



Informational Memorandum

TO: Edward D. Reiskin
City Administrator

FROM: Margaret L. O'Brien
Director of Finance, Interim

SUBJECT: Budget Shortfall Closure Actions and
Update on Policy Directive Related to
Police Department Overtime

DATE: December 20, 2020

City Administrator Approval

Date:

RECOMMENDATION

Staff Recommends that the City Council Receive an Informational Memorandum on (1) Administrative Actions Taken and Planned to Close the Current Fiscal Year (FY) Budget Shortfall, Including Police Department and Fire Department Service Reductions; and (2) Progress with Respect to Implementing the FY 2020-21 Midcycle Budget Adjustment City Council Policy Directive to Reduce an Additional \$8 Million of OPD Overtime Expenditures to be Held Until After Review & Policymaking Process, and Civilianization Analysis, to Provide Tracking and Accountability for Unbudgeted Expenditures & Civilian Response for Certain Calls.

EXECUTIVE SUMMARY

The purpose of this report is to transmit to the full City Council, residents and businesses of Oakland, the initial cost savings measures taken by the Administration to close the FY 2020-21 projected \$62 million General Purpose Fund (GPF) year-end deficit and to provide an update with respect to a City Council Policy directive adopted as part of the recent midcycle budget adjustment process regarding Oakland Police Department (OPD) overtime expenditures. The GPF comprises 38% of the total City of Oakland budget. The restricted funds may only be used for their specified purposes, as provided by law, and may not be used to backfill GPF shortfalls. The GPF budget must remain balanced by law. Other restricted funds in the City of Oakland's budget are also experiencing shortfalls, but the GPF's deficit is the most dramatic and in urgent need of correction.

The Charter provides the City Council with the sole authority to appropriate funds; and the Charter provides the responsibility to the City Administrator to "control and administer the financial affairs of the City". In execution of that responsibility, the Administration is reducing expenditures of appropriated funds to align with declining actual revenues.

The fiscal crisis caused by the COVID-19 pandemic requires immediate and impactful service cuts. Unfortunately, these initial devastating but necessary service reductions will close only \$29 million of the \$62 million projected deficit. Given the urgency of the financial situation and the

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fact that the sooner the city acts the less the deficit will grow, most of these cost-cutting measures will take effect immediately; a few may take some time to fully implement. Every dollar of expenditures that will be reduced translates into services that will not be provided to the public. As the city's public safety agencies comprise a majority of GPF expenditures, the Police and Fire departments must bear the largest cuts and service impacts in order to address the GPF deficit. Other actions, such as freezing vacant GPF-funded positions in all departments will also reduce the level of service they provide.

These service cuts are being made only through June 30, 2021. Staff are hopeful that Federal or State Aid and a rapid economic recovery will allow the city to restore these critical services as soon as possible. Staff recognize that vital public safety employees are already stretched and have been working under the most challenging conditions as First Responders during the pandemic. The Oakland Police Department has long had the lowest officer-per-crime staffing level of any police department in the country. The city would not be making these service reductions if staff were not certain it is absolutely necessary to prevent the critical General Purpose Fund within the City's budget from becoming insolvent.

BACKGROUND / LEGISLATIVE HISTORY

To begin addressing the economic impacts of COVID-19, the City Council approved a FY 2020-21 Midcycle Budget that included the following reductions and use of reserves:

- Used all of the Vital Services Stabilization Fund (VSSF) / Rainy Day Fund reserves of \$14.65 million to preserve services in the GPF;
- Suspended contributions to long-term liabilities (including Other Post-Employment Benefits), yielding approximately \$10 million in savings across all funds net of other fringe rate adjustments;
- Saved approximately \$1.96 million in the GPF by restructuring the negative fund repayments plan;
- Transferred eligible costs (both personnel and operations & maintenance (O&M)) from funds with shortfalls to other funds with surplus resources;
- Temporarily froze various vacant positions and reductions to O&M (contracts, grants, equipment, supplies, etc.) across all funds and departments; and
- Appropriated FEMA reimbursement and CARES Act funding for eligible COVID-19 related costs.

