

CITY OF OAKLAND

AGENDA REPORT

2009 OCT -1 PM 6:51

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Office of Vice Mayor Ignacio De La Fuente
Office of the City Clerk
DATE: October 13, 2009

RE: **Discussion And Action On A Report And Recommendations To Implement The Municipal Identification Program**

SUMMARY

This report provides options for implementing Ordinance No. 12937 C.M.S., the Oakland Municipal Identification Program, adopted June 16, 2009.

The City Clerk's office, in collaboration with representatives from the offices of Vice Mayor De La Fuente, Councilmember Quan, Department of Information Technology, Police, and the City Attorney, formed a working group to research municipal identification programs and develop options for implementing a local program.

The options take into consideration the requirements of Ordinance No. 12937 C.M.S. to utilize the highest security measures in the validation of identity and to ensure public safety in the protection of residential addresses and the gender identification of card applicants. The recommendations further attempt to implement a *cost covered* program to the greatest extent possible, as directed by Council.

After review of existing City card issuing systems (i.e Police, Personnel, Fire), the working group determined the card systems identified are not adequate for a secure municipal ID system.

FISCAL IMPACT

Council approval of the recommendations will require identification of a funding source to cover start-up costs associated with the acquisition of all or portions of the equipment necessary to perform the processing, verification and issuance of Municipal IDs. Costs associated with the presented options differ depending upon the pricing of vendor systems and whether all service is provided in-house or portions are contracted out. Preliminary estimates for *technology* are between \$300,000 and over \$500,000 (if upfront investment is sought) or annual lease payments of \$75,000 to \$133,000; in addition, *annual staff and replacement card costs* are minimally estimated at \$88,000 in the first year and \$69,000 thereafter to higher costs depending upon staffing levels. Annual revenue projections range from \$30,000 to \$140,000 with card fees ranging from \$15 to \$35. A detailed fiscal analysis is provided in the "Discussion" section below.

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BACKGROUND

In developing a program structure, staff contacted the Cities of New Haven, CT and San Francisco to obtain information about their municipal ID programs. Since San Francisco's model more closely matched the organizational, operational structures and the adopted legislative framework of the City of Oakland, San Francisco's data was utilized to build the recommendations in this report.

The City and County of San Francisco adopted amended legislation establishing a City ID Card program in November 2008. The program was launched in January 2009 with funding to cover a one time investment of \$538,000 for equipment and required system components. Components of the municipal identification system included 1) Database and system for required information capture and preservation; 2) foreign identification authentication module, 3) Biometric identification to prevent fraudulent re-issue, 4) one laser engraving printer to prevent fraudulent duplication of ID cards, 5) controller and reader for the printer, 6) camera, 7) software licenses, and 8) professional services and a 5-year professional service and maintenance contract. Additionally, approximately \$260,000 was spent on workstation configurations, computer networking and servers, telecom, supplies and personnel. Total **start-up, one-time** funding was \$798,000. The **ongoing** operating costs for the City of San Francisco include the staffing of two Legal Clerk positions, overhead and supplies at approximately \$220,000 per year.

At the time San Francisco established their City ID program; only one vendor was able to provide all equipment to issue identification cards to the specifications that would prevent fraud or duplication. In consultation with San Francisco, Clerk staff has confirmed the existence of other vendors who can competitively provide equipment and systems to deliver a secured Municipal ID card. ***Based on preliminary discussions, other vendors may likely be able to provide comparable systems at a significantly lower cost than San Francisco's identified costs at approximately \$300,000.*** To determine definite costs and identify a systems vendor, a Request for Proposals will be issued November 1, 2009, with return in January 2010 to Committee with recommendations for a specific vendor.

DISCUSSION

Review of Options

In reviewing San Francisco's operations and expenses, the working group developed three approaches to implementing Oakland's Municipal ID Program. The first two options suggest in-house intake and printing; and the third option keeps the intake function in-house but contracts out printing of identification card to San Francisco. It should be noted that for all the proposed

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options, there is some concern that additional staffing may be required in order to provide an acceptable level of customer service.

Implementation option/options are:

Option 1 (In-House Service, Ownership of technology) – Purchase of hardware and software to perform all aspects of processing, verification, data collection, and printing of identification cards. This option proposes two Temporary Part-time Administrative Assistant I positions to deliver the service from intake to printing and issuing of the ID cards.

