amortization period for paydown of unfunded liabilities); and,
- Mortality improvements (i.e., increasing life expectancy).

Additional changes to the actuarial assumptions approved by the CalPERS Board of Administration in December 2016 (further detailed in the "Background / Legislative History" section of this report) will add significant costs to the City's budget in the near-term.

Funded Level

The funding ratio of a pension plan – which is defined as the value of current assets divided by a measure of the plan's liabilities (i.e., benefits payable) – can be a benchmark for a plans overall financial health. As shown in **Table 2**, as of June 30, 2016, the City's combined Market Value of Assets were \$2.81 billion compared to Accrued Liabilities of \$4.39 billion, resulting in a cumulative Unfunded Accrued Liability of \$1.58 billion and a funding ratio of 64.1 percent.

Table 2. Assets, Liabilities, & Funded Ratio

<u>6/30/2016 Valuation</u>	<u>Miscellaneous Plan*</u>	<u>Safety Plan</u>	<u>Combined Total</u>
Market Value of Assets	\$1,647,526,747	\$1,166,391,681	\$2,813,918,428
Accrued Liability	\$2,519,676,541	\$1,872,472,345	\$4,392,148,886
Unfunded Accrued Liability	\$872,149,794	\$706,080,664	\$1,578,230,458
Funded Ratio	65.4%	62.3%	64.1%

*Includes the Port of Oakland.

As shown in **Table 3**, since the end of the Great Recession in December 2009, the City has made little progress toward improving the funding ratio of its CalPERS pension plans. Despite significant increases in employer contributions and benefit reforms for certain employees under the Public Employees' Pension Reform Act ("PEPRA"), the Miscellaneous Plan funding ratio increased from 64.0 percent as of June 30, 2010 to just 65.4 percent as of June 30, 2016, while the funding ratio of the Safety Plan increased from 59.1 percent to 62.3 percent over this same

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 November 14, 2017

time. This trend is due, in part, to actual investment results including losses and gains that are less than the expected rate of return, and because of assumption changes that have driven actuarial liabilities upward.

Table 3. Funding Ratio Trend

Valuation Date	Miscellaneous Plan*	Safety Plan	Rate of Return**
June 30, 2010	64.0%	59.1%	13.3%
June 30, 2011	70.8%	67.4%	21.7%
June 30, 2012	66.4%	64.8%	0.2%
June 30, 2013	69.5%	67.9%	13.2%
June 30, 2014	72.7%	71.3%	17.7%
June 30, 2015	70.2%	67.2%	2.4%
June 30, 2016	65.4%	62.3%	0.6%

*Includes Port of Oakland

** Return rate shown gross of fees. CalPERS posted -24.0% return year ending June 30, 2009.

Employer Contributions for FY 2018-19

Beginning with FY 2017-18, CalPERS collects the required employer contribution as the sum of two components: 1) the Normal Cost, which represents the annual cost of service for the upcoming fiscal year for active employees and is paid as a percentage of payroll; and, 2) the annual payment on the Unfunded Accrued Liability ("UAL"), which is the amortized amount needed to fund past service and is paid as a fixed dollar amount.

Table 4. Employer Contributions

	FY 2017-18	FY 2018-19
Miscellaneous Plan		
Estimated Employer Contribution as % of Payroll	36.349%	38.811%
Normal Cost as % of Payroll	11.081%	11.302%
Fixed \$ UAL Payment (Excluding Port)	\$41,644,677	\$48,365,694
Total Miscellaneous Employer Contribution (\$)	\$60,885,907	\$68,579,423
Year-over-Year Increase (%)	--	12.6%
Year-over-Year Increase (\$)	--	\$7,693,515
Safety Plan		
Estimated Employer Contribution as % of Payroll	40.575%	42.665%
Normal Cost as % of Payroll	18.288%	18.151%
Fixed \$ UAL Payment	\$32,173,315	\$38,748,282
Total Safety Employer Contribution	\$61,019,486	\$68,237,261
Year-over-Year Increase (%)	--	11.8%
Year-over-Year Increase (\$)	--	\$7,217,775
Total Cost Miscellaneous & Safety	\$121,905,393	\$136,816,684
Year-over-Year Increase (%)	--	12.2%
Year-over-Year Increase (\$)	--	\$14,911,290

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November 14, 2017

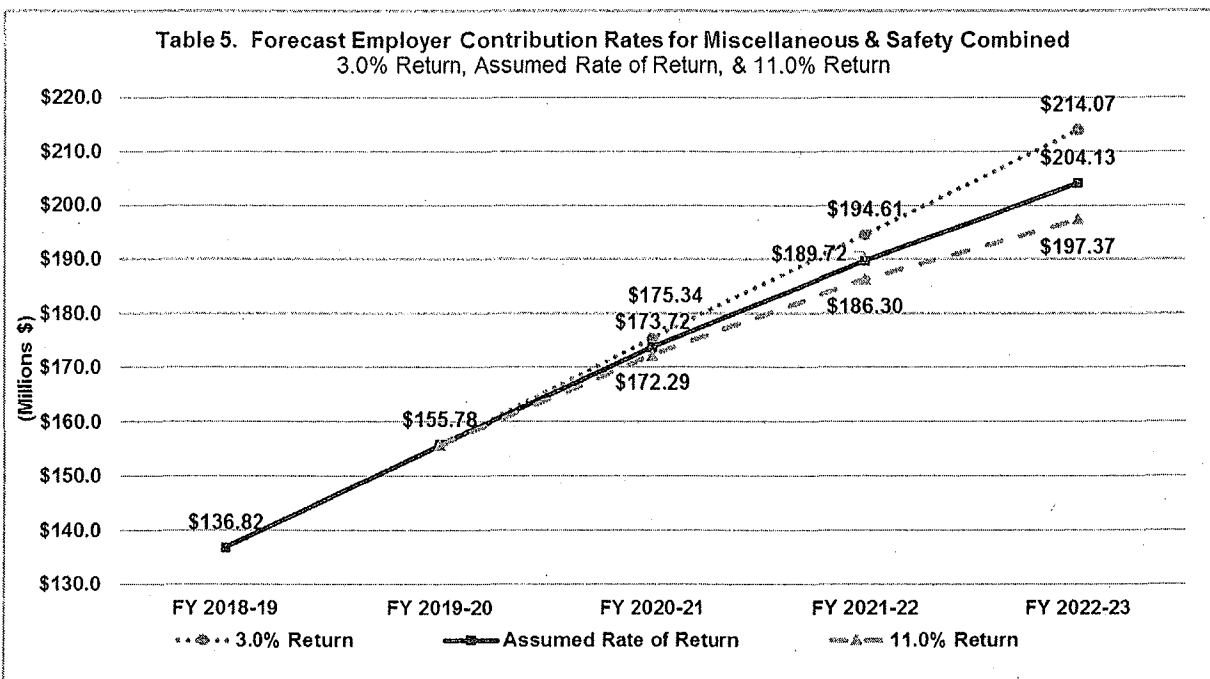
Table 4 shows the FY 2018-19 results for both the Miscellaneous and Safety Plan contributions. While the Normal Cost for both Miscellaneous and Safety employees will remain relatively constant, the City's fixed UAL payment will increase significantly. In total, the Citywide pension contribution for FY 2018-19 will increase by more than \$14.91 million over FY 2017-18 levels, an increase of 12.2 percent year-over-year. The increase is consistent with prior estimates and is largely factored into the City's FY 2017-19 Adopted Policy Budget. Beyond the current biennial budget, however, the growth in the City's CalPERS contribution rates are severe as discussed in more detail below.

