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OFFICE OF THE CITY CLERK  
OAKLAND  
2013 MAR 21 PM 5:11

# AGENDA REPORT

TO: DEANNA J. SANTANA  
City Administrator

FROM: Donna Hom  
Budget Director

SUBJECT: Revision to Long-Term Financial  
Planning Policy

DATE: March 21, 2013

City Administrator  
Approval

Date 3/21/13

COUNCIL DISTRICT: City-Wide

## RECOMMENDATION

Adopt a resolution amending Resolution No. 81399 C.M.S. (*Attachment A*) regarding the City of Oakland Long-Term Financial Planning Policy to change the name of the policy, name of the resulting product, deadline for production, and add some additional requirements.

## OUTCOME

Adoption of the amendment will update the City's policy regarding long-term financial forecasting to clarify and expand the requirements, resulting in a more robust product and more consistent expectations among stakeholders.

## BACKGROUND/LEGISLATIVE HISTORY

The City's leadership has recognized the need for sound long-term financial forecasting. The City Council passed a Long-Term Financial Planning Policy in July 2003 (Resolution No. 77923 C.M.S.), which directed the Administration to create a regularly-updated Five-Year Financial Plan that forecasts the City's revenues and expenditures over a five-year period, focusing on the General Purpose Fund (GPF) and other major funds. In response, the City has produced five-year forecasts of its revenues and expenditures of varying detail over the years. The City's policy was subsequently revised in June 2008 (Resolution No. 81399 C.M.S.) to specify that the forecast shall be updated and distributed by October 1st every other year.

## ANALYSIS

It is consistent with public administration and financial management best practices for the City to have a policy requiring long-term financial forecasting. The current policy, however, is titled Long-Term Financial Planning, whereas the product required by the policy is better described as financial forecasting rather than planning. The main distinction is that a forecast estimates future revenues and expenditures, whereas a plan additionally provides specific recommendations for

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bringing revenues and expenditures into balance. As such, this resolution revises the policy's language to refer to forecast instead of plan. In addition, this resolution modifies the policy to add new requirements to the forecast, such as an analysis of the variance between past forecasts and actuals. This resolution also changes the timing of the forecast, such that rather than being due October 1 of every even year, it is due no later than February 1 of every odd year, so that the process of creating the forecast can efficiently leverage and be dovetailed with the process of creating the two-year baseline budget, which is the basis of the budget development process.

### **PUBLIC OUTREACH/INTEREST**

The proposed resolution was informed by discussion at the February 26, 2013 meeting of the Finance and Management Committee, including during public comment from City labor organizations, as well as discussion at a meeting of the Budget Advisory Committee.

### **COORDINATION**

The City Administrator's Budget Office coordinated with the Office of the Controller and the Office of the City Attorney in preparing this report.

### **COST SUMMARY/IMPLICATIONS**

There are no cost implications of this item.

### **SUSTAINABLE OPPORTUNITIES**

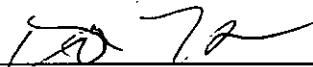
*Economic:* No direct economic opportunities have been identified.

*Environmental:* No direct environmental opportunities have been identified.

*Social Equity:* No direct social equity opportunities have been identified.

For questions regarding this report, please contact Andrew Murray, Assistant to the City Administrator, at 510-238-7570.

Respectfully submitted,

  
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DONNA HOM  
Budget Director

Prepared by:  
Andrew Murray, Assistant to the City Administrator

Attachment A – Resolution No. 81399 C.M.S.

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INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

APPROVED AS TO FORM AND LEGALITY

CITY ATTORNEY

08 JUN 12 PM 3:41  
OAKLAND CITY COUNCILRESOLUTION NO. 91999 C. M. S.**RESOLUTION AMENDING RESOLUTION NO. 77923 C.M.S. REGARDING THE CITY OF OAKLAND LONG-TERM FINANCIAL PLANNING POLICY TO ADD A SPECIFIC DATE WHEN THE FIVE-YEAR FINANCIAL PLAN IS TO BE PROVIDED TO THE CITY COUNCIL**

**WHEREAS**, the City of Oakland's Five-Year Financial Plan is the City Administrator's best assessment of future revenues, expenditures and operating results over a five year forecast period; and

**WHEREAS**, the Five-Year Financial Plan includes analysis of economic and demographic data at the national, local and state level, and analyzes revenue and expenditure trends for the General Purpose Fund and other major funds such as the Landscape and Lighting Assessment District and the Oakland Redevelopment Agency; and

**WHEREAS**, the Five-Year Financial Plan forecasts major revenue and expenditure components of the aforementioned funds; and

**WHEREAS**, a long-term financial planning policy is intended to help the City make prudent and informed financial decisions on matters such as economic development, tax policy and labor negotiations; and

**WHEREAS**, the implementation of a long-term financial planning policy will help the City attain a favorable rating from credit rating agencies; and

**WHEREAS**, the implementation of a long-term financial planning policy should not result in significant increases in staff costs; now, therefore, be it

**RESOLVED**, that the City Council of the City of Oakland hereby finds, determines, declares and resolves as follows:

**Section 1.** All of the recitals set forth above are true and correct.

**Section 2.** In order to insure that City of Oakland decision makers have the information to allow them to prudently manage the City's fiscal resources, the City Council hereby adopts the financial policy, as set forth below:

## CITY OF OAKLAND LONG-TERM FINANCIAL PLANNING POLICY

### *I. Purpose/Definition*

The Five-Year Financial Plan ("Plan") forecasts the City's revenues and expenditures over a five-year period. The Plan focuses on the General Purpose Fund, and other major funds such as the Landscape and Lighting Assessment District and the Oakland Redevelopment Agency. The intent of the Plan is to allow the City Council and the City Administrator to put current funding decisions in the context of forecasted economic conditions. Specifically, long-term financial planning improves the City's ability to make informed decisions regarding labor negotiations, economic development projects and tax policy. The Plan shall incorporate economic and demographic data at the national, local and state level, as well as other data that aids in forecasting.

