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OFFICE OF THE CITY CLERK  
OAKLAND

# CITY OF OAKLAND

## AGENDA REPORT

2010 MAR 25 PM 8:32

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Budget Office  
DATE: April 1, 2010  
RE: **RESOLUTION AMENDING THE GENERAL PURPOSE FUND BUDGET FOR FY 2009-10 AND FY 2010-11, WHICH THE CITY COUNCIL AMENDED PURSUANT TO RESOLUTION NUMBERS 82235 C.M.S., 82335 C.M.S., 82519 C.M.S., 82582 C.M.S., 82578 C.M.S. AND \_\_\_\_\_ C.M.S.**

### SUMMARY

This report presents amendments to the FY 2009-10 and FY 2010-11 City budget for the General Purpose Fund, to address budgetary shortfalls as well as to approve budget-neutral "clean-up" items. The following key messages are contained in this document.

#### Context

- The severity of the City's fiscal crisis is truly unprecedented.
- Less than four years ago, in FY 2006-07, the City collected over \$471 million in General Purpose Fund (GPF) revenues, and by year-end had nearly \$56 million in reserves. That year alone, the Real Estate Transfer Tax revenue was at \$61.5 million.
- In FY 2010-11, the City is anticipated to have only \$10.4 million in GPF reserves by year-end, and is projected to collect just under \$400 million in revenues by year-end. The Real Estate Transfer tax collection is now at a low \$28 million. Collectively, this means that the City has over \$120 million less in resources today (between one-time reserve funds and ongoing revenues) than we had just four years ago. During the same period, while the GPF-funded workforce shrunk by 12.5%, personnel costs in this fund have dropped by less than three percent.
- The City has already implemented \$170 million in budget balancing measures since July 2008, with \$18.9 million approved for the current fiscal year as recently as February 16, 2010. Since the February action – which addressed most of the current year's \$23.7 million gap – our revenues continued to decline, increasing the budget shortfall by \$6 million in FY 2009-10 and \$11.2 million in FY 2010-11. **Currently estimated financial gaps (net of previous Council actions) are: \$10.4 million for FY 2009-10 and \$42.6 million for FY 2010-11.**
- At the same time, means of filling the financial gaps have diminished: (a) the City has already cut a great proportion of spending and programs, and the remaining

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discretionary budget is just 8 percent of the total GPF appropriation; (b) the reserves are minimal; and (c) "easy" revenue fixes, such as fee increases and uses of one-time unrestricted funds, have already been exhausted. At this point, balancing the budget structurally will require a combination of new taxes and significant cuts to public safety departments. Public safety accounts for 66.5% of the General Purpose Fund budget, and if a 15% (as an example) across-the-board cut were to be applied to non-safety departments only (also excluding debt service), only \$15 million in savings would be generated while decimating key recreation, senior, library and internal programs. Moreover, cuts to youth and library programs would violate local Measures K/OO/D and Q. At the same time, a 15% cut to public safety departments would generate an additional \$42.6 million in savings, but would violate provisions of Measure Y.

#### Proposed Balancing Measures

- **This budget proposes new taxes, sale and transfer of assets, use of restricted one-time funding, and limited reductions to spending.** Further spending cuts would require a combination of: (a) policy decisions on shutting down certain key services; (b) changes to local measures that mandate minimal youth, library and violence prevention spending; and (c) negotiations with the unions.

#### **FISCAL IMPACT**

The remaining budget shortfalls anticipated in the **General Purpose Fund** (net of previous Council actions) are **\$10.4 million** in FY 2009-10 and **\$42.6 million** in FY 2010-11. The proposed balancing measures are presented in *Exhibit A-1* (for FY 2009-10) and *Exhibit A-2* (for FY 2010-11).

#### **Measures to resolve the remaining FY 2009-10 budget gap (\$10.4 million)**

Prior special City Council budget sessions were convened to resolve the anticipated FY 2009-10 General Purpose Fund (GPF) deficit. Actions were taken on December 17, 2009, February 16, 2010 and March 16, 2010 to resolve a total projected shortfall of \$23.7 million. Balancing measures approved by Council resolved all but \$4.8 million of the current year deficit. After taking into account revised spending projections and additional revenue shortfalls in utility consumption tax, licenses and permits, fines and penalties, services charges (primarily parking meters) and fund transfer revenues, **the new deficit amount for FY 2009-10 may increase to \$10.4 million.**

Staff proposes the following **measures to balance the current year shortfall**: restructuring pension obligations (\$5.5 million) and sale of or issuance of revenue bonds for the Medical Hill Garage (\$5 million).

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**Measures to address the FY 2010-11 budget gap (\$42.6 million)**

The FY 2010-11 budget shortfall is currently estimated at \$42.6 million – an increase of the \$11.2 million reported in the February 16, 2010 staff report. *Components of the FY 2010-11 gap* are:

- Revenue shortfall of **\$25.6 million**, comprised primarily of Sales, Property, Utility Consumption, Transient Occupancy and Parking Tax Revenue, as well as Fund Transfers. **Of this amount, \$11.2 million is the projected new revenue deficit.**
- An additional **\$9 million** of budgeted, but unrealized, income from the Coliseum ticket surcharge. (\$4.5 million shortfall was accounted for in the FY 2009-10 budget gap.)
- Additional Police Department spending of **\$5.5 million** related to sworn recruitments, extended negotiated settlement contract and anticipated overtime over-expenditure. The Department of Human Resources will expend an anticipated **\$1.2 million** related to sworn recruitments. Projected spending for next year assumes that overtime spending will continue at the FY 2009-10 level and an increase in police academy costs (a full versus a lateral academy is planned). The FY 2009-10 projected year-end Police overspending is \$3.7 million; no DHRM spending on police academies is assumed for the current fiscal year.
- **\$1.8 million** in other departments, including \$0.7 million in anticipated unrealized central services overhead recovery; \$0.6 million in additional Self-Insurance Liability cost; \$0.6 million in anticipated unrealized recoveries and personnel services budgeting error. FY 2009-10 projected year-end spending assumes all of the foregoing except for the additional Self-Insurance Liability cost.
- Net benefit (fringe and retirement) rate savings of **\$0.5 million**.

*Balancing proposals* for FY 2010-11 totaling **\$43.1 million** to address this projected year-end deficit, summarized generally below. *Exhibits A-1* and *A-2* provide detail of the proposed balancing measures.

- Staff reductions, including elimination of Microcomputer Computer Specialists I and III in Information Technology, administrative staff in Finance & Management, Human Resources and Police, are anticipated to save \$2.4 million; transfer of 9.0 PT Cadets to the Asset Forfeiture Fund from FY 2009-10 to FY 2010-11 would save \$0.3 million. The proposal reflects the elimination of **15.05 full-time equivalent (FTE)** positions, of which **13.05 FTEs** are filled (8.0 FTEs were approved for elimination as of April 1, 2010; of these, six positions were filled).
- Savings from the 15% cuts to elected offices - requested by the City Council on February 16, 2010 - are included in the above estimate. Details on the specific reduction measures are available for the Mayor's Office (2.0 FTE Mayor's PSE 14s and operations and maintenance reductions), City Council (6.0 FTE Legislative Analysts would be eliminated, including 4.05 FTE in the GPF) and City Attorney's Offices (3.0 FTEs eliminated and savings from filling a position at a lower rate). The City Auditor's Office

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will have operational savings for FY 2009-10; this office has informed staff of its intention to seek a City Attorney opinion on minimum staffing levels for chartered City departments prior to providing detailed reductions.

- Program reductions and eliminations, including the Linkages Grant Match and the Homeless Mobile Outreach programs in the Department of Human Services (\$0.3 million).
- Grant reductions of varying levels (\$1.9 million), including
  - 25% reductions to City institutions, including the Oakland Zoo, Chabot Space & Science Center and Children's Fairyland.
  - 50% reductions for City-affiliated entities (AIDS Prevention & Education Initiative, Hacienda Peralta and the City/County Collaborative on Children & Youth) and non-profit organizations (Family Bridges, Fruitvale Senior Center, Vietnamese Senior Services, Family Bridges, Fruitvale Senior Center, Cypress-Mandela Training Center, Symphony in the Schools, Women's Business Initiative, Jack London Aquatic Center, Oakland Asian Cultural Center, OUSD Academies Program, Artists' Grants and the Day Laborers' Program).
  - 100% reduction for the Oakland School of the Arts.
- Proposed new revenues and other financing, including a proposed new public safety parcel tax and increased and expanded utility consumption tax; an increase in the parking citation revenue expected from better collection rates); one-time and ongoing annual proceeds from the sale of billboard space to Clear Channel, Inc. (which is the subject of a separate staff report included on the April 1, 2010 special City Council agenda); anticipated new grant revenue to offset firefighter personnel services costs; and stricter enforcement of false alarm fines (\$24.1 million). Proposed new taxes would need to be approved by the voters; this notion is discussed later in the report.
- Sale of assets (\$12.8 million), including lease of the George P. Scotlan Convention Center to the Oakland Redevelopment Agency (ORA); sale of two properties to private parties; and sale of the Henry J. Kaiser Convention Center. Sale of assets is the subject of a separate staff report included on the April 1, 2010 special City Council agenda.