Multi-Year Forecast

CalPERS also provides an analysis of Employer Contributions under various investment return scenarios based on an analysis of possible future returns and volatility of asset classes.

Tables 5 shows the effect of investment returns on Employer Contributions under the following alternative investment scenarios:

1. *Low Return:* 3.0 percent in FY 2017-18 and each year thereafter;
2. *Actuarial Assumed Return:* Assumed rate of return in each year; and,
3. *High Return:* 11.0 percent in FY 2017-18 and each year thereafter.



As shown in **Table 5**, If CalPERS achieves its expected rate of return over the forecast period, the City's total contribution is forecast to increase from \$136.82 million in FY 2018-19 to \$204.13 million by FY 2022-23, an increase of 49.2 percent over the 5-year forecast period. This is an average annual Employer Contribution increase of 10.5 percent per year.

If CalPERS achieves a 25th percentile return (approximately equal to a 3.0 percent gain each year), the effect on the City's contribution is even more severe, increasing by about \$10.0 million in FY 2022-23, from \$204.13 million to more than \$214.07 million.

Even under a more optimistic return scenario (approximately equal to a 11.0 percent gain each year), the City's contribution toward pensions will continue to increase through FY 2022-23 to \$197.37 million, at an average annual increase (9.6 percent) that is more than triple the rate of inflation. **It is important to note that these scenarios do not reflect the impact of investment losses on the City's contribution rates due to broader market corrections, such as a recession.**

As shown in this report, the City's pension contributions are forecast to increase substantially in the near-term. Generating the financial capacity to fund these future rate increases will be extremely challenging for the City of Oakland and pose an acute risk to service levels in the near-term.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach, other than posting on the City's website.

COORDINATION

This report was prepared by the Finance Department.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this item.

Environmental: There are no environmental opportunities associated with this item.

Social Equity: There are no social equity opportunities associated with this item.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Requests That The City Council Accept This Informational Report On The June 30, 2016 CalPERS Actuarial Valuation Reports for Miscellaneous and Safety Plans that Establishes Employer Pension Contributions for Fiscal Year 2018-19 And Provides Forecast Employer Contribution Rates Through Fiscal Year 2024-25.

For questions regarding this report, please contact Katano Kasaine, Director of Finance, at (510) 238-2989.

Respectfully submitted,



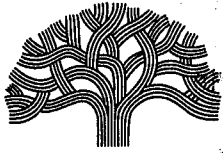
Katano Kasaine
Director of Finance, Finance Department

Prepared by:
Adam Benson, Finance Manager
Administration Bureau

Attachments (2):

Attachment A: Miscellaneous Plan, Annual Valuation Report as of June 30, 2016.

Attachment B: Safety Plan, Annual Valuation Report as of June 30, 2016.



FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND 2017 NOV 21 PM 5:12

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Overtime Expenditures in the Fire
and Police Departments

DATE: November 17, 2017

City Administrator Approval

Date:

11/21/17

RECOMMENDATION

Staff Recommends That The City Council Accept An Informational Report On Overtime Expenditures In The Fire And Police Departments.

EXECUTIVE SUMMARY

In response to Fiscal Year (FY) 2016-17 Fourth Quarter Revenue and Expenditure report presented at the October 24, 2017 Finance and Management Committee, Council requested that staff provide more information on overtime expenditures in both the Oakland Police Department (OPD) and the Oakland Fire Department (OFD). The request included information on the year-to-date overtime results and projections for FY 2017-18 and the policies, procedures, and processes in place in the Departments for authorizing and controlling overtime.

As shown in **Table 1**, based on year-to-date overtime expenditures, both OFD and OPD are projected to overspend their overtime budgets in FY 2017-18 in the General Purpose Fund (GPF). OFD is projected to overspend by \$20.78 million, while OPD is projected to overspend by \$17.50 million. Both OPD's and OFD's projection includes overtime for special deployments (e.g. recent hurricanes and fires to the extent they are funded in the GPF) and other reimbursable events.

Table 1. FY 2017-18 Overtime Projection v. Adopted Budget in the GPF

	Projected OT FY 2017-18	Budgeted OT FY 2017-18	Projected (Over) / Under Budget
Fire Department	\$22,267,155	\$1,484,959	(\$20,782,196)
Police Department	\$29,933,629	\$12,435,458	(\$17,498,171)

The key drivers of overtime expenditures for OFD and OPD are service levels, MOU requirements, and legal mandates. Overtime expenditures are largely the result of backfill due to vacancies, training, special assignments, and other negotiated provisions pursuant to Memoranda of Understanding (MOU), such as leave accruals (vacation, sick, personal, etc.). For OFD, a key driver of overtime is MOU mandated minimum staffing requirements in Fire

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December 5, 2017

Suppression. Overtime often results from mandated or high priority service provisions, including compliance with the Negotiated Settlement Agreement (NSA), Measure Z, and special operations to combat human trafficking.

There is no single solution to reduce overtime in OFD and OPD to those levels authorized in the FY 2017-19 Adopted Budget. Both OPD and OFD have presented administrative and procedural changes to reduce overtime and improve accountability. However, because overtime expenditures are mostly driven by service levels and other labor provisions, the proposed strategies are likely insufficient to reduce overtime spending to budgeted levels. Such a result will require substantial changes to service levels and/or negotiated collective bargaining agreements. Finance staff will continue to work with OPD and OFD to cooperatively explore and implement measures to control expenditures and improve accountability.

BACKGROUND / LEGISLATIVE HISTORY

On October 24, 2017, staff in the Finance Department presented the FY 2016-17 Fourth Quarter Revenue and Expenditure report to the Finance and Management Committee. This report included an overview of the unaudited overtime expenditure results for all departments across all funds, including in the GPF.

The report showed significant overtime overspending by both OFD and OPD relative to their FY 2016-17 Adjusted Budget. As shown in **Table 2** below, as reported in the fourth quarter, OFD overspent its overtime budget by \$16.8 million, while OPD overspent its overtime budget by \$13.6 million in the GPF in FY 2016-17.

Table 2. FY 2016-17 Adjusted Overtime Budget & Unaudited Actuals in the GPF¹

	Adjusted OT Budget	Unaudited OT Actuals	(Over) / Under Budget
Fire Department	\$2,207,715	\$19,011,360	(\$16,803,645)
Police Department	\$14,673,479	\$28,265,038	(\$13,591,559)

In response to the year-end results, the Council requested that staff provide more detailed information on overtime expenditures in both departments, including information on the following:

- Year-to-date overtime results and projections for FY 2017-18;
- Policies, procedures, and processes in place in the Departments for authorizing and controlling overtime; and,
- Level of decision making authority by rank and accountability mechanisms.