On December 7, 2020, staff presented an informational report to the Finance Committee on Fiscal Year (FY) 2019-20 unaudited fourth quarter and FY 2020-21 first quarter revenue and expenditure results, and year-end summaries for the General Purpose Fund (GPF, 1010). The combined analysis revealed that if no corrective action were taken, all GPF emergency reserves would be exhausted, and we would have an estimated \$62.29 million deficit in the GPF by the end of the current fiscal year. The cause of the deficit is a combination of the continued negative economic impact of COVID-19 on City revenues currently forecasted at the first quarter to be \$13.63 million lower than the Adopted Midcycle Budget, and forecasted overspending of \$18.24 million in the GPF, resulting in a total projected shortfall this fiscal year of \$31.87 million.

When added to the \$30.42 million year-end shortfall last fiscal year, the cumulative total deficit is \$62.29 million.

Year-End Shortfall Last Year (FY 2019-20)	\$(30.42)
Projected Year-End Shortfall This Year (FY 2020-21)	\$(31.87)
Cumulative Deficit	\$(62.29)

Additionally, on June 23, 2020, upon adoption of the FY 2020-21 Midcycle Budget, the City Council provided a policy directive specifically directing staff to “reduce additional \$8 million of OPD overtime expenditures to be held until after review and policymaking process, and civilianization analysis, to provide tracking and accountability for unbudgeted expenditures, and to provide civilian response for certain calls. See recommended study to provide options for civilians for special events permits, street closures, bicycle and pedestrian work etc.”

ANALYSIS AND POLICY ALTERNATIVES

Administrative Actions Taken and Planned to Close the Current Fiscal Year Budget Shortfall

The Administration is immediately implementing a total of approximately \$29 million in cost-saving measures to begin to close the deficit, including approximately \$9 million in general personnel and spending cuts, and \$20 million in public safety expenditure and service reductions. These cost-reduction measures and the estimated cost savings of each are summarized in the table, with additional details for each provided below.

General Personnel and Spending Cuts	\$9 million (approx.)
Hiring freeze	\$5.4 million
Release temporary staff	\$1 million
Further reduce unspent funds carried forward from last fiscal year	\$2 million (possible)
Pay reductions for staff not represented by a labor group	\$0.5 million
Freeze discretionary spending	\$0.1 million
Public Safety Reductions	\$20 million
Police—reduction in overtime, specialized units, programs	\$15 million
Fire—partial closure of 3 fire stations	\$5 million
TOTAL	\$29 million

1) **Hiring Freeze (\$5.4 million)**

As of December 14, 2020, the Administration implemented a citywide hiring freeze for non-sworn positions through the end of this fiscal year. This is estimated to save \$5.36 million in the GPF.

2) **Release Temporary Staff (\$1 million)**

Effective December 14, 2020, there is a citywide reduction in the use of temporary employees. The Administration has directed City departments to most temporary staff by January 9, 2021. This action is estimated to save \$1 million in the GPF.

3) **Further Reduction of GPF carryforward (Possible \$2 million)**

The Administration is reviewing the list of previously approved carryforward and will reduce all carryforward appropriations that are not contractually obligated, expended, or associated with emergency projects. The Administration's goal is to release of \$2 million in carryforwards, if feasible.

4) **Impose 10 Closure Days, Freeze Step/Range Increases, and Revoke the January 1, 2021 Wage Increase for Unrepresented Employees (\$0.5 million)**

The Administration has announced that all unrepresented employees are required to take 10 unpaid days between December 18, 2020 and June 30, 2021. Unrepresented employees will also delay wage increases scheduled for January 1, 2021 and their scheduled step or pay range increases. The estimated cost savings for these three actions is \$550,000 in the GPF.

5) **Freeze Training and Travel & Other Discretionary Spending (\$0.1 million)**

Effective December 14, 2020, there is a citywide moratorium on all virtual and in-person external training and conference requests. Citywide training programs will continue. This is estimated to save \$100,000 in the GPF in the current fiscal year.

6) **Temporarily Close 3 Fire Stations / Engine Companies (\$5 million)**

The Administration will temporarily brownout the operations of 3 Fire Engine Companies, out of the 25 Fire Engine Companies and 7 Fire Truck Companies that usually operate, during the low fire season from mid-January through June to achieve a reduction in OFD expenditures of \$5 million by the end of the fiscal year. This level of temporary reduced availability is comparable to what Oakland has done in the past. Consideration of reducing fire engine availability is not something considered lightly; it is a reflection of our severe fiscal situation that it is included in this plan. This service reduction is contemplated in the Local 55 MOU under these dire financial conditions.