**Budget Neutral Clean-Up Items**

Staff also proposes two "clean-up" items:

- The first relates to funding a number of Citywide mandatory payments from the Citywide City Council contingency allocation in FY 2010-11. Such payments include: the payment to the Alameda County Local Agency Formation Commission to stem city boundary changes for nearly \$60,000; and about \$20,000 in lease payments for independent monitors related to the Police Negotiated Settlement Agreement.

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- The second concerns rebalancing the GPF Golden Handshake savings across departments. At the time the FY 2009-11 budget was adopted, Golden Handshake savings were applied to agencies/departments based on eligible retirees' organizational homes. Eventual retirees' actual organizational homes differed - in some cases, widely from home locations. This action seeks to re-allocate budgeted savings expectations based on the agencies/departments in which Golden Handshake retirements actually occurred.

Both of these actions are budget neutral and are reflected in the attached legislation.

## DISCUSSION

### Additional Shortfalls Projected for Remainder of FY 2009-10 and FY 2010-11

Lingering weakness in the U.S. and California economies continues to play out in local government revenues. Christopher Thornberg, principal economist at Beacon Economics and Chief Economist for the California Department of Finance, offers a dim outlook for local governments: recovery will come but revenues will be anemic and will not likely reach the levels experienced in the mid-2000s. The City's major GPF revenues - property tax, sales tax, real estate transfer tax, business license tax, and services charges (parking meters) - are driven by the real estate market and consumer spending. Weakness in consumer spending is likely to continue. Although consumer spending rose, wage growth was stagnant. Jerry Nickelsburg of the UCLA Anderson Forecast expects to see unemployment to remain in the double-digits through 2012. While there is job growth anticipated this year and next throughout the state, real reductions in unemployment are not likely as discouraged workers (who've left the workforce) and delayed entrants (recent college graduates who sat out the recession) will rejoin the workforce upon their realization of improved labor markets. Real estate has shown some signs of recovery, however, the underlying drivers of this recovery - federal and state government credit for first-time buyers, low interest rates and available credit -- may not continue for much longer.

As a result, staff is revising some general tax revenue projections downward by an additional **\$6 million for FY 2009-10** and **\$11.2 million for FY 2010-11**, from previous projections in February 2010.

The table below summarizes the City's revenues and reserves beginning in FY 2006-07 through the FY 2010-11, illustrating steep declines in many categories. Overall, FY 2010-11 estimated revenues represent a 15% drop from FY 2006-07. Real Estate Transfer Taxes alone are projected to fall by 54% next year from four years ago. Reserves are inadequate. The City's recently updated financial policy (Ordinance No. 12946 C.M.S.) establishes a minimum reserve level of 7.5%. Even at the lower anticipated revenue level, the expected ending fund balance for FY 2009-10 is *three times lower than the \$30 million it should be.*

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FY 2006-07 through FY 2010-11 (projected)											
GENERAL PURPOSE FUND REVENUES											
REVENUES	Actual			Projection		Shortfall Identified through February 16, 2010		Additional Shortfall Estimated Since February 16, 2010		Total Shortfall	
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 09-10	FY 10-11	FY 09-10	FY 10-11	FY 09-10	FY 10-11
Property Tax	116.47	131.44	134.47	129.84	125.15	(0.36)	(0.36)	-	(4.69)	(0.36)	(5.05)
Sales Tax	46.69	53.10	46.12	33.44	36.14	(8.29)	(5.29)	-	-	(8.29)	(5.29)
Vehicle License Fee	2.27	1.81	1.28	1.09	1.11	-	-	-	-	-	-
Business Tax	50.33	52.54	54.29	52.10	50.81	-	-	-	-	-	-
Utility Consumption Tax	51.43	52.52	52.70	50.50	50.80	(1.48)	(1.48)	(2.47)	(2.62)	(3.95)	(4.10)
Real Estate Transfer Tax	61.50	36.20	34.27	28.49	28.49	1.10	-	-	(1.11)	1.10	(1.11)
Transient Occupancy Tax	11.82	12.20	10.46	8.44	8.64	(1.66)	(1.66)	-	-	(1.66)	(1.66)
Parking Tax	8.89	8.52	7.65	7.16	7.52	(0.95)	(0.95)	-	-	(0.95)	(0.95)
Licenses & Permits	1.06	1.61	1.28	1.29	1.36	-	-	(0.15)	(0.15)	(0.15)	(0.15)
Fines & Penalties	25.98	22.00	25.72	27.98	29.97	-	-	(1.69)	-	(1.69)	-
Interest Income	3.18	4.47	1.71	1.64	1.64	(0.36)	(0.36)	-	-	(0.36)	(0.36)
Service Charges	45.37	44.10	43.86	46.03	46.53	(0.75)	(1.08)	(1.67)	(1.62)	(2.42)	(2.70)
Grants & Subsidies	5.42	4.65	4.31	0.38	-	-	-	0.38	-	0.38	-
Miscellaneous	12.38	4.09	11.44	1.78	1.20	-	(3.20)	0.34	-	0.34	(3.20)
Fund Transfers	28.62	25.70	38.69	16.46	11.88	(0.08)	(0.08)	(0.76)	(0.96)	(0.84)	(1.04)
<b>TOTAL</b>	<b>\$ 471.41</b>	<b>\$ 454.94</b>	<b>\$ 468.24</b>	<b>\$ 406.62</b>	<b>\$ 401.24</b>	<b>\$ (12.83)</b>	<b>\$ (14.48)</b>	<b>\$ (6.02)</b>	<b>\$ (11.15)</b>	<b>\$ (18.85)</b>	<b>\$ (25.61)</b>
ENDING FUND BALANCE, June 30 (net of carryforwards and encumbrances)	\$ 55.60	\$ 7.10	\$ 10.24	\$ 10.24							

**Property Tax**

**(FY 2009-10: \$0.4 million total shortfall; no change from Feb 16<sup>th</sup> projection**

**FY 2010-11: \$4.7 million new shortfall – total shortfall of \$5.1 million)**

Property tax revenue budgeted for FY 2010-11 was \$130.2 million. Current projections indicate a drop of \$5.1 million to \$125.2 million; of this amount, \$4.7 million is the additional decline since February 16, 2010 and reflects a decrease in the assessed valuation within the city. This projection is based on the recent March 2010 preliminary estimate from the Alameda County Assessor’s Office of a 3.2% decline in property tax revenue. Additionally, a decline of 11 percent is projected in the AB-1290 pass-through revenue from the Oakland Redevelopment Agency (ORA) as a result of the larger than anticipated decline in assessed property values in redevelopment project areas.

Although staff is in regular contact with the Alameda County Assessor’s Office, the County just released its revised assessed property valuation in mid-March. The Assessor’s Office is required to assess the value of all properties as of January 1<sup>st</sup> at their fair market value. Property owners have until February 15<sup>th</sup> to file any exemptions (for example, the homeowners’ exemption) with the County that would potentially offset their tax liability; if legal and applicable, the Assessor’s Office applies requested exemptions, reducing aggregate tax liability. On this basis, assessed values that would be placed on the following fiscal year’s tax roll are generally calculated. The Assessor’s Office provides very preliminary calculations to cities and other taxing entities in mid-March to assist in budgeting, but continues to revise calculations until surrendering the

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property tax roll to the County Auditor-Controllers' Office in July. Last year, the total decline in Alameda County valuation was \$4.5 billion. This year, due to incomplete data, they are estimating the decline to be \$4 billion, about the same level of decline as last fiscal year. Staff will report any revisions to this projection in the Third Quarter Revenue and Expenditure Analysis to be scheduled for late May 2010.

**Sales Tax**

**(FY 2009-10: \$8.3 million total shortfall; no change from Feb 16<sup>th</sup> projection**

**FY 2010-11: \$5.3 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

Sales Tax revenue is projected to be \$36.1 million in FY 2010-11, reflecting a decrease of \$5.3 million from the adopted budget. The projection is based on the large declines in receipts reported in FY 2009-10 due to the weak economy and slowing consumer expenditures. Beacon Economics forecasted in March 2010 that consumer spending would be positive only in 2010, partially due to the federal tax cuts, but will be flat in 2011. However, key drivers of consumer spending do not support continued strength in consumer spending. It is important to note that sales tax revenue received by the City lags actual activity by three to six months; therefore, consumer spending increases will not immediately materialize in City coffers. Slow recovery of employment, a closely related indicator of consumer spending, is also forecasted.

**Utility Consumption Tax**

**(FY 2009-10: \$2.5 million new shortfall -- \$4 million total shortfall**

**FY 2010-11: \$2.6 million new shortfall -- \$4.1 million total shortfall)**

Utility Consumption Tax (UCT) revenue is projected to be \$50.8 million for FY 2010-11, a total decrease of \$4.1 million from the adopted FY 2010-11 budget. The latest collection data through February indicated a decline in UCT in the current fiscal year; falling natural gas prices, reduced demand among commercial users and weak telecommunications growth were cited as causes.