The Council further requested that OFD and OPD articulate how they will control overtime expenditures with actionable changes to policies, procedures, and processes, and corresponding accountability mechanisms. While this report begins to answer the questions and concerns raised by Council, further analysis is required to better understand the key drivers of overtime, both budgetarily and operationally, and the options available to the City Council for better controlling these costs, if warranted, in the future.

¹ As reported in the FY 2016-17 4th Quarter Revenue & Expenditure Report.

ANALYSIS

Overtime is one tool used by departments to achieve service level objectives in a cost-effective manner. There are no State or Federal laws that mandate a municipality provide a certain level of Fire or Police services. Thus, the level of services provided are largely at the discretion of the Mayor and City Council, who must balance the desired level of services with available funding. That said, there are several service level requirements that the City must comply with such as court approved settlements (e.g., Negotiated Settlement Agreement), voter approved local tax measures (e.g., Measure Z), and other negotiated provisions achieved through the collective bargaining process (e.g, minimum staffing for Fire Suppression).

In addition to the desired and/or mandated service levels, there are several other factors that contribute to OFD's and OPD's overtime expenditures and budget overspending. These factors include:

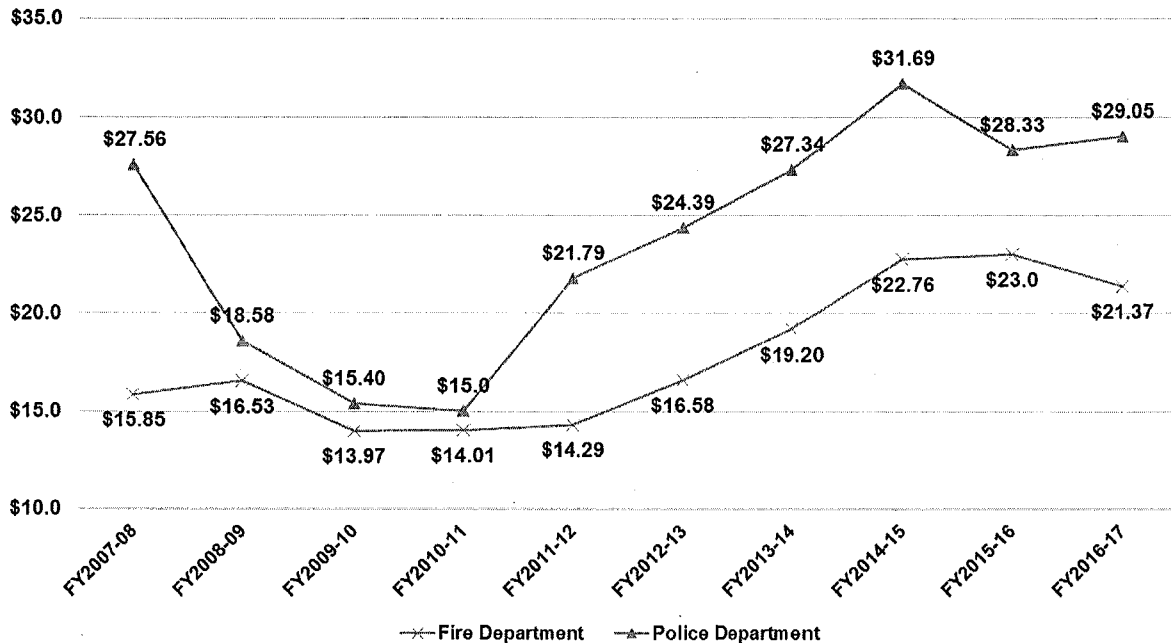
- Vacancies;
- Training and other special assignments;
- Work rules and other negotiated provisions pursuant to Memoranda of Understanding (MOU) such as leave accruals (vacation, sick, personal, etc.), compensatory time, and minimum overtime thresholds for callback and/or court;
- Occupational and non-occupational injuries and illnesses;
- Requirements of the Fair Labor Standards Act (FLSA); and,
- Cost-of-living adjustments without corresponding overtime budget increases.

Due to the range of factors that drive overtime, controlling overtime costs in OFD and OPD will require a multi-pronged, comprehensive approach. While staff have attempted to answer the questions posed by the City Council in this report, further analysis may be warranted. There is no single solution to reduce overtime in OFD and OPD to those levels authorized in the FY 2017-19 Adopted Budget.

Historical Overtime Trends

Table 3 shows historical overtime expenditures in the Police and Fire Departments across all funds for sworn and non-sworn employees. As shown below, overtime expenditures bottomed-out in the aftermath of the Great Recession and steadily increased from FY 2010-11 to FY 2014-15. In the most recent years, overtime expenditures have come down slightly from their prior peaks.

Table 3. Historical Overtime Expenditures by Department – All Funds (\$ in Millions)



As shown in **Table 4**, the overtime results for OFD and OPD in the GPF for FY 2016-17 are not an anomaly. In fact, over the last two biennial budget cycles, actual overtime expenditures in the GPF have exceeded budgeted overtime by significant margins. From FY 2013-14 to FY 2016-17, OFD overtime expenditures in the GPF averaged approximately \$19.1 million per year, while OPD overtime expenditures averaged approximately \$29.0 million per year.

Table 4. Budget v. Actuals Overtime Expenditures – GPF Only

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Fire Department				
Overtime Actual Expenditures	\$14,827,027	\$22,757,669	\$20,660,394	\$19,011,360
Overtime Budget (Adopted)	\$135,990	\$135,990	\$1,441,633*	\$1,484,119
(Over) / Under Budget	(\$14,691,037)	(\$22,621,679)	(\$19,218,761)	(\$17,527,241)
Police Department				
Overtime Actual Expenditures	\$26,112,356	\$31,690,464	\$27,779,646	\$28,265,038
Overtime Budget (Adopted)	\$13,435,458	\$15,571,768**	\$13,010,848	\$12,935,458
(Over) / Under Budget	(\$12,676,898)	(\$16,118,696)	(\$14,768,798)	(\$15,329,580)

* Overtime budgetary increase due to inclusion of FLSA Overtime Premiums (\$1.3 Million)
 ** Overtime budgetary increase due to a one-time allocation of additional funds (\$2.1 Million)

In the past, overspending on overtime has been offset by savings from vacancies, allowing for departments to keep within their total personnel budget, despite exceeding budgeted overtime levels. As departments fill positions, actual savings from vacancies has decreased, resulting in overspending on personnel in the aggregate.

Table 5. Budget v. Actuals Total Personnel Costs – GPF Only

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Fire Department				
Personnel Budget (Adjusted)	\$87,414,900	\$105,834,345	\$114,049,778	\$116,343,756
Personnel Actual Expenditures	88,108,643	103,245,964	114,954,925	120,862,609
(Over) / Under Budget	(693,743)	2,588,381	(905,147)	(4,518,853)
Police Department				
Personnel Budget (Adjusted)	161,739,502*	177,861,449	195,846,037	207,753,806
Personnel Actual Expenditures	165,867,316	189,294,888	215,627,788	221,331,866
(Over) / Under Budget	(4,127,814)	(11,433,439)	(19,781,750)	(13,578,060)

*Excludes \$5.03 in supplemental mid-year appropriations to offset projected overspending.