Credit rating agencies are likely to favor the City's intention to plan ahead because such planning provides for greater financial stability, and signals a prudent approach to financial management. Five-Year planning also brings the City into compliance with current "best practices" of other governmental entities.

### *II. General Responsibilities*

#### Budget Office

The City Administrator, shall be responsible for producing an updated Five-Year Financial Plan on an annual a biennial basis. The Plan shall be produced and distributed by October 1 of each every other year, prior to the beginning of any annual budget deliberations by the Council.

#### Other Departments

Other departments shall be responsible for providing such information as the City Administrator requires to produce the Plan in a timely manner.

#### The City Council and the City Administrator

The City Council and City Administrator shall make use of the information contained in the Plan as they consider any action that would have a significant impact on the City's revenue or expenditures over a five-year period.

**FURTHER RESOLVED**, that this Resolution shall take effect immediately upon its passage.

In Council, Oakland, California, JUN 17 2008, 2008

**PASSED BY THE FOLLOWING VOTE:**

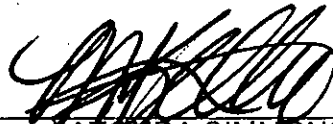
Ayes- BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND  
PRESIDENT DE LA FUENTE — 8

Noes- 6

Absent- 0

Abstention- 0

Attest:



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

**DRAFT**

CITY ATTORNEY

FILED  
 INTRODUCED BY COUNCIL MEMBER SCHAAF  
 OFFICE OF THE CLERK  
 OAKLAND

2013 MAR 21 PM 5:11 OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C. M. S.

**RESOLUTION AMENDING RESOLUTION NO. 81399 C.M.S. REGARDING THE CITY OF OAKLAND LONG-TERM FINANCIAL PLANNING POLICY TO CHANGE THE NAME OF THE POLICY, NAME OF THE RESULTING PRODUCT, DEADLINE FOR PRODUCTION, AND ADD SOME ADDITIONAL REQUIREMENTS.**

**WHEREAS**, the City of Oakland adopted a Long-Term Financial Planning Policy in 2003 that it updated in 2008; and

**WHEREAS**, the policy directed the City Administrator to conduct a forecast by assessing future revenues and expenditures of the General Purpose Fund and other major funds over a five year forecast period; and

**WHEREAS**, the document required by the policy and described as a plan would more accurately be described as a forecast, in that it need not provide a plan of future action for the City; and

**WHEREAS**, the policy's deadline for submitting the document created a conflict with other budgeting processes that take place in the same timeframe; now, therefore, be it

**RESOLVED**, that the City Council of the City of Oakland hereby finds, determines, declares and resolves as follows:

**Section 1.** All of the recitals set forth above are true and correct.

**Section 2.** In order to ensure that City of Oakland decision makers have the information required to make current financial decisions in the context of forecasted future conditions, the City Council hereby adopts the financial policy, as set forth below:

## **CITY OF OAKLAND LONG-TERM FINANCIAL FORECASTING POLICY**

### **I. Purpose/Definition**

The Five-Year Financial Forecast ("Forecast") is a planning tool that estimates the City's likely revenues and expenditures over a future five-year period, based on appropriate financial, economic, and demographic data. The Forecast focuses on the General Purpose Fund and contains information on other major funds such as the Landscape and Lighting Assessment District. The purpose of the Forecast is to surface all major financial issues and estimate future financial conditions to support informed long-term planning and decision making regarding issues such as expenditures, labor negotiations, economic development policies, and revenue policies. Such planning

provides for greater financial stability, signals a prudent approach to financial management, and brings the City into compliance with current best practices of other governmental entities. The Forecast shall be produced and distributed no later than February 1 of every odd year. The Forecast shall contain the two-year baseline budget for the forthcoming two-year budget period, clearly reflecting existing service levels and obligations, plus an additional three-year forecast. The Forecast shall also contain information on the variance between prior forecasts and actual amounts, including the factors that influenced these variances.

## II. General Responsibilities

### Budget Office

The City Administrator shall be responsible for producing the Five-Year Financial Forecast.

### Other Departments

Other departments shall be responsible for providing in a timely manner such information as the City Administrator requires to produce the Forecast.

### The City Council and the City Administrator

The City Council and City Administrator shall make use of the information contained in the Forecast as they consider actions that would have a significant impact on the City's budget or financial position.

**FURTHER RESOLVED**, that this Resolution shall take effect immediately upon its passage.

In Council, Oakland, California, \_\_\_\_\_, 2013

### PASSED BY THE FOLLOWING VOTE:

Ayes-           BROOKS, GALLO, KALB, KAPLAN, GIBSON MCELHANEY, REID,  
                    SCHAAF, AND  
                    PRESIDENT KERNIGHAN

Noes-

Absent-

Abstention-

Attest:

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