The closure of three firehouses, either on a permanent or rotating basis, is likely have an impact on emergency response. While the districts containing the closed firehouses will be the most impacted with slower response times, districts surrounding the closed firehouse may also be affected as there will be decreased coverage overall and Oakland Fire Department (OFD) dispatch will have fewer options to rely upon. This may jeopardize OFD's ability to meet the National Fire Protection Association (NFPA) standards for medical emergency response, which state that 1) a first responder should be on the scene in four minutes or less 90% of the time and 2) for multiple company responses, the second company should arrive within six minutes 90% of the time.

OFD responds to approximately 55,000 emergencies per year or on average 4.7 responses per company per day. The closure of three engine companies is likely to cause approximately 14 calls per day to be diverted to other engine companies. Since the fire stations are fixed geographically, staff is estimating that approximately 11 calls per day for emergency medical responses may not meet the NFPA standard.

The City experiences more than \$25 million in property loss every year due to fires. The Oakland Fire Department responds to approximately 1,000 structure fires per year, averaging 2.5 structure fires per day. Operational effectiveness at structure fires is directly correlated to the number of resources on scene within NFPA standards. A reduction of three engine companies would provide a 43% likelihood that one of the engine companies assigned to a structure fire will be unavailable. This, in turn, would add a minimum of four minutes to the measured operational effectiveness, and therefore significantly increase property loss. Much of this increase is likely not recoverable through insurance policies due to the majority of renters not having insurance and/or underinsured property owners. These impacts are mitigated by the decreased coverage happening only during a lower fire risk season of January through June.

7) **OPD Service Reductions (\$15 million)**

For more than a decade the Oakland Police Department has exceeded its Adopted Budget. Both the City Council and the City Auditor have acknowledged that the Administration and City Council have consistently under-budgeted police overtime, particularly in light of increased costs and historical need. In the most recently closed fiscal year, FY 2020-21, OPD exceeded its budget by more than \$32 million. The Q1 (first quarter) expenditure forecast for the current year similarly projects OPD exceeding its budget. To fix this misalignment of budget and services, the City must adopt one of the following options:

1. Decrease OPD's services without decreasing its budget
2. Increase OPD's budget without increasing services
3. A combination of 1 & 2

Given the City's dire fiscal situation, the City only has resources to choose Option 1. Reduced services are immediately necessary to address the City's precarious fiscal condition.

The reductions in anticipated expenditures in OPD from this action will not free resources for expenditures on other services. Please also note that OPD does not recommend any service cuts due to the City's ongoing and escalating violent crime problem but recognizes and embraces the need to achieve immediate savings due to increasing budgetary shortfalls. The reductions contained herein preserve core services of patrol and investigation, ensuring that the basic work of the department can continue.

This action only addresses the expenditures and services in FY 2020-21. The FY 2021-23 Biennial Budget must also firmly and finally resolve the imbalance between OPD service expectations and appropriations by one of the three options noted above.

Description of Reductions

The items listed below comprise both discretionary overtime and specialty units corresponding to assignments of personnel that could be shifted back to patrol.

Note that OPD can achieve the overtime reductions (with the exception of backfill staffing) within the next few weeks, but the specialty units and crime operations will take some time as they require personnel movements and follow-up and wind-down for operations currently in progress.

Overtime Reductions: As a precautionary note, overtime associated with crime response is driven by the staff time it takes to respond to those crimes and there has been a significant increase in violent crime this year. If reductions in prevention, enforcement, and security operations result in increased crime, crime response overtime demands may increase.

Specialty Unit Reductions: For the operational units reductions officers will be transferred into the Patrol Unit, whose beats have traditionally been filled largely by officers working on overtime. This process may take time and is highly regulated by labor agreements. Since these savings are projected for the last two quarters of the current budget, they are based on projecting the rapid reassignment of personnel that may be outside of the normal labor agreements and will have impacts to personnel and their families as their schedules and assignments will be interrupted with very little notice mid-year. The City will meet and confer with unions as needed.