An evaluation of overtime expenditures in isolation presents an incomplete picture. Since the average hourly pay for workers generally increases due to negotiated wage adjustments, even if the aggregate overtime hours are reduced, the total overtime expenditures can increase. Therefore, it is important to consider the number of overtime hours worked. As shown in **Table 6**, over the last two budget cycles, both OFD and OPD have lowered the total number of overtime hours worked from prior year peaks. In fact, OPD reduced the number of hours of overtime by more than 20 percent from FY 2006-07 (505,214 hours, not shown in table) to FY 2016-17, total overtime expenditures increased.

Table 6. Overtime Hours Worked (All Funds) for Sworn and Non-Sworn

	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Fire Department				
Sworn Hours	309,328	330,939	325,320	292,750
Non-Sworn Hours	14,505	14,344	14,792	16,558
Total Hours	323,832	345,283	340,112	309,308
Police Department				
Sworn Hours	328,113	388,836	326,584	324,670
Non-Sworn Hours	67,274	69,313	67,776	65,363
Total Hours	395,387	458,148	394,360	390,033

It is also important to consider historical staffing levels when considering overtime expenditures. This data is included in this report as **Attachment A**.

FY 2017-18 Year-to-Date & Projected Overtime in the GPF

As shown in **Table 7**, across the eight pay periods in FY 2017-18 for which payroll data was available, overtime expenditures in the GPF in OFD and OPD were \$6.85 million and \$9.21 million, respectively. Using a straight-line projection based on year-to-date payroll, OFD overtime is projected to be \$22.27 million in FY 2017-18, while OPD overtime is projected to be \$29.93 million.

Table 7. FY 2017-18 Overtime Expenditures & Projected in the GPF

	July 2017	August 2017	September 2017	October 2017 ²	Sub-Total	Projected OT FY17-18
Fire Department	\$1,730,313	\$1,797,072	\$1,980,257	\$1,343,791	\$6,851,432	\$22,267,155
Police Department	\$2,176,044	\$2,431,290	\$2,791,952	\$1,811,061	\$9,210,347	\$29,933,629

Additional detail on the FY 2017-18 overtime expenditures are provided in **Attachment B** and **Attachment C**. As shown in **Attachment B** for OFD, the majority of overtime expenditures in FY 2017-18 year-to-date are due to backfill in the Emergency Services/Suppression organizational unit (\$6.31 million). As shown in **Attachment C** for OPD, most overtime expenditures are in the five District Areas, which includes overtime expenditures for Patrol (\$3.14 million). Other large overtime expenditures in OPD occur in the Communications Unit (\$572,034), Training Unit (\$563,007), and Special Operations (\$2.73 million).

Table 8 shows the FY 2017-18 projected overtime relative to the FY 2017-18 adopted budget. At current levels, both OFD and OPD are projected to overspend their budgeted overtime levels by significant margins.

Table 8. FY 17-18 Overtime Projection v. FY 2017-18 Adopted Budget in the GPF

	Projected OT FY17-18	Budgeted OT FY 2017-18	Projected (Over) / Under Budget
Fire Department	\$22,267,155	\$1,484,959	(\$20,782,196)
Police Department	\$29,933,629	\$12,435,458	(\$17,498,171)

Fire Department

OFD operates 25 fire stations located throughout the city, 24 hours per day, seven days per week. OFD is responsible for fire prevention, suppression, mitigation, emergency medical response and rescue activities within the city. OFD operates under a Memorandum of Understanding (MOU) with the International Association of Firefighter Local 55 (Local 55) which guides the working condition of OFD sworn personnel. OFD operates under an MOU with the Port of Oakland which guides the Aircraft Rescue Fire Fighting (ARFF) Services provided at the Oakland International Airport.

Minimum Staffing Requirements

Section 4.2.4 of the MOU between the City and Local 55 identified daily minimum staffing levels for "Fire Suppression Staffing" of OFD sworn members. The Local 55 MOU minimum staffing sets a daily number of sworn staff, broken out by specific classification, which must be in the field at any given time. The total staffing equates to 137 sworn members per shift and 411 members to cover all three shifts. Further, Section 1 of the MOU between the City and the Port of Oakland requires a minimum of six sworn personnel (one Officer and five Firefighters).

² Payroll data posted through pay period ending 10/20/2017.

Table 9 shows the minimum fire suppression staffing that is required based upon these two MOUs.

Table 9. Fire Suppression Minimum Staffing

Rank	Daily	A, B, C Shifts
Battalion Chief	3	9
Captain	13	39
Lieutenant	19	57
Engineer	24	72
Fire Investigator	1	3
Firefighter Paramedic	26	78
Firefighter	51	153
Total Minimum Staffing	137	411

Sworn members are assigned as follows:

- Three Battalion Districts staffed with one Battalion Chief each;
- 24 Engine companies staffed with a minimum of one Officer, one Fire Engineer, one Firefighter Paramedic and one Firefighter;
- One Aircraft Rescue Firefighter (ARFF) company staffed with a minimum of one Captain and five (5) Firefighters;
- Seven truck companies staffed as follows:
 - Three Truck companies with a minimum of one Captain and three Firefighters;
 - One Truck company with a minimum of one Captain, one Firefighter Paramedic and two Firefighters;
 - Two Truck companies with a minimum of one Captain and four Firefighters;
 - One Truck company staffed with a minimum of one Captain, one Firefighter Paramedic and three Firefighters;
 - One Fire Investigator.

OFD Relief Staff

Relief staff are utilized to cover minimum staffing requirements for coverage of Regular Day Off (RDO). Additionally, relief staff are utilized to cover vacation, sick, disability, and unfilled vacancies. Relief staff are paid at an overtime rate of 1.5 times their regular wage.

Telestaff is a record management program used by OFD to manage staffing and overtime. **Table 10** below shows the number of hours that require backfill on overtime to meet the minimum staffing levels due to various paid leaves and vacancies. Analysis of OFD overtime in FY 2016-17 shows that 93 percent of overtime was approved to meet the Local 55 and Port of Oakland minimum staffing requirements.

Table 10. Sworn Vacation, Sick, Disability Leaves & Vacancies in OFD

	FY08	FY09	FY10	FY11	FY12
Vacation Hours Taken	88,045	92,699	90,288	87,311	67,763
Sick Hours Taken	23,328	28,902	42,415	44,741	50,921
4850 Hours Taken	46,183	56,503	79,167	67,323	54,561
Temporary Disability Hours Taken	9,577	9,314	7,631	13,536	26,355
Total Hours	167,133	187,418	219,501	212,911	199,600
# Sworn Vacancies (January 1)	39	53	65	23	40

	FY13	FY14	FY15	FY16	FY17
Vacation Hours Taken	65,614	67,145	82,741	82,444	84,065
Sick Hours Taken	49,431	54,086	56,500	51,632	53,963
4850 Hours Taken	57,204	47,350	55,102	62,610	67,094
Temporary Disability Hours Taken	16,759	11,471	10,680	11,834	9,287
Total Hours	189,008	180,052	205,023	208,520	214,409
# Sworn Vacancies (January 1)	75	95	95	79	64

Measure Y and Measure Z Funding for Backfill

In FY 2007-08 through FY 2014-15, Measure Y provided \$4.0 million each year for the OFD to maintain adequate personnel resources to respond to fire and medical emergencies. This funding offset sworn overtime backfill expenses incurred to meet daily staffing requirements. In FY 2015-16 and FY 2016-17, Measure Z provided a significantly reduced amount of \$2.0 million each fiscal year for the OFD to maintain adequate personnel resources.