	\$300,000 - One Time Purchase						
	Payment	Overhead w/ 2 TPTE	Total Cost w/ 2 TPE	Overhead w/ 1 FTE	Total Cost W/ 1 FTE	Overhead w/ 2 FTE	Total Cost w/ 2 FTE
Year 1	\$300,000	\$87,880	\$387,880	\$108,006	\$408,006	\$175,112	\$475,112
Year 2	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 3	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 4	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 5	0	68,770	68,770	90,951	90,951	156,002	156,002
Total	\$300,000		\$662,960		\$771,809		\$1,099,119

	\$538,000 - One Time Purchase						
	Payment	Overhead w/ 2 TPTE	Total Cost w/ 2 TPE	Overhead w/ 1 FTE	Total Cost W/ 1 FTE	Overhead w/ 2 FTE	Total Cost w/ 2 FTE
Year 1	\$538,000	\$87,880	\$625,880	\$108,006	\$646,006	\$175,112	\$713,112
Year 2	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 3	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 4	0	68,770	68,770	90,951	90,951	156,002	156,002
Year 5	0	68,770	68,770	90,951	90,951	156,002	156,002
Total	\$538,000		\$900,960		\$1,009,809		\$1,337,119

Equipment Costs

This option would require an *upfront* investment into technology. Depending on the competitive pricing for vendor systems and the standard of security technology, costs could range from \$300,000 to over \$500,000 (using San Francisco's example for the latter). The above cost estimates are very preliminary; exact costs would **require a Request for Proposals** to obtain bids on technology.

Overhead Costs

The fully burdened cost for **first year** operations is approximately **\$87,880** itemized as follows:

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➤ One Server	\$15,000
➤ Two Computers	\$3,010
➤ Two Desk Phones	\$1,100
➤ Card Stock (5,000 cards @ \$3.50 each)	\$17,500
➤ Annual Maintenance	\$8,400
➤ Two Admin. Assistant (Temporary Part-time)	\$42,870
Total Cost:	\$87,880

After the first year, the estimated recurring cost is **\$68,770** annually. This cost includes purchase of card stock at approximately \$17,500, systems maintenance of \$8,400, and personnel cost of \$42,870.

Option 2 (In-House Service, Leasing technology) – Similar to the above, but instead of purchasing, leasing the hardware and software to perform all aspects of processing, verification, data collection, and printing of identification cards. This option proposes two Temporary Part-time Administrative Assistant I positions to deliver the service from intake to printing and issuing of the ID cards.

\$300,000 - 5 yrs Lease at 2.066%/month							
	Yearly Lease Pmt	Overhead w/ 2 TPTE	Total Cost w/ 2 TPE	Overhead w/ 1 FTE	Total Cost W/ 1 FTE	Overhead w/ 2 FTE	Total Cost w/ 2 FTE
Year 1	\$74,376	\$87,880	\$162,256	\$108,006	\$182,382	\$175,112	\$249,488
Year 2	74,376	68,770	143,146	90,951	165,327	156,002	230,378
Year 3	74,376	68,770	143,146	90,951	165,327	156,002	230,378
Year 4	74,376	68,770	143,146	90,951	165,327	156,002	230,378
Year 5	74,376	68,770	143,146	90,951	165,327	156,002	230,378
Total	\$371,880		\$734,840		\$843,689		\$1,170,999

\$538,000 - 5 yrs Lease at 2.066%/month							
	Yearly Lease Pmt	Overhead w/ 2 TPTE	Total Cost w/ 2 TPE	Overhead w/ 1 FTE	Total Cost W/ 1 FTE	Overhead w/ 2 FTE	Total Cost w/ 2 FTE
Year 1	\$133,381	\$87,880	\$221,261	\$108,006	\$241,387	\$175,112	\$308,493
Year 2	133,381	68,770	202,151	90,951	224,332	156,002	289,383
Year 3	133,381	68,770	202,151	90,951	224,332	156,002	289,383
Year 4	133,381	68,770	202,151	90,951	224,332	156,002	289,383
Year 5	133,381	68,770	202,151	90,951	224,332	156,002	289,383
Total	\$666,905		\$1,029,865		\$1,138,714		\$1,466,023

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Equipment Costs

This option would require an *annual* investment into technology that could be spread over several years. Depending on the competitive pricing of vendor systems and the standard of security technology, annual lease payments, including finance charges, range from \$75,000 to over \$133,000 using \$300,000 to over \$500,000 (using San Francisco's costs) and assumes a five-year lease with monthly finance rate at 2.066% . The above cost estimates are very preliminary; exact costs would **require a Request for Proposals** to seek bids on technology.

Overhead Costs

The fully burdened cost for **first year** operations is approximately **\$87,880** as itemized in Option 1.

After the first year, the estimated recurring cost would still be **\$68,770** annually as stated in Option 1.

Option 3 (*In-House Intake, Partner with San Francisco for printing*) – Pursuit of an **MOU with San Francisco** to provide identification card printing portion of the service. Internal staff of two Temporary Part-time Administrative Assistant I positions would still be required with this option.

Equipment Costs

Equipment costs could be covered by an upfront investment as suggested in Option 1 or lease as stated in Option 2. This option would reduce the amount of equipment and associated start-up costs to the program and require authorization to pursue an MOU with San Francisco.

MOU

In light of San Francisco's purchase of all required system components, Oakland staff has proposed a partnership with San Francisco to perform printing of Oakland's ID cards at a cost not yet determined. To move forward, San Francisco has stated the need to obtain policy direction and approval from their Boards of Supervisors and establishment of an MOU to render services to the City of Oakland. MOU costs cannot be determined until Council authorizes this option and approval is obtained from the San Francisco Board of Supervisors. Should Council selection this option, staff would enter into formal discussions with San Francisco to identify the costs for services, with return to Council for approval of the MOU.