Summary of Service Reductions and Potential Savings	
Overtime Function	Estimated Six-Month Savings
Site Security & Traffic Control*	1,017,000
Sports, Entertainment, and Coliseum*	300,000
Sideshow Enforcement	803,000
Area Crime Response & Admin	1,570,000
COVID, Mutual Aid, and PG&E PSPS*	349,000
Uptown Walking	300,000
Patrol Wagon	35,000
Demonstrations & Gatherings	1,289,000
Homicide / Ceasefire Op and Warrant Service	307,000
Training	39,000
Lake Merritt Patrol	3,500
Traffic Operations	156,000
Other Coded Tasks	6,500
Discontinue all Discretionary Overtime Subtotal	6,175,000
Reduce Backfill Overtime	1,000,000
Total Overtime Reduction/Savings	7,175,000
Operational Unit / Function	Estimated Six-Month Savings
Defer One Police Academy	1,000,000
Transfer the OK program to non-GPF source (pending)	320,000
Suspend Youth & Schools Services Program	137,500
Suspend Police Activities League (PAL) Program	106,500
Suspend Alcohol Beverage and Tobacco Unit	606,500
Suspend Unsheltered Unit (pending SEIU meet & confer)	351,000
Reduce Traffic Investigations Unit	320,000
Suspend Traffic Enforcement Unit	991,000
Reduce Ceasefire Unit by 25%	991,000
Suspend Foot Patrol Unit 1	991,000
Suspend Foot Patrol Unit 2	884,000
Suspend 8 lowest crime beat Community Resource Officers	853,500
Reduce Helicopter Maintenance Budget	250,000
Operational Unit / Function Subtotal	7,802,000
GRAND TOTAL	14,977,000

* Indicates partial reimbursement for overtime

Service Reduction Impacts

Discontinue All Discretionary Overtime

A portion of OPD's overspending on overtime is used for discretionary purposes (including special enforcement and special events). **The table above** lists these discretionary spending areas for FY 2019-20 through June 12, 2020.

Defer One Police Academy

OPD experiences an average monthly attrition of five sworn personnel. With approved current approved staffing of 786 sworn personnel, OPD presently has 728 positions filled. When the current police academy graduates approximately 30 new sworn personnel, OPD will have essentially the same number of sworn personnel it does today. The current budget has the next Police Academy starting in early 2021. Deferring the start of this Academy to May will save \$1M in the current fiscal year. This delay is likely to result in sworn staffing falling below even the current low levels, making it increasingly difficult to mitigate extreme service challenges, mandatory overtime, and officer burnout.

Transfer OK Program to non-GPF funds

Since 1990, the OK Program has touched the lives of thousands of African-American males from the ages of 12 to 18 in order to reverse the high rates of homicides and incarceration among that population. The collaborative, team mentorship model brings together local police officers, school districts, and the faith-based community with the goal of transforming lives and empowering African-American men and boys to improve their communities. The Administration is pursuing alternative funding opportunities to sustain this program.

Suspend Youth Outreach Unit including Police Activities League and School Site Programs, excluding Explorer Cadets

OPD's Youth Outreach Unit (YOU) supports a range of programs for children and youth in Oakland. Some programs target at-risk young people, or those who may have already taken a wrong step. Suspending YOU programs such as the Police Activities League would result in the loss of critical opportunities for young community members. When schools are in regular session, YOU officers serve as public safety liaisons with schools and address issues such as prostitution, blight, traffic and parking, and Safe Passage to and from school. This suspension does not include the Explorer Cadets and is partially mitigated because middle and high school campuses are unlikely to reopen during the remaining school year and this suspension period.

Suspend Alcohol Beverage and Tobacco (ABAT) Unit

Suspending the ABAT Unit will eliminate the opportunity for OPD to collect annual regulation fees, fines, and grants. It will also leave liquor stores, bars, and alcohol-permitted restaurants without inspection by OPD.

Suspend Unsheltered Unit

Homelessness has been identified as an area of substantial concern in the City of Oakland. As the City continues to develop and implement policy addressing the unsheltered, OPD continues to be called upon to assist in addressing associated issues. Suspending this unit would result in OPD being unable to respond to the 250 such requests from Public Works received in 2019. Additionally, 20 percent of OPD homicides in 2020 are believed to have been associated with the unsheltered. The City's current Standard Operating Procedures require OPD to be present when Public Works employees perform unsheltered clean-up operations. The Unsheltered Unit is OPD's primary avenue of this support.