Current Drivers of Overtime

Currently, there are three Battalion Chiefs (BCs) in the field and two acting as Interim Deputy Chiefs. As a result, two Captains have been placed in acting higher rank Battalion Chief positions causing overtime in the Captain rank with one BC position open for regular overtime backfill.

OFD also had four retirements during the first three months of the current fiscal year creating backfill vacancies.

In addition, OFD averages 30 members per month on long term injury or long term non-industrial leave. OFD currently has 40 members which has created 10 additional vacancies that must be backfilled to maintain the minimum staffing requirements stipulated in the Local 55 MOU with the City of Oakland.

Another factor to consider is the cost of testing and evaluating our probationary firefighters. Recruit Academy Class 2-15 recently completed their 18 month exams. Recruit Academy Classes 1-16 and 2-16 also completed their 12 month examinations. These large recruit classes requiring hiring back a cadre of proctors each shift to conduct these exams.

The FY 2017-18 overtime expenditures reflect the various strike team, overhead and Urban Search and Rescue (US&R) deployments that created a surge in overtime and backfill expenses. In July, approximately ten percent (10%) of these expenses will be reimbursed to the City. In August, approximately sixteen percent (16%) will be reimbursed and in September, the reimbursed percentage increases to thirty-eight percent (38%). These deployments are important, not only to the jurisdictions receiving assistance, but also because OFD members gain experience that can be directly applied to emergencies that occur in the City of Oakland. Furthermore, mutual aid deployments, such as North Bay Fires strengthen our capacity to provide a coordinate regional response.

Injury and Illness Reduction

The safety, health and well-being of OFD personnel is critically important to achieving the Department's mission, and there are a number of measures that have been taken to reduce injury and illness. OFD is committed to complying with all applicable laws and regulations governing workplace safety, and to work collaboratively with staff to identify and eliminate conditions that negatively impact health and safety. For example, sworn personnel are required to undergo an annual physical. In addition, OFD recently increased the number of sessions available through the City's employee assistance program (EAP) to our sworn personnel.

The **Table 11** shows a 2-year snapshot of the first three months of FY 2016-17 and FY 2017-18 to demonstrate sick ("SCK") and vacation ("VAC") leave usage in the Field Operations Bureau.

Table 11. Sworn Vacation, Sick Leave Comparison for FYs 2016-17 and 2017-18

Leave Code	July-16	August-16	September-16
VAC	9,017.5	8,135	7,397
SCK	5,519	4,985	5,530
	July-17	August-17	September-17
VAC	10,833.5	9,258	7,280
SCK	3,968.5	4,440	3,759

This data demonstrates that sick leave has decreased while vacation leave has increased. This increase in vacation between July and September may be attributable to the single vacation draw change but would need more analysis to determine the cause.

OFD conducts occupational injury/accident investigations to determine what happened and if there are precautions that can be taken to prevent future occurrences. The Department Safety Officer looks at injury, illness and accident data to determine if there are trends that require a change in training and Department operations.

Administrative Procedures for Controlling Overtime

OFD Policy and Procedure 400.9, Overtime Sworn Personnel provides guidance on overtime approval, tracking and accountability. OFD sworn personnel utilize the TeleStaff system to track staff hours, including overtime. This system can generate reports and data showing overtime use.

As of November 2017, all overtime requests outside of backfill of sworn and fire dispatch vacancies must be submitted to the Fiscal and Administrative Division Manager for review and to the Fire Chief for final approval.

In the short-term, the department will also be exploring options to address staffing shortages of 40-hour personnel that cause 24-hour shift personnel to be pulled to work on special projects (e.g., Accela database, fleet and apparatus maintenance, and specialized response team training) and that can result in overtime.

Oakland Police Department

When sharing information on overtime policies, procedures, and processes, it is important to realize the significance of OPD's staffing limitations. OPD continues to address one of the highest crime rates in the country with limited resources.

Meeting the demands of the community requires OPD to make up for a lack of adequate staffing by deploying personnel on overtime. The alternative to substantial overtime use is an increase to an already unacceptable crime rate and greater risk of Federal sanctions.

Though there has been improvement over the last three years, OPD continues to be the most understaffed large city police department in the United States. Per the Uniform Crime Reports (UCRs) published by the FBI, the number of violent crimes per OPD sworn member for 2016 (the most recent year available) is 8.08. The national large-city average for 2016 is 3.84 violent crimes per sworn position. OPD has more than twice the number of violent crimes per sworn member than the American large-city average. To meet this average, OPD would require an additional 1,575 sworn personnel to supplement the budgeted 792 permanent sworn positions.

Patrol Officer Staffing in OPD

OPD presently has 285 officer positions assigned to Patrol. 240 of these positions are assigned to provide 24-hour a day coverage in each of the 35 patrol beats.

The additional patrol officer positions are assigned to supplement coverage during peak call times and times when certain resource-intensive incidents (such as shootings and sideshow) occur most frequently. The additional patrol officer positions are assigned to tactical squads and are also used to help reduce overtime by filling vacancies in the 35 patrol beats. Most of the additional patrol officer positions are currently vacant due to severe staffing shortages.

All of the 240 regular patrol officer positions are assigned to three shifts in five patrol areas, as provided below. Depending on the patrol area, day shift is 6:00 am until 4:00 pm or 7:00 am until 5:00 pm and night shift is 9:00 pm until 7:00 am or 10:00 pm until 8:00 am. Swing shift is 2:00 pm until 2:00 am in every patrol area.