**Real Estate Transfer Tax**

**(FY 2009-10: \$1.1 million surplus; no change from Feb 16<sup>th</sup> projection**

**FY 2010-11: new \$1.1 million shortfall)**

Real Estate Transfer Tax revenue is projected to be \$28.49 million in FY 2010-11. This reflects a decrease of \$1.11 million from the adopted FY 2010-11 budget. The projection assumes no growth from the current fiscal year FY 2009-10 projection. While the housing market has stabilized over the past few months, the outlook for next fiscal year is nonetheless flat due to the risk of increased interest rates, end of first-time home-buyer credits, and homebuyer uncertainty related to continued high unemployment.

**Transient Occupancy Tax (TOT)**

**(FY 2009-10: \$1.7 million total shortfall; no change from Feb 16<sup>th</sup> projection**

**FY 2010-11: \$1.7 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

Transient Occupancy Tax revenue is projected to be \$8.64 million in FY 2010-11, reflecting a decrease of \$1.66 million from the adopted FY 2010-11 budget. The economic slowdown has

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directly affected the hotel industry. While reports are that occupancy is up, average daily room rates are down. According to the 2009 Smith Travel Services, Inc. report published by California Tourism, average daily room rates in Oakland dropped by 12.5 percent in January 2010 from same period last year, while occupancy increased by 9.3 percent. The Oakland Convention Visitors Bureau projects the decline in hotel utilization/occupancy rate will continue into the second quarter of 2010 (April-June), but staff is conservatively not counting on this uptick in FY 2010-11 revenues. Oakland's hotel industry is largely driven by business travelers. Thornburg (Beacon Economics) suggests that any strength in Oakland's hotel industry indicators will portend a rebound in employment.

**Parking Tax**

**(FY 2009-10: \$0.95 million total shortfall; no change from Feb 16<sup>th</sup> projection**

**FY 2010-11: \$0.95 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

Parking Tax revenue is projected to be \$7.5 million in FY 2010-11, a decrease of \$0.95 million from the adopted budget. The decline in Parking tax revenue is due to continuing weakness in travel and airport parking. Airport parking comprises about 50% of total parking tax revenue. Oakland Airport passenger traffic generally declined through January 2010. The weak airport parking traffic, weak spending and business employment forecast, is forecasted to depress parking tax in FY 2010-11.

**Licenses & Permits**

**(FY 2009-10: new shortfall of \$0.15 million**

**FY 2010-11: new shortfall of \$0.15 million)**

Licenses & Permits revenue is projected to be \$1.4 million in FY 2010-11, a drop of \$0.15 million from the adopted budget. The decrease reflects flat growth from the current year projection and is dragged down by the sluggish economy.

**Fines & Penalties**

**(FY 2009-10: new shortfall of \$1.7 million**

**FY 2010-11: no shortfall expected)**

Parking citations comprise the major portion (93%) of the Fines & Penalties revenue category; the total adopted budget is \$29.7 million in each year of FY 2009-11. FY 2009-10 citation revenue is anticipated to decline by \$1.7 million from the adopted budget. Several factors affect this revenue:

- Number of citations issued is down 10 percent from the prior year.
- Citation revenue assumed violations would be cited during the extended meter hours 6-9 PM. Rollback of hours has impacted actual citation revenue compared to budget.
- Roving patrol began July 2009 but was not fully staffed until January 2010.
- The Paylock vehicle boot program started later than anticipated.

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For FY 2010-11 no shortfall is anticipated because the (a) roving patrol is expected to be fully staffed for the entire fiscal year and (b) Paylock vehicle boot program will be fully operational.

**Interest Income**

**(FY 2009-10: \$0.36 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

**FY 2010-11: \$0.36 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

Interest Income is projected to decrease from \$2 million to \$1.6 million in FY 2010-11. Interest earnings depend on a variety of factors, including funds available for investments, the level of interest rates, and cash flow status of all the City's funds. Although some economists believe that interest rates will increase in the near future, staff does not project this upside due to these potentially offsetting factors.

**Service Charges**

**(FY 2009-10: \$1.7 million new shortfall -- \$2.4 million total shortfall)**

**FY 2010-11: \$1.6 million new shortfall -- \$2.7 million total shortfall)**

Service Charges revenue is projected to be \$46.5 million in FY 2010-11, a decrease of \$2.7 million from the adopted budget.

Parking Meter revenue -- nearly one-third of the Service Charges category -- is projected to be \$12.5 million in FY 2010-11, a decrease of \$1.5 million from the adopted Budget. Several factors contribute to this decrease, including Council-approved cancellation of extended parking meter hours with no replacement revenue identified (\$0.33 million); meter vandalism, and the continuing weak economy (\$1.19 million). Meter usage in parts of downtown/uptown Oakland has also declined as a result of meter jams caused by vandals, theft of coins from single space meters, and the sluggish economy. As unemployment remains high and consumer spending is anticipated to weaken, meter usage has been negatively affected by fewer people driving and parking downtown.

Various other user fees declined by a total of \$1.2 million, including the following fees: Parks & Recreation fees, Rentals & Concessions, Fire Inspection fees, Deemed Approved Alcohol and Tobacco inspection fees, and public nuisance fees. The most likely culprit again is the slow economy.

**Miscellaneous Revenue**

**(FY 2009-10: new \$0.3 million surplus)**

**FY 2010-11: \$3.2 million total shortfall; no change from Feb 16<sup>th</sup> projection)**

Miscellaneous revenue is projected to be \$1.2 million in FY 2010-11, a decrease of \$3.2 million from the adopted budget. It reflects the \$3.2 million unspecified revenue enhancement Council included in the FY 2010-11 budget as part of balancing in July 2009. This enhancement has yet to be identified.

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**Fund Transfer**

**(FY 2009-10: \$0.8 million new shortfall -- \$0.8 million total shortfall)**

**FY 2010-11: \$0.96 million new shortfall -- \$1.04 million total shortfall)**

Fund Transfer revenue is projected to reach \$11.9 million in FY 2010-11, a decrease of \$1.04 million from the adopted budget. The decrease is attributed to declining assets associated with the pension annuity fund. This is due to an updated calculation of the membership composition of the fund. These calculations have resulted in less revenue transferred to the fund.

Additionally, a smaller portion of the decline -- \$0.08 million -- is due to budgeted revenue from Pacific Renaissance residential nightly parking that will not materialize.

**Proposed Balancing Measures for FY 2009-10**

Staff projects that a current-year budget gap of **\$10.4 million** remains after Council balancing actions through April 1, 2010. After closing a GPF budget deficit of \$91.97 million as part of FY 2009-11 budget approval, staff projected a mid-year shortfall totaling \$23.7 million in FY 2009-10. Staff presented balancing measures for FY 2009-10, and Council approved all but \$4.8 million of solutions to this deficit. These measures included a combination of budget transfers and spending reductions. The revised projection for a mandatory pass-through projection and Council's April 1, 2010 approval of reductions to elected offices' GPF budgets provides a partial (\$0.4 million) offset to this remaining deficit (*see table below*).

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FY 2009-10 Proposed General Purpose Fund Balancing Measures in \$ millions	
	FY 09-10
Pre-December 17th Budget Deficit	\$ (18.87)
Balancing Measures Approved by Council on December 17, 2009	\$ 8.44
Post-December 17th Budget Deficit	\$ (10.43)
Additional Anticipated Shortfalls	\$ (4.83)
<b>February 16, 2010 Anticipated Budget Deficit</b>	<b>\$ (15.26)</b>
<b>Revenues/Other Financing</b>	
Sale of Assets	7.75
New revenue	0.50
<i>Subtotal</i>	<u>\$ 8.25</u>
<b>Expenditures</b>	
Position Changes:	
Reductions	0.26
Transfers	0.08
Grant reductions	0.00
Program reductions	0.00
Use of One-Time Funds	1.87
<i>Subtotal</i>	<u>\$ 2.20</u>
<b>Total Proposed Balancing Measures</b>	<b>\$ 10.45</b>
<b>Total Surplus/(Deficit)</b>	<b>\$ (4.81)</b>
Revision of parking citation pass-through payment to Alameda County -- prior year	0.50
Revision of new parking citation contract revenue from better collection rate	(0.30)
15% Reduction of elected officials' appropriations	0.25
Additional anticipated revenue shortfalls	(6.02)
<b>Post February 16, 2010 Anticipated Budget Deficit</b>	<b>\$ (10.38)</b>
<b>Restructuring of pension obligations</b>	<b>\$ 5.50</b>
<b>Proposed balancing: Sale of Medical Hill Garage OR bond against Medical Hill Garage revenues</b>	<b>\$ 5.00</b>
<b>Surplus/(Deficit)</b>	<b>\$ 0.12</b>

To balance the remaining FY 2009-10 deficit, staff proposes (a) restructuring the City's pension obligations using **\$5.5 million** deferred pension credits and (b) either selling or bonding against the Medical Hill Garage to generate an additional **\$5 million**. These proposals are described below and presented in *Exhibit A-1* attached to the legislation.