Reduce Traffic Investigations Unit

Reducing staffing for this unit would result in the loss of some traffic investigations including impeding the ability to fully investigate an average of 30-plus fatal collisions each year. There would no longer be investigations of some City of Oakland vehicle collisions each year for all vehicles owned or rented by the City of Oakland. There will be reduced response for citizen requests for traffic collision reports, which average about 7,500 reports each year.

Suspend Traffic Enforcement Unit

In the area of traffic safety, Oakland continues to rank as one of the most unsafe cities in California – particularly where pedestrians are concerned. With 3,600 annual traffic collisions that involve injury or death, suspending the OPD's only remaining Motorcycle Unit would lead to serious issues with preventing and investigating such collisions. The suspension of this unit would reduce the enforcement of traffic laws including unsafe speed; school zone violations; pedestrian and bicycle laws; and numerous other dangerous violations. Overtime of about \$500,000 annually is provided through grant funding for focused traffic operations to address contributors to fatal and injury collisions.

Reduce Ceasefire by 25 Percent

In 2019, nationally renowned criminologist Professor Anthony Braga from Northeastern University presented a long-awaited formal evaluation of the Ceasefire strategy in Oakland. Braga's evaluation concluded that Ceasefire had a substantial impact on gang and group violence in Oakland. Reducing Ceasefire resources by 25 percent could reduce the ability of OPD to address and reduce gun violence in the City of Oakland. Crime Reduction Teams will be focused on this violence to mitigate the impacts of this reduction.

Suspend Foot Patrol Unit 1 and Foot Patrol Unit 2

Foot Patrol Units increase public safety visibility in busy areas, enhance the feeling of safety, and build bridges between community and police. By removing the physical barrier of a patrol vehicle, Foot Patrol Officers have an intimate knowledge of their area, often knowing shopkeepers and residents by name. Suspension of the Foot Patrol Unit will impact the vitality and safety of Oakland's business and commercial districts that are often targeted for robberies, thefts and burglaries. By reduced presence, crimes that are often averted will increase. This will

also affect response times, as higher priority calls will be given precedence over lower-level offenses. Foot Patrol Officers also assist with providing security to City staff and meetings. Disturbances are frequently resolved from the relationships they have formed.

Suspend the Eight Lowest Crime Beat Community Resource Officers

Community Resource Officers (CROs) are the point of contact for the Neighborhood Councils (NCs). CROs work directly with the NCs in solving problems identified by the community, which is critical to building trust and making those communities feel like their safety is important.

Reduce Helicopter Budget

Available maintenance funds for the OPD helicopter program have exceeded use in previous fiscal years. Reducing maintenance funds should not significantly impact the ability of OPD to use this critical tool that keeps the public safe while substantially increasing the efficiency of OPD.

Progress with Respect to Implementing the City Council Policy Directive to Reduce an Additional \$8 Million of OPD Overtime

Pursuant to the Policy Directive adopted as part of the FY2020-2021 Midcycle Budget adjustment, staff reports the following progress with regard to “review and policymaking process, and civilianization analysis, to provide tracking and accountability for unbudgeted expenditures, and to provide civilian response for certain calls.”

Policymaking process, tracking, and accountability

OPD submitted an [Informational Memo](#) to the Mayor and City Council on December 4, 2020 that outlined drivers of its overtime usage and structural deficiencies in its overtime budget. On December 14, 2020, the Finance Department submitted a Supplemental Report to the Q4 & Q1 Revenue & Expenditure Report, which included OPD’s update to the City Auditor in terms of implementing recommendations from the 2019 police overtime audit. Highlights from that update, which align with this Policy Directive, include:

- Near finalization of an update to the OPD Overtime Policy (draft included)
- Upgrade of scheduling system, upcoming integration to payroll system, to provide for enhanced management and tracking
- Development and implementation of standard operating procedures to improve invoicing for special events that incur reimbursable overtime

Previous sections of this report detail additional steps the Administration will be taking to significantly curtail overtime use for the balance of the fiscal year.