Table 12. Patrol Staffing in OPD by District

Area 1	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift		8 officers	8 officers	8 officers	8 officers		
	8 officers	8 officers				8 officers	8 officers
Swing Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers	8 officers				8 officers
Night Shift		8 officers	8 officers	8 officers	8 officers		
	8 officers	8 officers				8 officers	8 officers
Area 2	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift	8 officers	8 officers	8 officers	8 officers			
	8 officers				8 officers	8 officers	8 officers
Swing Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers	8 officers				8 officers
Night Shift	8 officers	8 officers	8 officers	8 officers			
	8 officers				8 officers	8 officers	8 officers
Area 3	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift				8 officers	8 officers	8 officers	8 officers
	8 officers	8 officers	8 officers				8 officers
Swing Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers	8 officers				8 officers
Night Shift				8 officers	8 officers	8 officers	8 officers
	8 officers	8 officers	8 officers				8 officers
Area 4	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift		8 officers	8 officers	8 officers	8 officers		
	8 officers				8 officers	8 officers	8 officers
Swing Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers	8 officers				8 officers
Night Shift		8 officers	8 officers	8 officers	8 officers		
	8 officers				8 officers	8 officers	8 officers
Area 5	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers				8 officers	8 officers
Swing Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers	8 officers				8 officers
Night Shift			8 officers	8 officers	8 officers	8 officers	
	8 officers	8 officers				8 officers	8 officers

TOTAL	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
Day Shift	48 officers	48 officers	40 officers	40 officers	48 officers	48 officers	48 officers
Swing Shift	40 officers	40 officers	40 officers	40 officers	40 officers	40 officers	40 officers
Night Shift	48 officers	48 officers	40 officers	40 officers	48 officers	48 officers	48 officers

Italics indicate rotational day (only one group works at a time)

As can be seen from the TOTAL area of the above **Table 12**, there is usually a maximum of 40 officers available to cover 35 patrol beats. On Day Shift and Night Shift five days a week (Thursday through Monday) there is a maximum of 48 officers available to cover 35 patrol beats. These maximum staffing numbers are reduced by:

- Unfilled positions
- Injuries
- Special assignment
- Training
- Vacation
- Other time off

Since there are usually no more than 40 officers available to fill 35 patrol beats – before the above reductions are taken into account – no more than five officers can be off before alternatives are required to fill open beats. One of the alternatives is to use officers from the tactical squads – if there is a tactical squad assigned to work on the particular day and time when the patrol staffing shortage occurs. For much of 2017, the following has been the tactical squad deployment schedule:

Area 1	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
6:00 pm-4:00 am	8 Officers				8 Officers	8 Officers	8 Officers
Area 4	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
6:00 pm-4:00 am	8 Officers				8 Officers	8 Officers	8 Officers
Area 5	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
2:00 pm-12:00 am	8 Officers	8 Officers				8 Officers	8 Officers
6:00 pm-4:00 am	8 Officers				8 Officers	8 Officers	8 Officers

Mandatory Overtime to Fill Patrol Beats

Understanding OPD's past, present, and future overtime needs includes information about the use of mandatory overtime to fill open patrol beats. OPD has not mandated patrol overtime since late 2014. However, continuing severe staffing shortages may result in this practice being revisited in 2018.

As discussed in a 2015 audit of overtime, "OPD lost 217 sworn officers between 2009 and 2013, primarily due to layoffs, retirement, and resignation. In response to the staffing reductions, OPD imposed mandatory overtime to ensure required minimum staffing on its patrol beats, increasing by nearly 80 percent the amount of overtime worked by OPD sworn officers."³ Mandatory overtime for OPD patrol began in October 2012 and ended on October 31, 2014. Between May 3 and August 1, 2014, there were an average of 262 open shifts per week that needed to be filled with mandatory overtime.

NSA-mandated Backfill for Field Supervisors

The Negotiated Settlement Agreement (Task 20.2) requires OPD to backfill for field supervisors (sergeants) when they are absent. With the approval of the Independent Monitoring Team, OPD created administrative sergeant positions to reduce overtime and ensure consistency of supervision. However, of the 17 administrative sergeant positions, only eight are currently filled. Policies, Procedures, and Processes for Authorizing and Controlling Overtime

On May 23, 2017, the Department sent out a directive to all OPD commanders concerning overtime use (**Attachment D**). This directive states the following:

- Area Commanders shall maintain minimum staffing levels of 35 officers Citywide.
- Overtime for backfill shall only be utilized to fill open patrol beats.
- Area Commanders shall share resources (i.e., Sergeants and Officers) in lieu of backfilling on overtime.
- Area Commanders shall ensure the information contained on the Daily Notification Report (DNR) is accurate with respect to patrol staffing.
- Watch Commanders shall plan for staffing vacancies, in advance, to avoid unnecessary backfilling on overtime.
- Compensatory time, extra vacation leave requests, and training shall be reviewed and approved, in advance, by a Watch Commander to minimize unnecessary overtime due to backfilling.
- Watch Commanders shall consider utilizing officers assigned to Tactical Squads in lieu of backfilling on overtime.
- Watch Commanders shall ensure overtime is not utilized on days and shifts when overlap squads are available.

³ <http://www.oaklandauditor.com/images/oakland/auditreports/policeot.pdf>, cover letter, p. 1

Since the issuance of the directive, the Department has worked through the BFO (Bureau of Field Operations) 1 Deputy Chief and BFO 2 Deputy Chief to ensure that they are holding Area Commanders and Watch Commanders to the directive. In addition to the above directions, Watch Commanders have begun regularly using tactical squad personnel to fill vacant beats whenever possible. While this has helped fill open beats, it has also resulted in decreased availability of patrol officers at peak call-load times and during peak hours of shootings and sideshow activities.

Additional Changes to Reduce Patrol Overtime

In addition to the above directive and subsequent changes in practice, OPD has substantially changed the deployment schedule for tactical squads for the upcoming annual watch change. Effective January 2018, the remaining tactical squads will be deployed in the following manner to further mitigate overtime use in filling open patrol beats:

Area 1	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
6:00 pm-4:00 am			8 Officers	8 Officers	8 Officers	8 Officers	
Area 5	Sunday	Monday	Tuesday	Wednes	Thursday	Friday	Saturday
10:00 am-8:00 pm		8 Officers	8 Officers	8 Officers	8 Officers		
6:00 pm-4:00 am	8 Officers	8 Officers	8 Officers				8 Officers

Redeploying the remaining tactical squads in the above manner will provide greater overtime mitigation seven days a week across all three shifts. Only three tactical squads can be staffed (and not fully) at the beginning of 2018 due to severe staffing shortages. If patrol staffing can be increased in 2018, additional squads will be filled.

Additional changes being implemented in 2018 to help mitigate patrol overtime include:

- Requiring sergeants and officers to schedule mandatory training when vacation dates are selected for the year.
- Limiting the number of officers taking vacation or completing training to one per squad per week.
- Implementing a minimum staffing mandate that requires time off requests be approved on a department-wide basis rather than just the bureau or division level.

Overtime Reduction Working Group

In addition to the above directive and other measures OPD is taking to reduce overtime for patrol, a working group has been formed to analyze overtime use and make additional recommendations to reduce overtime. The Assistant Chief, all three Deputy Chiefs, several Captains, and other key stakeholders have begun meeting to achieve the goal of overtime reduction across the organization.

Authorization for Backfill Overtime

The practice of OPD is to allow any commander or civilian manager to approve backfill overtime as long as such overtime is necessary and appropriate. This is due to the often urgent need to fill a patrol beat based on a last-minute occurrence such as an officer calling in sick. The majority of these decisions are made by Watch Commanders, as they have responsibility to ensure minimum patrol staffing. Backfill overtime is authorized for patrol and a limited number of other assignments that have minimum staffing requirements.

Decision Making and Accountability for Overtime

For patrol overtime, Watch Commanders make decisions and are held accountable for overtime at the lowest level, as they are charged with ensuring minimum patrol staffing. Watch Commanders report to Area Commanders (Captains), who report to the BFO 1 Deputy Chief and BFO 2 Deputy Chief, then the Assistant Chief and finally the Chief of Police. Similar decision making and accountability structures are in place all through OPD.