Considerations for total program costs for Option 3 include: 1) the purchase or lease of less equipment to only perform intake; 2) MOU costs which cannot be determined; and 3) staffing and overhead costs.

Summary of Pros and Cons

A general analysis of key issues and impacts is summarized by option as follows:

Option 1 - In-House Service, Ownership of technology

Pros

- Provides program implementation that fully complies with the City's adopted ordinance
- Closed System-meets a standard of security / privacy requirements per Ordinance

Cons

- Sizable capital impact in the first year of operations
- Not cost covered

Option 2 - In-House Service, Leasing technology

Pros

- Provides program implementation that fully complies with the City's adopted ordinance
- Reduces the City's Capital investment costs by establishing a significantly lower monthly payment
- Provides for reduced purchase of equipment and systems or upgrade at the end of lease
- The closest to cost covered operations assuming \$300k equipment cost and \$35 card fee.

Cons

- City would not own the system
- City would be subject to finance charges

Option 3 - In-House Intake, Partner with San Francisco for printing

Pros

- Reduction of capital investment

Cons

- Will require more time to implement
 - i. Requires policy approval by the SF Board of Directors
 - ii. Requires Contract negotiations with SF for labor and extended operation costs
- May require Oakland to purchase and configure proprietary modules to work with the SF
- Requires Oakland to pay San Francisco to print Oakland's cards.
- Inconveniences the applicant by requiring an additional trip for applicant to pick up card

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- Requires additional expense for transport of card information and printed cards to/from SF

An analysis of cost covered operations for Option 3 cannot be determined as all costs are not identified.

Revenues

Staff has developed the revenue assumptions using \$15 to \$35 per card fee. Annual demand (number of people interested in the card) ranges from 2,000 to 4,000 based on San Francisco's experience. (San Francisco, with population twice of Oakland's, is estimated to distribute approximately 8,000 cards annually).

Annual revenue, as illustrated, could range from \$30,000 to \$140,000.

Annual Card Demand	Daily Card Issuance	Annual Revenue Based on Card Fee				
		\$15	\$20	\$25	\$30	\$35
2,000	8	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000
3,000	12	45,000	60,000	75,000	90,000	105,000
4,000	16	60,000	80,000	100,000	120,000	140,000

Cost Covered Operations

Based on the review of equipment, start-up, and overhead costs assumptions and options presented in this report, the Municipal ID program could nearly achieve cost covered operations assuming the program is implemented using leased equipment at approximately \$300,000 paid over 5 years with a card fee no less than \$35. Equipment obtained at costs above \$300,000 would require an increase in the card fee to ensure cost covered operations.

KEY ISSUES AND IMPACTS

Key issues in the implementation of a Municipal ID program include concerns regarding the City's ability to perform the authentication of foreign identification documents and the potential of liability associated with performing this task. According to the City Attorney's Office, there are general immunities under state law that would protect both the city and city employees from liability for issuing Municipal ID cards.

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assume in processing cards for Oakland applicants. As a result of the concerns raised by San Francisco staff, the proposal may require legal analysis by the San Francisco city attorney before San Francisco can enter into an MOU with Oakland.

PROGRAM DESCRIPTION

In accordance with Ordinance No. 12937 C.M.S., an Oakland Municipal Identification Card Program serves to ensure the safety and privacy of residents by providing a valid form of identification. The issuance of ID cards serves to provide access to City and County services and allows card holders to engage local and regional commerce by opening a bank account, establishing credit, accessing loans, education and housing opportunities. The program fills a void by providing an official form of personal identification for the many Oakland residents who currently lack identification.

SUSTAINABLE OPPORTUNITIES

Economic: Funding the program provides card holders access to local and regional services, promoting local economic activity.

Environmental: There are no environmental opportunities from this program.

Social Equity: Issuance of Municipal IDs to all eligible residents allows card holders to provide proof of residency which will increase public safety, civic participation, and facilitate support of local commerce.

DISABILITY AND SENIOR CITIZEN ACCESS

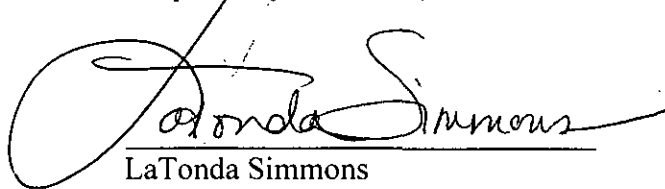
The Municipal ID will be maintained in an accessible facility.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Committee approve the leasing option referred to as Option 2 with return of the following information for final committee approval:

- 1) Responses to the RFP to determine actual equipment costs;
- 2) A full fiscal analysis using actual equipment costs; and
- 3) Fee recommendations based on actual equipment costs.

Respectfully submitted,



LaTonda Simmons
City Clerk and Clerk of the Council
Office of the City Clerk

Prepared by:
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Management Assistant

FORWARDED TO THE FINANCE
AND MANAGEMENT COMMITTEE:


Office of the City Administrator

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