- **Restructuring of pension obligations** using deferred pension credits; these are comprised of non-General Purpose funds that exist for the sole purpose of paying the City's retirement obligations. Staff is currently researching how these funds could be used by the City to pay its pension obligations.
- **Medical Hill Garage** was built in 1985. It is a five-level, 143,600 square-foot concrete parking structure with 477 marked parking stalls. The Alta Bates Medical Center currently operates the garage, and the City receives no revenue from the facility. Staff have been marketing the facility for sale; sealed bids for the garage are due March 31, 2010, with a minimum bid of \$5 million. If no desirable bids are received by the deadline, the City can take over the garage operations, realize net annual revenue, and bond against such revenue to generate an upfront amount of some \$5 million. An informational report discussing asset sales for FY 2009-11 is presented as a separate item on the April 1, 2010 special City Council meeting agenda.

**Proposed Balancing Measures for FY 2010-11**

For FY 2010-11, **\$43.1 million** in asset sales; new revenues; grant reductions and eliminations; and additional staff reductions and transfers would be necessary to balance next year's anticipated deficit and allow for a miniscule addition to reserves. *Exhibit A-2* details this proposal and they are summarized in the table below.

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FY 2010-11 Proposed General Purpose Fund Balancing Measures	
in \$ millions	
	FY 10-11
<b>Total of Fiscal Challenges to Address</b>	<b>\$ (42.57)</b>
<b>Revenues/Other Financing</b>	
Sale of Assets	12.75
New revenue	3.48
Possible Ballot Measures	20.62
<i>Subtotal</i>	<b>\$ 36.85</b>
<b>Expenditures</b>	
Position Changes:	
Reductions	2.35
Transfers	0.27
Grant reductions	1.88
Program reductions and eliminations	0.98
Use of One-Time Funds	0.74
<i>Subtotal</i>	<b>\$ 6.22</b>
<b>Total Proposed Balancing Measures</b>	<b>\$ 43.07</b>
<b>Total Surplus/(Deficit)</b>	<b>\$ 0.50</b>

The details of the proposed balancing measures are as follows:

**Revenues/Other Financing**

**Ballot measures** to raise additional revenues are simply unavoidable. We can not solve the current fiscal crisis with one-time measures and program cuts alone, unless significant reductions to public safety are made. The possible ballot measures are a public safety parcel tax and temporary increase and expansion to the utility users tax; combined, they could generate up to **\$20.6 million** in new revenues as soon as FY 2010-11. Another ongoing source of revenue would be a quarter-percent add-on sales tax, otherwise known as a transactions and use tax (TUT). This possibility could be considered, although it is not included in the balancing proposal. **City resolutions placing these new measures on the November 2010 ballot would need to be adopted no later than July 20, 2010** (the last scheduled City Council meeting prior to recess) and filed with the Alameda County Registrar of Voters by August 8, 2010. The City Council should contemplate preliminary legislation related to these proposed ballot measures beginning in mid-May or early June 2010.

**b. Utility Users Tax (UUT)**

A temporary **rate increase** in the utility consumption or users' tax would help bridge the budget gap, and maintain the City's service level to the community. Estimated annual revenue from a 0.5% increase in UUT would generate about \$2.1 million annually. UUT

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is a surcharge on utility consumption such as cable, energy, and telecommunication services. The City of Oakland currently collects the UUT on electricity, natural gas, cable television and telephone; with voter approval, it could be imposed on water usage as well. **Charging UUT on water service** is estimated to bring in an additional \$0.3 million. Combined, additional revenue from a temporary 0.5% UUT rate hike and expansion to water service would be \$2.4 million annually.

According to the California Local Government Finance Almanac (sponsored by the League of California Cities), several localities placed measures to change their UUTs on their respective November 2009 ballots with generally positive results. In Pomona and Huntington Park (Los Angeles County) voters approved increases and/or expansions of their cities' UUTs of 9% or greater. Comparable rates in some neighboring cities are as follows:

- Berkeley: 7.5%
- Richmond: 10% (gas & electric) and 9.5% (telecom & cable)
- El Cerrito: 8%

#### c. **Public Safety Parcel Tax**

A new parcel tax could be implemented to help the City fund essential services, such as public safety. If approved, the parcel tax would generate \$18.2 million annually (beginning in FY 2010-11).

The parcel tax revenue would not be generated until FY 2011-12 due to the timing of the November election and the August deadline for any new parcel item to be recorded by the County for collection in that fiscal year. To address this cash flow issue, staff recommends the issuance of a tax anticipation note that would securitize the future parcel tax revenue stream so that funds could be realized in the fiscal year in which the parcel tax is levied. The revenue anticipation note would have to be issued every year as long as the parcel tax remained in place.

- **Sale of assets** includes the *Kaiser Convention Center*, which could generate **\$10 million** on a one-time basis; lease of the *George P. Scotlan Convention Center* to the Oakland Redevelopment Agency (ORA) for **\$2 million**, as well as sale of at least two other City-owned properties. Generally, sale of assets to bridge a structural deficit and in a down-real estate market is not good policy. Nonetheless, there are limited options for addressing the deficit. On the upside, where possible, staff proposes that blighted properties be sold to the Redevelopment Agency to hold for resale when the real estate market regains strength. Further, selling today may allow the City to off-load non-productive assets that drain City resources.

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Special City Council Meeting  
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- **Additional revenue** from the *citation management contract* is expected to be **\$1.75 million** based on improved collection efforts. Staff also anticipates one-time revenue to be \$0.3 million in FY 2009-10 (revised downward from \$0.5 million). Separately, staff is presenting a report and legislation that could yield **\$1 million** from the *sale of billboard space*. Finally, the Fire Department anticipates its successful application for a **\$0.5 million grant to offset firefighter personnel expense** and **\$0.24 million** from *stricter false alarm enforcement*.

**Expenditures**

- **Grants to City Institutions and Local Non-Profits:** GPF support of City institutions and local non-profits, including the Oakland Zoo and Chabot Space and Science Center totals nearly \$4.5 million in FY 2010-11. Council approved 20% reductions to many of these institutions as part of budget adoption in June and July 2009; now, further reductions are necessary. Staff contemplated a few different scenarios for such reductions, recognizing that any level of reduction to these organizations would be difficult to absorb. Nonetheless, additional reductions are unavoidable to balance the anticipated shortfall. The option proposed by staff leaves intact between 50 to 75% of most grantees' subsidies; the only exception is the Oakland School for the Arts, whose subsidy is recommended to be eliminated in FY 2010-11 (see table below).

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FY 2010-11 General Purpose Fund Grants and Subsidies Options Considered and RECOMMENDED								
(In \$ millions)								
Organization	Current Subsidy	Option 1 Considered		Option 2 RECOMMENDED		Option 3 Considered		
		25-50-75-100% reduction Revised Subsidy	Savings	25-50-50-100% reduction Revised Subsidy	Savings	50-50-75-100% reduction Revised Subsidy	Savings	
<i>City Institutions</i>			25% reduction		25% reduction		50% reduction	
Oakland Zoo	\$ 0.85	\$ 0.64	\$ 0.16	\$ 0.64	\$ 0.16	\$ 0.42	\$ 0.37	
Chabot Space & Science Center	0.48	0.36	0.12	0.36	0.12	0.24	0.24	
Children's Fairyland	0.18	0.14	0.05	0.14	0.05	0.09	0.09	
<i>Subtotal</i>	<b>1.50</b>	<b>1.13</b>	<b>0.32</b>	<b>1.13</b>	<b>0.32</b>	<b>0.75</b>	<b>0.70</b>	
<i>Related City Institutions</i>			50% reduction		50% reduction		50% reduction	
AIDS Prevention & Education Initiative	0.10	0.05	0.05	0.05	0.05	0.03	0.05	
Hacienda Peralta	0.14	0.07	0.07	0.07	0.07	0.04	0.07	
City/County Collab. on Children & Youth	0.30	0.15	0.15	0.15	0.15	0.15	0.15	
<i>Subtotal</i>	<b>0.54</b>	<b>0.27</b>	<b>0.27</b>	<b>0.27</b>	<b>0.27</b>	<b>0.21</b>	<b>0.27</b>	
<i>Non-Profit Organizations</i>			75% reduction		50% reduction		75% reduction	
Vietnamese Senior Services	0.05	0.01	0.04	0.02	0.02	0.01	0.04	
Family Bridges	0.10	0.03	0.08	0.05	0.05	0.03	0.08	
Fruitvale Senior Center	0.22	0.06	0.17	0.11	0.11	0.06	0.17	
Cypress-Mandela Training Center	0.22	0.06	0.17	0.11	0.11	0.06	0.17	
Symphony in the Schools	0.08	0.02	0.06	0.04	0.04	0.02	0.06	
Women's Business Initiative	0.12	0.03	0.09	0.06	0.06	0.03	0.09	
Jack London Aquatic Center*	0.14	0.03	0.09	0.07	0.06	0.03	0.09	
Oakland Asian Cultural Center	0.08	0.02	0.06	0.04	0.04	0.02	0.06	
Human Services -- Academies Program	0.15	0.04	0.11	0.08	0.08	0.04	0.11	
Art Grants	0.97	0.24	0.73	0.49	0.49	0.24	0.73	
Day Laborers Program	0.16	0.04	0.12	0.08	0.08	0.04	0.12	
<i>Subtotal</i>	<b>2.30</b>	<b>0.57</b>	<b>1.71</b>	<b>1.15</b>	<b>1.14</b>	<b>0.57</b>	<b>1.71</b>	
<i>Other Prior Grantees</i>			100% reduction		100% reduction		100% reduction	
Oakland School for the Arts	0.14	-	0.14	-	0.14	-	0.14	
<b>GRAND TOTAL</b>	<b>\$ 4.48</b>	<b>\$ 1.97</b>	<b>\$ 2.45</b>	<b>\$ 2.55</b>	<b>\$ 1.88</b>	<b>\$ 1.54</b>	<b>\$ 2.83</b>	