Salary Savings

OPD currently has 50 sworn vacancies. This number is expected to increase through the middle of 2018. The projected savings based on all 50 of these sworn positions being vacant for the entire fiscal year is over \$9 million for FY 2017-18.

CONCLUSION

Based upon currently available information both OFD and OPD are projected to overspend their overtime budgets in FY 2017-18 in the General Purpose Fund. OFD is projected to overspend by \$20.78 million, while OPD is projected to overspend by \$17.50 million. Staff will return to the Finance and Management Committee with additional information and updated projections with the presentation of the Second Quarter Revenue & Expenditure Report.

The key drivers of overtime expenditures are service levels, MOU requirements, and legal mandates. There is no single solution to reduce overtime in OFD and OPD to those levels authorized in the FY 2017-19 Adopted Budget. However, because overtime expenditures are mostly driven by service levels and other labor provisions, the proposed strategies are likely insufficient to reduce overtime spending to budgeted levels. Such a result will require substantial changes to service levels and/or negotiated collective bargaining agreements. Finance staff will continue to work with OPD and OFD to cooperatively explore and implement measures to control expenditures and improve accountability. Staff will bring back a report alongside the second quarter revenue and expenditure report containing policy alternatives for Council consideration to address overtime overages.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

PUBLIC OUTREACH / INTEREST

This item does not require additional public outreach, other than posting on the City's website.

COORDINATION

This report was prepared jointly by the Finance, Fire, and Police Departments.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this item.

Environmental: There are no environmental opportunities associated with this item.

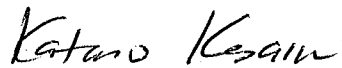
Social Equity: There are no social equity opportunities associated with this item.

ACTION REQUESTED OF THE CITY COUNCIL

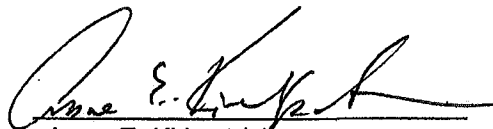
Staff Requests That The City Council Accept This Informational Report On Overtime Expenditures In The Fire and Police Departments.

For questions regarding this report, please contact Katano Kasaine, Director of Finance, at (510) 238-2989.

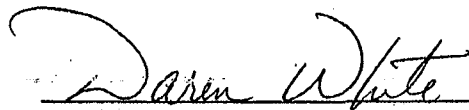
Respectfully submitted,



Katano Kasaine
Director of Finance, Finance Department



Anne E. Kirkpatrick
Chief of Police, Oakland Police Department



Darin White
Fire Chief, Oakland Fire Department

Attachments (4):

Attachment A: Historical Sworn Staffing Levels in OFD and OPD

Attachment B: OFD Overtime for FY 2017-18 by Organizational Unit (GPF Only)

Attachment C: OPD Overtime for FY 2017-18 by Organizational Unit (GPF Only)

Attachment D: OPD Overtime Direction (May 23, 2017)

Attachment A

Sworn Staffing Levels in Fire and Police Departments

Sworn Staffing Fire Department	
2008	468
2009	454
2010	442
2011	484
2012	467
2013	432
2014	412
2015	412
2016	428
2017	445

Sworn Staffing Police Department	
2008	736
2009	830
2010	780
2011	656
2012	642
2013	613
2014	626
2015	695
2016	721
2017	744

Attachment B

**Fire Department
GPF Overtime Expenditures by Organizational Unit FY 2017-18 Year-to-Date**

Overtime by Organizational Unit	July	August	September	October	Grand Total
Fire Communications Unit	\$ 20,188	\$ 12,448	\$ 18,849	\$ 15,049	\$ 66,535
Communications Emergency Dispatch Unit	9,587	15,621	21,074	9,649	55,932
Fire Marshals Office Unit	-	2,153	137	478	2,768
Inspectional Services Unit	5,286	9,282	7,286	2,728	24,582
Arson Investigation Unit	19,477	17,676	13,422	12,035	62,609
Engineering Unit	11,552	15,927	15,794	6,365	49,639
Vegetation Management Unit	989	1,646	2,271	2,313	7,218
Emergency Service/Suppression	1,573,086	1,646,479	1,837,963	1,256,518	6,314,045
Budget and Planning Administration	253	-	-	-	253
Budget Unit	-	175	-	1,315	1,490
In-Service Training Unit	674	5,081	8,285	7,729	21,768
Emergency Services Program Unit	162	-	-	-	162
Airport	88,556	70,585	55,176	29,613	243,930
Fire - Support & Services Unit	501	-	-	-	501
Grand Total	1,730,313	1,797,072	1,980,257	1,343,791	6,851,432

Attachment C

Police Department GPF Overtime Expenditures by Organizational Unit FY 2017-18 Year-to-Date

Overtime by Organizational Unit	July	August	September	October	Grand Total
Office of Chief - Administration	\$ 1,262	\$ 1,605	\$ 1,266	\$ 683	\$ 4,816
Public Information Unit	2,394	3,130	165	824	6,513
Internal Affairs	22,153	15,123	13,686	10,996	61,958
Office of the Inspector General	162	21	91	59	332
Intelligence Unit	3,984	1,695	1,786	1,345	8,810
Property and Evidence	9,700	6,744	7,883	5,709	30,035
Special Victims Section	80,137	98,542	97,319	32,266	308,264
Research, Planning & Crime Analysis	-	-	883	-	883
Crime Analysis Section	-	112	-	-	112
Criminal Investigations	5,508	2,878	-	473	8,859
Homicide	74,234	149,607	182,344	69,611	475,795
Misdemeanor Crimes & Task Forces	27,492	24,483	28,453	13,383	93,811
Felony Assault & Gang Section	14,469	20,561	21,795	11,561	68,386
Robbery & Burglary Section	26,129	22,959	34,079	21,649	104,815
Youth & School Services Section	9,273	12,664	12,730	6,936	41,603
Criminalistics Unit	13	234	79	246	571
Bureau of Services - Administration Unit	163	-	-	-	163
Records & Warrants	48,234	46,091	46,911	30,462	171,698
Communications Unit	181,758	137,352	171,853	81,072	572,034
Training Unit	81,898	99,159	223,441	158,508	563,007
Police Personnel	14,889	18,927	13,719	8,201	55,735
Police Information Technology	25,782	28,245	10,507	4,546	69,081
Fiscal Services	141	292	-	-	433
Background & Recruiting	53,080	59,886	56,221	32,791	201,978
PAS Administration	4,467	1,408	1,568	6,649	14,092
Bureau of Field Operations-Admin	-	608	-	-	608
Police Area 1	4,967	2,239	4,726	(290)	11,642
Police Area 3	-	364	-	-	364
Support Operations	23,195	20,383	26,847	14,271	84,697
Traffic Operations	20,009	35,903	38,585	19,020	113,518
Special Operations	397,852	745,740	770,343	816,407	2,730,343
District Command Administration	5,440	1,490	3,776	1,571	12,277
District Area 1	248,864	195,975	259,519	121,009	825,366
District Area 2	178,947	121,994	139,858	41,064	481,863
District Area 3	175,921	162,290	180,525	66,832	585,568
District Area 4	147,487	98,723	142,866	56,690	445,766
District Area 5	217,685	203,083	244,515	133,289	798,572
Ceasefire	68,357	90,556	52,314	42,947	254,174
Neighborhood Services Section 1	-	-	340	-	340
Neighborhood Services Section 2	-	225	959	281	1,465
Grand Total	2,176,044	2,431,290	2,791,952	1,811,061	9,210,347

