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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: FY 2018-19 Q2 R&E Report

DATE: February 5, 2019

City Administrator Approval

Date:

2/13/19

RECOMMENDATION

Staff Recommends That City Council Receive An Informational Report On Fiscal Year (FY) 2018-19 Second Quarter Revenue and Expenditure Results And Year-End Summaries For The General Purpose Fund (GPF, 1010) and Selected Funds; And General Purpose Fund (GPF, 1010) Carryforward for FY 2018-19; And Overtime Analysis For The General Purpose Fund (GPF, 1010) And All Funds.

EXECUTIVE SUMMARY

This report details the City of Oakland's (the City) projected Second Quarter Financial Results for FY 2018-19 in the General Purpose Fund (GPF) and other selected funds. The following points highlight key findings from the City's projected year-end results (discussed in more detail in the Policy and Analysis Alternatives section of this report beginning on page 5).

General Purpose Fund

Ongoing revenue in the GPF is projected to exceed the FY 2018-19 Adjusted Budget by \$6.46 million (**Table 1**), for a total of \$13.77 million relative to the adjusted budget with the inclusion of one-time revenues of \$7.31 million. Generally, forecasted receipt of revenue in FY 2018-19 reflects continued, but slower growth in the local economy. Notably, the market showed growth in real-estate related revenues, including property taxes and transient occupancy taxes (**Attachment A-1**).

Expenditures are expected to exceed the FY 2018-19 Adjusted Budget by approximately \$(20.07) million (**Table 1**) resulting in a projected year-end operating deficit of \$(6.30) million due to expenditures exceeding revenues. Spending by department is shown in **Attachment A-2**.

Item: _____
Finance and Management Committee
February 19, 2019

Table 1: Summary of GPF Budget to Projected Actual Results (\$ in millions)

Description	FY 2018-19 Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
REVENUE			
Revenue	\$ 602.71	\$ 609.16	\$ 6.46
Q2 Revenue Projection - ONETIME	\$ —	\$ 7.31	\$ 7.31
Subtotal Revenue	\$ 602.71	\$ 616.48	\$ 13.77
EXPENDITURES			
Expenditures	\$ 602.71	\$ 622.78	\$ (20.07)
Estimated Contribution to Fund Balance	\$ —	\$ (6.30)	\$ (6.30)

The year-end available GPF fund balance is estimated to be a deficit \$(1.66) million (**Table 2**). This balance reflects the net difference between the revenue and expenditure projections, including adjustments such as FY 2017-18 carryforward, the FY 2018-19 Amended Midcycle Budget, and reserves (**Table 8**).

Table 2: Summary of GPF Estimated Year-End Available Fund Balance (\$ in millions)

GENERAL PURPOSE FUND (1010)	FY 2018-19 Q2 Projected FYE
Beginning Fund Balance - Audited	\$ 86.16
Revenue	616.48
Expenditures	622.78
Subtotal Fund Balance	\$ 79.86
FY 2018-19 Obligated Fund Balance	(33.95)
Designated / Mandated Reserves	(47.56)
Estimated Ending Available Fund Balance	\$ (1.66)

Based on projected year-end results for FY 2018-19, the GPF Fund Balance will be negative \$(1.66) million which would result in a reduced GPF Emergency Reserve balance of **7.23%**. If projections hold, per the City's Consolidated Fiscal Policy, the City Administrator will present a strategy to Council on how the City will achieve restoring the balance to 7.5%.

Additionally, the proposed reduction of the existing business tax rate from \$100 per \$1,000, or 10%, of the gross receipts to \$50 per \$1,000, or 5%, of gross receipts on non-medical cannabis businesses in FY 2018-19, will create an ongoing negative financial impact of approximately \$1.80 million if adopted by Council. The deficit fund balance shown in Table 2 will grow to \$(3.46) million.

Non-GPF Funds

The six (6) non-GPF funds analyzed for this report have historically shown negative fund, or cash, balances (**Attachments B to G**). The FY 2018-19 projected ending fund balance/(deficit) compared to FY 2017-18 is shown in **Table 3** below, and demonstrates the following key summary results:

- The negative fund balance in the Self Insurance Liability Fund (1100) - which is on City Council approved repayment plan - is projected to decrease from negative \$(13.78) million to negative \$(6.77) million in FY 2018-19. This result is largely due to the reimbursement of \$9.0 million from the City's excess liability insurer in the first quarter of FY 2018-19 from a \$12.0 million legal settlement paid in FY 2017-18 (Resolution No. 87241 C.M.S.).
- The negative fund balance in the LLAD Fund (2310) continues to increase due to rising costs and stagnant revenues.
- Three Internal Service Funds (Reproduction Fund, Central Stores Fund, and Purchasing Fund) will be placed on repayment plans in the FY 2019-21 Biennial Budget (per Resolution No. 87140 C.M.S).
- The fund balance in the Facilities Fund (4400) will improve due in part to the City Council approved repayment plan. It is anticipated that this fund will have a positive ending balance at year end in FY 2018-19.