NOTES: Savings to the GPF from reductions to the Oakland Zoo and Jack London Aquatic Center would be decreased by the additional 5% budget reduction in Parks and Recreation as a result of Council action that was not reflected in these grant agreements.

- *Reductions of 15% in elected offices:* Council approved reducing elected offices' budget by 15% or a total \$1.5 million at its regular meeting on March 16, 2010. The City Council asked that all elected offices provide details of their actual reductions for inclusion in this report. The Mayor's Office, City Council and City Attorney's Office's detailed reductions are presented below. A letter from the City Auditor's Office is included with this report (*Attachment A*).

- The Mayor's Office proposes eliminating 2.0 FTE Mayor's PSE 14s and reducing its operations and maintenance budget. GPF savings for FY 2010-11 total \$0.27 million.
- The City Council itself approved elimination of all 6.0 FTE of its Senior Policy Analysts/Legislative Analysts as of May 1, 2010, including the 1.95 FTEs

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budgeted in the ORA Projects Fund. The GPF savings are estimated to be \$0.08 million in the current year and \$0.49 million in FY 2010-11.

- In fulfillment of the City Council's directive, the City Attorney's Office intends to eliminate 2.0 FTE Deputy City Attorney IIIs and save from filling a vacant Deputy City Attorney II at the lower end of the pay range (both actions continued from FY 2009-10 to FY 2010-11); and eliminate 1.0 FTE Paralegal beginning in FY 2010-11.
- *Reductions in departments already approved:* As part of FY 2009-10 budget balancing, Council approved position eliminations totaling \$2.2 million or 8.0 FTE positions in FY 2010-11. Positions eliminated include:
- **Information Technology:** eliminations of 2.0 FTE Microcomputer Systems Specialist Is and 1.0 FTE Microcomputer Systems Specialist III for a total savings of \$0.34 million.
  - **Finance and Management:** elimination of 1.0 FTE Revenue Assistant, saving \$0.08 million.
  - **Personnel Resource Management:** elimination of 1.0 FTE Administrative Analyst II saving \$0.1 million
  - **Police:** restructuring of personnel management (\$0.09 million) by eliminating 1.0 FTE Administrative Analyst II; elimination of Rangers (2.0 FTEs saving \$0.28 million). In addition Council approved the transfer of the Cadet Program to the Asset Forfeiture Fund (9.0 PTs saving \$0.27 million).
- *Reductions in departments to be approved* total \$1.67 million. A portion of these preliminary balancing measures were presented to Council in the February 16, 2010 report. These measures include:
- **Museum:** realize savings of \$0.6 million through revised public/private partnership arrangement between the City and the Oakland Museum of California Foundation.
  - **Library:** shift \$0.54 million of eligible appropriation to the Library Enhancement Fund (Measure Q)
  - **Parks and Recreation:** shift uncommitted balances from the Golf Fund to the GPF (\$0.2 million).
  - **Human Services:** elimination of Linkages grant funding in concert with the State's proposed elimination of this grant will save \$0.19 million. Elimination of the remaining Homeless Mobile Outreach/California Hotel grant, saving \$0.14 million. Elimination of the remaining grant reduces outreach from five to three

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days per week. This grant is part of the PATH program to conduct outreach to encourage homeless people in work activities and access to housing.

**SUSTAINABLE OPPORTUNITIES**

There are no direct sustainable opportunities associated with this report.


**DISABILITY AND SENIOR ACCESS**

There are no direct disability and senior access opportunities associated with this report.

**RECOMMENDATIONS**

Staff requests City Council direction and possible action on the following:

1. FY 2009-10 General Purpose Fund balancing measures presented in Exhibit A-1 of the attached legislation.
2. FY 2010-11 General Purpose Fund balancing measures presented in Exhibit A-2 of the attached legislation.
3. Declare a fiscal emergency to use one-time funds to balance the anticipated **\$10.4 million** remaining FY 2009-10 shortfall and **\$42.6 million** FY 2010-11 shortfall in the General Purpose Fund (an action required by the City's financial policy, ordinance 12946 C.M.S.), AND declare such one-time General Purpose Funds restricted to be used only for balancing said shortfall.



CHERYL TAYLOR  
Director, Budget Office

APPROVED FOR FORWARDING TO THE  
CITY COUNCIL



Office of the City Administrator

Item: # \_\_\_\_\_  
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April 1, 2010

**Dan Lindheim**

**RE: Resolution Amending the Policy Budget for FY 2009-10 and Midcycle Policy Budget for FY 2010-11**

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Attachment A: Letter from City Auditor Courtney Ruby to Mayor Dellums, City Council and City Administrator Dan Lindheim; City Attorney Opinion (April 2006)

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Special City Council Meeting  
April 1, 2010

CITY OF OAKLAND



CITY HALL • ONE FRANK H. OGAWA PLAZA, 4TH FLOOR • OAKLAND, CALIFORNIA 94612

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

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[www.oaklandauditor.com](http://www.oaklandauditor.com)

April 1, 2010

OFFICE OF THE MAYOR  
HONORABLE CITY COUNCIL  
CITY ADMINISTRATOR DAN LINDHEIM  
OAKLAND, CALIFORNIA

**RE: REQUESTED 15% BUDGET REDUCTION**

Dear Mayor Dellums, President Brunner, Members of the Council, and  
City Administrator Lindheim:

In the spirit of cooperation, the City Auditor's Office has worked with the Administration and the City Council to implement previously requested budget reductions. While it has been very difficult for the Office, we have taken a 12.3% cut to date, including a reduction in staff. As the Office with the City's smallest departmental budget and staff, any cuts have a disproportionately large impact that must be considered in relation to the Office's significant charter mandated responsibilities.

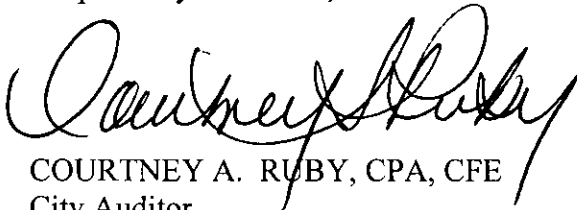
On April 25, 2006, the City Attorney issued a legal opinion, which concluded that the City Council must provide the City Auditor's Office minimum funding so that it may perform, without material impairment, its charter mandated duties. An additional 15% cut after a 12.3% cut earlier this fiscal year will result in a further reduction of essential auditing staff and materially impair the Office's ability to perform its charter mandated duties. Therefore, I requested an additional legal opinion on March 6<sup>th</sup> from the City Attorney that would clearly establish an objectively determined minimum funding amount for the City Auditor's Office.

Until the legal opinion is provided and a minimum funding amount is determined, the City Auditor's Office cannot move forward with the requested 15% reduction for FY 2010-2011. However, due to a one time salary savings in the current fiscal year, the Office will be able to provide the requested pro-rated reduction for FY 2009-2010 of \$33,470 as a one-time only reduction to personnel costs.

Mayor Dellums  
Honorable City Council  
City Administrator Lindheim  
Requested 15% Budget Reduction  
April 1, 2010  
Page 2 of 2

I have asked the City Attorney to prioritize my request given its FY 2010-11 budget implications. It is my hope that the City Attorney will be able to provide an opinion before the end of the current fiscal year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Courtney A. Ruby". The signature is fluid and cursive, with a large initial "C" and "R".

COURTNEY A. RUBY, CPA, CFE  
City Auditor

cc: City Attorney John Russo

CITY OF OAKLAND

Office of the City Attorney

Legal Opinion

To: Roland Smith, City Auditor  
From: Office of the City Attorney  
Date: April 25, 2006  
RE: City Auditor Budget Cuts

---

I. Question

Does the Charter require the City Council to provide minimum funding for staff of the City Auditor's Office?

II. Summary Conclusion

The City Council must provide minimum funding so that the City Auditor may perform, without material impairment, his Charter mandated duties.