GPF Overtime by Pay Category

	Jul	Aug	Sep	Oct	Grand Total
Acting Higher Rank	\$ 41,788	\$ 43,982	\$ 48,462	\$ 50,076	\$ 184,308
Administrative Investigation	73,419	79,251	67,530	33,677	253,876
Backfill	513,484	580,718	473,358	271,413	1,838,973
Callback	88,437	63,437	76,466	42,707	271,047
Canine	2,504	2,693	2,975	2,071	10,243
Community Meetings	412	555	-	412	1,379
Comp Time Earned	23,222	13,870	19,636	9,507	66,236
Court	14,472	21,046	18,855	12,602	66,975
Extension of Shift	383,159	437,074	393,641	271,689	1,485,564
FLSA	63,928	81,387	94,765	55,396	295,476
Holiday	197,739	597	352,376	2,990	553,701
Recruiting/Background	50,391	47,235	50,361	32,814	180,801
Special Enforcement	631,398	930,491	959,500	860,115	3,381,505
Special Events	8,030	30,952	16,158	25,165	80,305
Training	83,660	98,003	217,869	140,427	539,959
Grand Total	2,176,044	2,431,290	2,791,952	1,811,061	9,210,347

Attachment C

Police Department – Overtime Definitions

Acting Higher Rank overtime is paid to individuals who act in a higher rank on overtime, such as a Sergeant of Police serving as an acting Lieutenant of Police.

Administrative Investigation overtime allows OPD to conduct investigations into potential misconduct or other malfeasance by a member of OPD. Such an investigation may result from a personnel complaint or other Internal Affairs matter. It is also used to perform use of force investigations. Failure to conduct – or complete – such investigations will result in increased mistrust in OPD, lack of compliance with the NSA, and a potential increase in misconduct or other malfeasance.

Backfill overtime allows OPD to fill a position during the absence of the regularly assigned person and meet minimum staffing levels in Patrol. Failure to meet minimum staffing levels in Patrol will result in even longer delays in responding to calls for service and an increased inability to take incident reports and perform preliminary investigations.

Callback overtime allows OPD to request an employee return to work after completing his/her shift and leaving the work site. For example, an investigator may be called back to work to interview a suspect in custody.

Canine overtime allows OPD to meet the requirements of the Memorandum of Understanding between the City of Oakland and the Oakland Police Officers Association pursuant to Article III, Section G 1 c, hereof, Each employee regularly assigned and working as a Canine Handler is authorized to spend and shall be deemed to have spent fifteen (15) hours per month, over and above his/her regularly scheduled hours of work, in ordinary care and informal training of the assigned dog for such ordinary care and training that cannot be performed during regularly scheduled work hours. For those overtime hours incident to caring for the dog only, the employee shall receive overtime compensation at the rate of one and one-half (1 1/2) times the hourly rate of the State of California or City of Oakland minimum wage whichever is higher. This same overtime compensation rate of one and one-half times the State of California or City of Oakland minimum wage whichever is higher per hour shall also be paid for hours in addition to the above referenced fifteen hours for extraordinary care of the dog. Any duly authorized additional work performed by such individual not related to caring for the dog, shall be compensated pursuant to Article III, Section E, paragraph 1 at the rate of one and one-half (1 1/2) times the employee's hourly base rate of pay.

Community Meeting overtime allows OPD to attend general community meetings while ensuring staffing levels are met. OPD's participation in community meetings are an intricate part of the overall goal to strengthen community trust and build relationships.

Comp Time Earned overtime allows OPD to compensate employees for overtime worked by allowing the employee to earn time off in lieu of receiving overtime pay.

Court overtime allows OPD to respond to subpoena or give depositions in job-related court appearance on off-duty hours.

Attachment C

Extension of Shift overtime allows OPD to extend the current shift of an employee to complete critical tasks on an extension or hold-over basis. For example, an employee's shift may be extended to complete an on scene investigation or report related to an incident that just occurred. Extension of Shift also includes the filling of open beats in order to maintain minimum patrol staffing – similar to Backfill overtime.

FLSA overtime allows OPD to comply with the Federal Labor and Standards Act (FLSA). The City's obligations related to FLSA are contained in Administrative Instruction 124.

Holiday overtime allows OPD to maintain minimum staffing levels during scheduled holidays. OPD must comply with overtime requirements outlined in applicable Memorandums of Understanding for represented employees.

Recruiting/Background overtime allows OPD to recruit members and employees and conduct background investigations for Departmental employment. This task is critical to ensure acceptable staffing levels.

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.

Training overtime allows OPD to prepare or present a training course and prepare or participate in Police Academy critical incidents.

From: Outlaw, Danielle
Sent: Tuesday, May 23, 2017 7:29 AM
To: DL - OPD Command
Subject: Overtime Directive

Importance: High

Good Morning All,

As stated in yesterday's weekly crime meeting, here are the details regarding the AC's overtime directive:

Effective immediately, the following directive shall be implemented in an effort to reduce overtime expenditures:

- Area Commanders shall maintain minimum staffing levels of 35 officers Citywide.
- Overtime for backfill shall only be utilized to fill open patrol beats.
- Area Commanders shall share resources (i.e., Sergeants and Officers) in lieu of backfilling on overtime.
- Area Commanders shall ensure the information contained on the DNR is accurate with respect to patrol staffing.
- Watch Commanders shall plan for staffing vacancies, in advance, to avoid unnecessary backfilling on overtime.
- Compensatory time, extra vacation leave requests, and training shall be reviewed and approved, in advance, by a Watch Commander to minimize unnecessary overtime due to backfilling.
- Watch Commanders shall consider utilizing officers assigned to Tactical Squads in lieu of backfilling on overtime.
- Watch Commanders shall ensure overtime is not utilized on days and shifts when overlap squads are available (refer to table).

	Sunday	Monday	Thursday	Friday	Saturday
1 st Watch	Area 2	Area 1	Area 4	Area 5	Area 3
3 rd Watch	Area 2	Area 1	Area 4	Area 5	Area 3

The Daily Notification Report (DNR) will continue to be completed for every Patrol area to include complete staffing information, per the below instructions

- Officers in Field Training (Trainees), Late Tac Officers, and Sworn Evidence Technicians shall not be included in Staffing totals.
- All overtime shall be explained on the Staffing Additional Info tab of the DNR, including an explanation as to why personnel from other Patrol Areas were not used.

The respective BFO Deputy Chiefs shall be responsible for oversight and ensuring compliance with this directive. Additionally, this directive shall remain in effect until further notice.

Please do not hesitate to contact any of the DCs with questions, comments or concerns.