Civilianization analysis, civilian response for certain calls, special events permits, street closures, bicycle and pedestrian work, etc.

As part of the midcycle adjustment process, the Administration recommended and the Council approved civilianization of a number of sworn functions within OPD. In the development of the next two-year budget, staff will continue to explore opportunities for civilianization generally. Note that a [2015 benchmarking report](#) found OPD at the top end of police departments in terms of the ratio of civilian staffing to sworn staffing.

With regard to civilian response for certain calls, the current fiscal year budget includes funding for the MACRO pilot, funded in part via the freezing of four sworn Officer positions. MACRO stands for Mobile Assistance Crisis Responders of Oakland. It is intended to provide a non-law enforcement response to non-violent/non-felony crises in two areas of Oakland. Contracts to execute the pilot should be coming to the City Council for its consideration in early 2021. Beyond MACRO, the City Council established the Reimagining Public Safety Task Force, which has a mission that explicitly includes exploring alternative responses to calls for assistance. The Task Force has formed an advisory board to focus on this aspect of the Task Force's work, with final recommendations to the City Council expected in April 2021. In support of this effort, OPD has provided [calls for service data](#) and has commissioned an analysis of that data, with preliminary identification of those that may be suitable for alternative response.

With regard to special events permitting, the City Administrator's Office has convened an interdepartmental working group to establish processes and personnel needed to civilianize the permitting of special events in the City of Oakland. The City Administrator's Office anticipates presenting updates to the City of Oakland's special event ordinance, OMC 9.52, to the City Council in the first quarter of 2021 to reflect these changes. Since County and State Health Orders prohibit events during the COVID-19 emergency, the actual permitting of special events is unlikely to begin until mid to late 2021.

Similarly, during the COVID-19 emergency, staff have piloted a street closure process through the Flex Streets Initiative in which Economic Development and Department of Transportation staff have led the process, in contrast with pre-COVID-19 street closures that were overseen by the Oakland Police Department.

Staff will continue to explore alternative approaches to street closures and special events permitting as part of a larger effort in 2021 to reexamine how the City regulates entertainment altogether to establish a more efficient and equitable approach as the City emerges from the COVID-19 pandemic.

Finally, with regard to traffic enforcement, the City Administrator provided background research information to the Council President in support of the City Council's desire, as expressed in a recently approved Resolution, to seek state authorization to allow for alternatives to sworn officer traffic enforcement.

FISCAL IMPACT

All of the actions above total \$28.95 million in estimated savings for the GPF. While necessary, these actions alone are insufficient to resolve the \$62.29 million estimated deficit projected by the end of the fiscal year. A deficit of \$33.34 million remains that will need to be addressed by further reductions in services or seeking of employee concessions. These actions will certainly have an impact on our ability to deliver critical services to Oakland residents, but are necessary to ensure the solvency of the City's GPF.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this report beyond the standard City Council agenda noticing procedures.

COORDINATION

This report has been prepared in coordination with Departments of Finance and Human Resources, and Oakland Police Department.

SUSTAINABLE OPPORTUNITIES

Economic: The Oakland City government is a primary contributor to our local East Bay economy. Reductions in City of Oakland expenditures will have negative impacts on local economic activity.

Environmental: There no direct environmental impacts identified as a result of these actions.

Race & Equity: The Administration avoided reductions that would be felt disproportionately on low income communities of color. For example, the specialty unit for Abandoned Autos is not proposed for suspension because it would impact the low-income neighborhoods where abandoned autos are disproportionately causing blight.

Edward D. Reiskin, City Administrator

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ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council receive an Informational Report on (1) administrative actions taken and planned to close the current fiscal year budget shortfall, including Police Department and Fire Department service reductions; and (2) progress with respect to implementing the FY 2020-21 Midcycle Budget Adjustment City Council Policy Directive to reduce an additional \$8 million of OPD overtime expenditures to be held until after review & policymaking process, and civilianization analysis, to provide tracking and accountability for unbudgeted expenditures & civilian response for certain calls.

For questions regarding this report, please contact Margaret L. O'Brien, Interim Director of Finance, at (510) 238-7480.

Respectfully submitted,



Margaret L. O'Brien
Interim Finance Director