III. Analysis

Budgetary matters, including fixing of the number of employees, their salaries, and their benefits, are legislative actions. (Scott v. Common Council, 44 Cal.App.4th 684, 690 (1996)) The general rule is that a legislature, a city council for example, has wide discretion over purely legislative actions. (Id.; Hicks v. Board of Supervisors, 69 Cal.App.3d 228, 232; see also Scott v. Common Council, 44 Cal.App.4th 684 (1996); County of Butte v. Superior Court (Brooks) 176 Cal.App.3d 693 (1985).)

However this general rule yields to the exception that the budget cuts may not prevent the performance of a city official's duties as enumerated by a city charter. (Scott v. Common Council, supra, at 695.) The Scott court recognized that in "rare" cases judicial interference with the legislative process is justified. A city council cannot violate its own charter. The City Council, by a budgetary act, could not ignore a charter officer's charter mandated duties.

It is well settled that a charter city may not act in conflict with its charter. Any act that is violative of or not in compliance with the charter is void. The city council cannot relieve a charter officer of the city from the duties devolving upon him by the charter .... (Id., internal quotations and citations omitted, emphasis added.)

In Scott, the trial court found that elimination of all of the city attorney's investigators "materially impaired" the city attorney in the performance of his charter mandated prosecutorial duties. The investigators were "absolutely necessary" for the performance of the city attorney's city charter functions. The work of the investigators was "inseparable" from the city attorney's prosecutorial function. The San Bernardino council's budgetary actions rendered the city attorney "unable to perform his statutory functions" and "eliminate[d] [the city attorney's] ability to carry out the sworn statutory and charter requirements and duty mandated by the people of this city and the State of California." (Id. at 694-695.)

The appellate court upheld the trial court and held that the city could only eliminate charter mandated duties after it had eliminated non-charter mandated programs first. (Id. at 698, fn. 11.)

#### Can the City Council Cut Positions in the City Auditor's Office?

Under the guidelines of Scott and Hicks, the Oakland City Council's funding of positions in the City Auditor's Office depends on a factual question: Will the reduction of positions in the City Auditor's office "prevent" or "materially impair" the City Auditor from performing his Charter mandated duties?

#### The City Auditor's Charter Mandated Duties

Under the Oakland City Charter, the City Auditor has wide ranging mandatory duties to review the City's financial documents:

The City Auditor shall have the power and it shall be his or her duty to audit the books, accounts, money and securities of all departments and agencies of the City and such other matters as the Council may request;

[T]o report to the Council periodically the results of such audits and to advise and make recommendations to the City Administrator regarding accounting forms design, fiscal and statistical reports and the methods or

procedures for maintaining the accounts and accounting system throughout all departments, offices and agencies of the City. . . . .

The City Auditor shall conduct surveys, reviews, and audits as the Auditor deems to be in the best public interest or as required by the Council or Mayor. (Charter, section 403, emphasis added.)

The Charter goes on to define that the "public interest" "shall include, but not be limited to":

- (1) *Reviewing and appraising the soundness, adequacy and application of accounting, functional, and operating controls and reliability and timeliness of accounting and other data generated within the organization.*
- (2) *Evaluating the city's internal controls to ensure that the City's assets and resources are reasonably safeguarded from fraud, waste, and mismanagement.*
- (3) *Ascertaining compliance with Council's resolutions and policies and the Mayor's Administrative Instructions and Directives, as well as applicable State and Federal laws and regulations.*
- (4) *Providing assistance to City Departments to enhance the effectiveness, efficiency and economy of their operations.*
- (5) *Preparing an impartial financial analysis of all ballot measures, pursuant to the provisions of the Municipal Code.*
- (6) *Preparing impartial financial analyses of proposed major expenditures prior to the approval of such expenditures. These analyses will be for informational purposes only and will include, but not be limited to, proposals, contracts, ventures, programs and construction projects. The proposed major expenditures selected for these financial analyses will be based on requests from Mayor/Council and/or deemed to be prudently advisable in the objective and professional judgment of the City Auditor.*
- (7) *Responding to requests for audit and reviews.*
- (8) *Submitting, at a public meeting of the full City Council, a quarterly report to the Council and public on the extent of implementation of recommendations for corrective actions made in the City Auditor's report.*
- (9) *The City Auditor shall conduct performance audits of each department as specified in the City budget. (Id.)*



April 25, 2006  
Re: City Auditor Budget Cuts  
Page 4 of 4

Charter Section 403 includes "responding to requests for audit and review" as "in the public interest." The Charter also requires that the City Auditor perform audits "as required by the Council." Several ballot measures authored and placed on the ballot by City Council direct the City Auditor to perform an annual audit of disbursements authorized by the measures. Those measures include Measure M (Special Tax to Fund Emergency Medical Services); Measure N (Special Tax to Fund Paramedic Services); Measures O (Library Service Retention Act of 1994) and Measure Q (Library Services Retention and Enhancement Act).

So long as the City Council funds any non-Charter mandated expenditures, the City Council must provide minimum funding so that the City Auditor may perform, without material impairment, his Charter mandated duties.

Very truly yours,

John Russo  
City Attorney

Attorney assigned: M. Morodomi

MTM:ww

# DRAFT

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

Approved as to Form and Legality

## OAKLAND CITY COUNCIL

2010 MAR 25 PM 8:32

City Attorney

RESOLUTION No. \_\_\_\_\_ C.M.S.

**RESOLUTION AMENDING THE GENERAL PURPOSE FUND BUDGET FOR FY 2009-10 AND FY 2010-11, WHICH THE CITY COUNCIL AMENDED PURSUANT TO RESOLUTION NUMBERS 82235 C.M.S., 82335 C.M.S., 82519 C.M.S., 82582 C.M.S., 82578 C.M.S. AND \_\_\_\_\_ C.M.S.**

**WHEREAS**, on June 30, 2009, in accordance with City Charter section 800, the City Council adopted the biennial policy budget by passing Resolution No. 82102 C.M.S.; and

**WHEREAS**, on July 28, 2009, October 6, 2009, December 17, 2009, February 16, 2010, March 2, 2010 and March 16, 2010, the City Council approved amendments to the adopted budget, via Resolutions No. 82235 C.M.S., No. 82335, No. 82519 C.M.S., No. 82582 C.M.S., No. 82578 C.M.S., and No. \_\_\_\_\_ C.M.S. respectively; and

**WHEREAS**, the annual mandatory payments to the Alameda County Local Agency Formation Commission are critical to preserving the City of Oakland's property tax revenues; and

**WHEREAS**, while Citywide Golden Handshake early retirement program savings were achieved, actual program savings differed from budgeted program savings by agency/department in Fiscal Year 2009-10; and

**WHEREAS**, due to continued weakness in the local economy and real estate market and additional pressures in public safety service provision, a \$10.4 million shortfall is anticipated in the General Purpose Fund in Fiscal Year 2009-10 and \$42.6 million shortfall is projected in the General Purpose Fund in Fiscal Year 2010-11; and

**WHEREAS**, the Administration has developed budget balancing measures for the General Purpose Fund to fully offset the projected Fiscal Year 2009-10 and Fiscal Year 2010-11 shortfalls, as reflected in **Exhibit A-1** and **A-2**, respectively; and

**WHEREAS**, the Administration's balancing proposal includes the use of one-time revenues and requires declaration of a fiscal emergency per the City's financial policy codified in ordinance 12946 C.M.S., now therefore be it

**RESOLVED**: That the City's Fiscal Year 2009-10 and Fiscal Year 2010-11 Amended Budgets are hereby amended to incorporate balancing implementation measures reflected in **Exhibits A-1** and **A-2**, respectively included with and made a part of this resolution, subject to additional amendments that may be presented and adopted on the floor by the City Council; and be it

**FURTHER RESOLVED**: That the City Council declares a fiscal emergency pursuant to Ordinance No. 12946 C.M.S., to use one-time monies to balance the Fiscal Year 2009-10 and

Fiscal Year 2010-11 projected General Purpose Fund shortfall; and be it

**FURTHER RESOLVED:** That one-time monies used to balance the Fiscal Year 2009-10 and Fiscal Year 2010-11 General Purpose Fund projected deficits are restricted revenues to be used only for the purpose of budget balancing; and be it

**FURTHER RESOLVED:** That annual mandatory payments to the Alameda County Local Agency Formation Commission of approximately \$60,000 be paid from the Citywide City Council contingency allocation in the General Purpose Fund; and be it

**FURTHER RESOLVED:** That Fiscal Year 2009-10 budgeted General Purpose Fund savings from the Golden Handshake early retirement program be re-allocated to reflect actual retirements by agency/department in Fiscal Year 2010-11; and be it

**FURTHER RESOLVED:** That the City Council directs the City Administrator to implement the aforementioned with all deliberate speed.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2010

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

FY 2009-10 Proposed General Purpose Fund Balancing Measures in \$ millions	
	FY 09-10
<b>Pre-December 17th Budget Deficit</b>	<b>\$ (18.87)</b>
Balancing Measures Approved by Council on December 17, 2009	\$ 8.44
Post-December 17th Budget Deficit	\$ (10.43)
Additional Anticipated Shortfalls	\$ (4.83)
<b>February 16, 2010 Anticipated Budget Deficit</b>	<b>\$ (15.26)</b>
<b>Revenues/Other Financing</b>	
Sale of Assets	7.75
New revenue	0.50
<i>Subtotal</i>	<u>\$ 8.25</u>
<b>Expenditures</b>	
Position Changes:	
Reductions	0.26
Transfers	0.08
Grant reductions	-
Program reductions	-
Use of One-Time Funds	1.87
<i>Subtotal</i>	<u>\$ 2.20</u>
<b>Total Proposed Balancing Measures</b>	<b>\$ 10.45</b>
<b>Total Surplus/(Deficit)</b>	<b>\$ (4.81)</b>
Revision of parking citation pass-through payment to Alameda County -- prior year	0.50
Revision of new parking citation contract revenue from better collection rate	(0.30)
15% Reduction of elected officials' appropriations	0.25
Additional anticipated revenue shortfalls	(6.02)
<b>Post February 16, 2010 Anticipated Budget Deficit</b>	<b>\$ (10.38)</b>
Restructuring of pension obligations	\$ 5.50
Proposed balancing: Sale of Medical Hill Garage OR bond against Medical Hill Garage revenues	\$ 5.00
<b>Surplus/(Deficit)</b>	<b>\$ 0.12</b>

**FY 2010-11 GENERAL PURPOSE FUND  
 DELINEATION OF PROJECTED YEAR-END DEFICIT**

**REVENUES**

	<u>Previously Identified FY 10-11</u>	<u>Additional Deficit FY 10-11</u>	<u>Total Deficit FY 10-11</u>	<u>Explanation</u>
Property Tax	(0.36)	(4.69)	(5.05)	Per March 17th County preliminary estimate, assessed valuation (AV) to decline by -3.2% based on the expected wave of additional lowered assessments. AB1290 pass-through from ORA is also projected to decline by 11%.
Sales Tax	(5.29)	-	(5.29)	Continuing decline in consumer spending. FY09-10 estimated shortfall included the approximately \$3M triple flip negative adjustment, not occurring in FY10-11.
Vehicle License Fee	-	-	-	
Business Tax	-	-	-	
Utility Consumption Tax	(1.48)	(2.62)	(4.10)	Falling natural gas prices resulting in lower gas billings; reduced demand, and lackluster growth in Telecom revenues.
Real Estate Transfer Tax	-	(1.11)	(1.11)	Real estate has shown some signs of recovery, however, the underlying drivers of this recovery – federal and state government credit for first-time buyers, low interest rates and available credit – may not continue for much longer.
Transient Occupancy Tax	(1.66)	-	(1.66)	Continuing decline in consumer spending reducing average daily room rates.
Parking Tax	(0.95)	-	(0.95)	Continuing decline in consumer spending affecting travel and airport parking.
Licenses & Permits	-	(0.15)	(0.15)	Reduced demand for permits.
Fines & Penalties	-	-	-	
Interest Income	(0.36)	-	(0.36)	Projected shortfall is due to the low interest market and low cash balance for investment.
Service Charges	(1.08)	(1.62)	(2.70)	Slowdown in consumer spending affecting parking meter usage, and various user charges. Adjustment in 10-11 also includes a \$330k reduction in meter revenue due to the cancellation of extended parking meter hours with no replacement revenues identified.
Grants & Subsidies	-	-	-	
Miscellaneous	(3.20)	-	(3.20)	Revenue of \$3.2M was included in the 10-11 amended budget, but is yet to be identified.
Fund Transfers	(0.08)	(0.96)	(1.04)	Adjustments due to lower pension annuity revenue attributed to higher mortality rate in 09-10; and Pacific Renaissance nightly residential parking (\$80K) that will not actualize.
<b>Subtotal</b>	<b>\$ (14.46)</b>	<b>\$ (11.15)</b>	<b>\$ (25.61)</b>	

**EXPENDITURES**

	<u>Previously Identified FY 10-11</u>	<u>Additional Deficit FY 10-11</u>	<u>Total Deficit FY 10-11</u>	<u>Explanation</u>
Doubtful collection of entertainment surcharge	(9.00)	-	(9.00)	Entertainment surcharge applied to Coliseum ticket sales has not been applied in FY 2009-10 and may not be applied in FY 2010-11.
Projected departmental overspending:				
<i>Police</i>				
Full police academy	(3.13)	-	(3.13)	Reflects a cost of a full academy, including Police Department's and Human Resource Management Department's recruiting and training expenses.
Alameda County sheriff's academy	(0.55)	-	(0.55)	
Anticipated overtime overspending	(2.20)	-	(2.20)	Reflects anticipated FY 2009-10 year-end spending of \$14 million, a reduction of \$13 million from the high of \$27 million just a couple of years ago.
Set aside necessary for the new NSA monitoring contract	(0.80)	-	(0.80)	Approved by resolution 82448 C.M.S. on December 8, 2009; total approved \$1.5 million, with \$0.7 million appropriated in FY 2009-10.
<i>Other Departments</i>				
Finance & Management	(0.59)	-	(0.59)	Treasury recoveries were mistakenly inflated in the budget; continued from FY 2009-10. Personnel services appropriation mistakenly shorted in FY 2010-11.
Non-Departmental Unit	(0.64)	-	(0.64)	Reflects lower central services overhead recovery rate from eliminated positions in non-GPF.
Increase in Self-Insurance Liability cost based on the Phoenix Model analysis	(0.56)	-	(0.56)	Report on increased cost presented to Finance & Management Committee on February 23, 2010.
Net adjustment of fringe and retirement rates (for Civilian and Sworn employees)	(0.80)	1.30	0.50	Savings due to downward revision of fringe and retirement benefit rates on all salaries.
<b>Subtotal</b>	<b>\$ (18.26)</b>	<b>\$ 1.30</b>	<b>\$ (16.96)</b>	
<b>TOTAL</b>	<b>\$ (32.72)</b>	<b>\$ (9.85)</b>	<b>\$ (42.57)</b>	

FY 2010-11 GENERAL PURPOSE FUND

Balancing Measures

	FTEs		Balancing Measures		TOTAL FY 10-11	Impacts
	Filled	Vac	Already Approved FY 10-11	To Be Approved FY 10-11		
<b>REVENUES/OTHER FINANCING</b>						
<b>Sale/Lease of Assets</b>						
Lease of Scotlan to ORA/Central District or Sale of Other Facilities			2.00	-	2.00	
Sale of Grandview Lots			0.15	-	0.15	The property is being sold to Hill Side Homes. The Council approved the Ordinance on March 16.
Sale of Silivera property			-	0.60	0.60	
Sale of Henry J. Kaiser Convention Center			-	10.00	10.00	
<b>Subtotal</b>	-	-	<b>\$ 2.15</b>	<b>\$ 10.60</b>	<b>\$ 12.75</b>	
<b>New Revenues and Other Financing</b>						
Increased parking citation revenue			1.75	-	1.75	Reflects anticipated additional revenue from the new contract due to an increased collection rate.
Proceeds from sale of billboard space			-	1.00	1.00	One-time proceeds from sale of billboard space, along with \$0.15 million per year is anticipated from arrangement with Clear Channel Inc.
New grant revenue to offset personnel costs			-	0.49	0.49	
Stricter False Alarm Enforcement Revenue			-	0.24	0.24	
<b>Subtotal</b>	-	-	<b>\$ 1.75</b>	<b>\$ 1.73</b>	<b>\$ 3.48</b>	
<b>Possible Ballot Measure Alternatives - Requires Council action by last meeting in July (7/20/2010) for the November 2010 ballot (deadline for Clerk to submit required paperwork to County is August 8, 2010).</b>						
Public Safety parcel tax			-	18.19	18.19	Special tax levy requires 2/3 vote of electorate. Single family residential parcel assessment would be approximately \$180 annually, or \$15.00 per month. Value reflects 70% of full year revenue based on conservative TRAN-able estimate.
Utility Users' Tax -- temporary 0.5% increase and possible expansion to other utilities			-	2.43	2.43	General tax requires a majority affirmative ("yes") vote for approval.
<b>Subtotal</b>			<b>\$ -</b>	<b>\$ 20.62</b>	<b>\$ 20.62</b>	
<b>TOTAL REVENUES/OTHER FINANCING</b>			<b>\$ 3.90</b>	<b>\$ 32.95</b>	<b>\$ 36.85</b>	
<b>EXPENDITURES</b>						
<b>Reduce grants and subsidies:</b>						
<b>City Institutions -- 25% reduction</b>						
Oakland Zoo			-	0.16	0.16	
Chabot Space & Science Center			-	0.12	0.12	
Children's Fairyland			-	0.05	0.05	
<b>Subtotal</b>				<b>0.32</b>	<b>0.32</b>	

	FTEs		Total	Already Approved FY 10-11	To Be Approved FY 10-11	TOTAL FY 10-11	Impacts
	Filled	Vac					
<b>Related City Institutions -- 50% reduction</b>							
AIDS Prevention & Education Initiative				-	0.05	0.05	
Hacienda Peralta				-	0.07	0.07	
City/County Collab. on Children & Youth				-	0.15	0.15	
<b>Subtotal</b>					<b>0.27</b>	<b>0.27</b>	
<b>Non-Profit Organizations -- 50% reduction</b>							
Vietnamese Senior Services				-	0.02	0.02	
Family Bridges				-	0.05	0.05	
Fruitvale Senior Center				-	0.11	0.11	
Cypress-Mandela Training Center				-	0.11	0.11	
Symphony in the Schools				-	0.04	0.04	
Women's Business Initiative				-	0.06	0.06	
Jack London Aquatic Center				-	0.06	0.06	
Oakland Asian Cultural Center				-	0.04	0.04	
Human Services -- Academies Program				-	0.08	0.08	
Art Grants				-	0.49	0.49	
Day Laborers Program				-	0.08	0.08	
<b>Subtotal</b>					<b>0.68</b>	<b>0.68</b>	
<b>Other Prior Grantees -- 100% reduction</b>							
Oakland School for the Arts				-	0.14	0.14	
<b>Subtotal</b>				<b>\$ -</b>	<b>\$ 1.88</b>	<b>\$ 1.88</b>	
<b>Mayor</b>							
Eliminate Mayor's PSE 14	2.00	-	2.00	0.22	-	0.22	
Reduce operations and maintenance budget.				0.05	-	0.05	
<b>Subtotal</b>	<b>2.00</b>	<b>-</b>	<b>2.00</b>	<b>\$ 0.27</b>	<b>\$ -</b>	<b>\$ 0.27</b>	
<b>City Council</b>							
<b>Council:</b> Eliminate Senior Council Policy Analysts (Legislative Analysts)	4.05	-	4.05	0.49	-	0.49	1.95 FTE Legislative Analysts funded by the Oakland Redevelopment Agency Projects fund were also approved by Council for elimination.
<b>Subtotal</b>	<b>4.05</b>	<b>-</b>	<b>4.05</b>	<b>\$ 0.49</b>	<b>\$ -</b>	<b>\$ 0.49</b>	
<b>City Attorney</b>							
Eliminate Deputy City Attorney III	2.00	-	2.00	0.42	-	0.42	City Council approved the reduction target of \$0.55 million at its March 16th meeting and asked elected offices to return with specific reductions for the April 1st special meeting.
Eliminate Paralegal	1.00	-	1.00	0.11	-	0.11	
Savings from paying Deputy City Attorney II lower than budgeted amount	-	-	-	0.02	-	0.02	
<b>Subtotal</b>	<b>3.00</b>	<b>-</b>	<b>3.00</b>	<b>\$ 0.55</b>	<b>\$ -</b>	<b>\$ 0.55</b>	
<b>City Auditor</b>							
15% reduction -- detail to be provided				0.20	-	0.20	
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 0.20</b>	<b>\$ -</b>	<b>\$ 0.20</b>	



	FTEs			Already Approved FY 10-11	To Be Approved FY 10-11	TOTAL FY 10-11	Impacts
	Filled	Vac	Total				
<b>Information Technology</b>							
Delete Microcomputer Systems Specialist I	1.00		1.00	0.10	-	0.10	There will be a significant delay in replacing and or troubleshooting damaged software or hardware for computer equipment citywide. Documentation of computer equipment inventory will be affected as well.
Delete Microcomputer Systems Specialist I	1.00		1.00	0.10	-	0.10	There will be a significant and severe delay in the response to failures on systems used by the Libraries and the Museum which would negatively impact downtime. There will also be significant delay in computer replacments and on troubleshooting damaged computers.
Delete Microcomputer Systems Specialist III	1.00		1.00	0.14	-	0.14	There will be a significant delay on the response to network related issues. Daily logs will not be monitored as frequent as they should be, possibly on a weekly rotation. Coordination of network services related to relocation of staff and office rearrangements will be delayed significantly as well.
<b>Subtotal</b>	<b>3.00</b>	<b>-</b>	<b>3.00</b>	<b>\$ 0.34</b>	<b>\$ -</b>	<b>\$ 0.34</b>	
<b>Finance and Management</b>							
Eliminate Revenue Assistant	1.00		1.00	0.08	-	0.08	Slowdown in collections
<b>Subtotal</b>	<b>1.00</b>	<b>-</b>	<b>1.00</b>	<b>\$ 0.08</b>	<b>\$ -</b>	<b>\$ 0.08</b>	
<b>Personnel Resource Management</b>							
Eliminate Admin Analyst II		1.00	1.00	0.10	-	0.10	Loss of bill-paying, payroll, other fiscal functions
<b>Subtotal</b>	<b>-</b>	<b>1.00</b>	<b>1.00</b>	<b>\$ 0.10</b>	<b>\$ -</b>	<b>\$ 0.10</b>	
<b>Police Services</b>							
<b>Restructure Personnel Management</b>							
Eliminate Admin Analyst II		1.00	1.00	0.09	-	0.09	
<b>Other</b>							
Eliminate Rangers	2.00		2.00	0.28	-	0.28	
Transfer Cadet Program to Asset Forfeiture fund	9.00		9.00	0.27	-	0.27	
<b>Subtotal</b>	<b>11.00</b>	<b>1.00</b>	<b>12.00</b>	<b>\$ 0.64</b>	<b>\$ -</b>	<b>\$ 0.64</b>	
<b>Museum</b>							
Reduction through revised public/private partnership arrangement between the City and the Oakland Museum of California Foundation.					0.60	0.60	
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 0.60</b>	<b>\$ 0.60</b>	
<b>Library</b>							
Utilize available Measure Q fund balance					0.54	0.54	Initial analysis shows adequate fund balance remaining for FY 10-11

	<u>Filled</u>	<u>FTEs Vac.</u>	<u>Total</u>	<u>Already Approved FY 10-11</u>	<u>To Be Approved FY 10-11</u>	<u>TOTAL FY 10-11</u>	<u>Impacts</u>
<i>Subtotal</i>					\$0.54	\$0.54	

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	FTEs			Already Approved FY 10-11	To Be Approved FY 10-11	TOTAL FY 10-11	Impacts
	Filled	Vac	Total				
<b>Parks and Recreation</b>							
Transfer revenues to GPF from Golf Fund				-	0.20	0.20	Added revenue from Lake Chabot & Montclair Courses.
<b>Subtotal</b>				-	<b>\$0.20</b>	<b>\$0.20</b>	
<b>Human Services</b>							
Eliminate Linkages Grant Match				-	0.19	0.19	State grant funding of \$200k annually is proposed for elimination in FY 10-11 as part of State budget balancing. Elimination of the local grant match would terminate base program services for adults with disabilities, which currently serves approximately 372 clients. With City GPF funding the program could continue serving a base number of clients.
Eliminate Homeless Mobile Outreach/California Hotel grant match				-	0.14	0.14	Reduces outreach efforts by 2 (two) days from the current 5 (five) days. Currently part of PATH program to do outreach to encourage and engage homeless people in work activities and access to housing. Would need 30 days notice to modify the contract.
<b>Subtotal</b>				<b>\$0.00</b>	<b>\$0.33</b>	<b>\$0.33</b>	
<b>TOTAL SOLUTIONS</b>	<b>24.05</b>	<b>2.00</b>	<b>26.05</b>	<b>\$ 6.57</b>	<b>\$ 36.50</b>	<b>\$ 43.07</b>	<b>\$ 0.00</b>
<b>Subtotal surplus/(deficit)</b>						<b>0.50</b>	

	FTEs		<u>Total</u>	<u>Already Approved FY 10-11</u>	<u>To Be Approved FY 10-11</u>	<u>TOTAL</u>	<u>Impacts</u>
	<u>Filled</u>	<u>Vac</u>				<u>FY 10-11</u>	
<b>FTE SUMMARY</b>							
Eliminate	15.05	2.00	17.05	2.35	-	2.35	
Transfer	9.00	-	9.00	0.27	-	0.27	
Downgrade	-	-	-	-	-	-	
Add	-	-	-	-	-	-	
<b>Total</b>	<b>24.05</b>	<b>2.00</b>	<b>26.05</b>	<b>2.62</b>	<b>-</b>	<b>2.62</b>	
Other	-	-	-	0.05	0.60	0.65	
Revenue	-	-	-	1.75	1.73	3.48	
Ballot Measures	-	-	-	-	20.62	20.62	
Grant elimination/reduction	-	-	-	-	1.88	1.88	
Carryforward	-	-	-	-	-	-	
Sale of Assets	-	-	-	2.15	10.60	12.75	
Program elimination	-	-	-	-	0.33	0.33	
Non personnel transfers	-	-	-	-	0.74	0.74	
				<b>6.57</b>	<b>36.50</b>	<b>43.07</b>	