Table 3: FY 2018-19 Projected Ending Fund Balance for Non-GPF Funds:

	FY 2017-18	FY 2018-19
Self-Insurance Liability Fund	\$ (13.78)	\$ (6.77)
Landscaping & Lighting Assess. District Fund (LLAD)	(1.11)	(2.08)
Reproduction Fund	(1.77)	(1.71)
Facilities Fund	(2.35)	—
Central Stores Fund	(4.25)	(4.26)
Purchasing Fund	(0.53)	(0.49)

The remainder of this report provides details on the projected fiscal year-end revenue and expenditures in the GPF and selected funds based on Second Quarter data (July 1, 2018 – December 31, 2018).

BACKGROUND / LEGISLATIVE HISTORY

On June 19, 2018, Council adopted the FY 2018-19 Amended Midcycle Budget of \$602.45 million (both revenues and expenditures) in the General Purpose Fund. This budget includes a transfer of \$1.18 million from fund balance.

During FY 2018-19 additional budget was added based on Council Resolutions as well as authorized carryforward. The Adjusted Budget for FY 2018-19 is the cumulative total of the Amended Midcycle Budget and all other authorized additions as reflected in Attachments A-1 & A-2.

This report contains the projected fiscal year-end results for FY 2018-19 based on data available from July 1, 2018 to December 31, 2018.

ANALYSIS AND POLICY ALTERNATIVES

GENERAL PURPOSE FUND

I. REVENUES

As reflected in **Attachment A-1**, the FY 2018-19 adjusted revenue budget is \$602.71 million. Fiscal Year-end revenues including use of fund balance are forecasted to be \$616.48 million, which represents a net increase of \$13.77 million over the FY 2018-19 Adjusted Budget.

As the Fiscal Year progresses and better data becomes available, revenue projections are updated and provided to the City Council at the end of the second and third quarter. As shown in **Table 4** below, the FY 2018-19 year-end revenues are forecasted to be \$616.48 million. Revenues, when compared to the adjusted budget are forecasted to increase \$13.77 million, of which \$7.31 million is considered one-time revenue.

Table 4: Summary of GPF Revenue Variance to FY 2018-19 Adjusted Budget:

Description	FY 2018-19 Revenue
FY 2018-19 Adjusted Revenue Budget	\$ 602.71
Increases/(Decreases):	
Property Tax	3.76
Sales Tax	3.15
Business License Tax	2.42
Real Estate Transfer Tax	9.69
Fines & Penalties	(1.84)
Transient Occupancy Tax	1.80
Miscellaneous	(4.40)
All Other	(0.81)
Net Projected GPF Revenue Growth	\$ 13.77
Total FY 2018-19 Projected Revenue	\$ 616.48

II. EXPENDITURES

The projected year-end expenditures are estimated at \$622.78 million, which is \$(20.07) million over the net Adjusted Budget Citywide (**Attachment A-2**). The overspending is primarily attributed to overtime costs in Public Safety.

Table 5: Summary of FY 2018-19 GPF Projected Expenditure Variance:

Department	Adjusted Budget (Q2 less CF)	Projected Year-End Actuals	Year-End (Over) / Under Budget
FY 2018-19 Expenditures	\$ 602.71	\$ 622.78	\$ (20.07)
MAYOR	\$ 3.11	\$ 3.11	\$ —
CITY COUNCIL	\$ 5.46	\$ 5.09	\$ 0.36
CITY ADMINISTRATOR	\$ 13.25	\$ 12.68	\$ 0.57
CITY ATTORNEY	\$ 12.74	\$ 12.53	\$ 0.21
CITY AUDITOR	\$ 2.06	\$ 2.06	\$ —
CITY CLERK	\$ 3.01	\$ 3.01	\$ —
POLICE COMMISSION	\$ 2.96	\$ 2.69	\$ 0.27
PUBLIC ETHICS COMMISSION	\$ 1.04	\$ 1.04	\$ —
FINANCE DEPARTMENT	\$ 24.89	\$ 24.23	\$ 0.65
INFORMATION TECHNOLOGY	\$ 10.40	\$ 10.50	\$ (0.10)
RACE & EQUITY	\$ 0.56	\$ 0.53	\$ 0.03
HUMAN RESOURCES	\$ 6.33	\$ 6.03	\$ 0.30
DEPARTMENT OF VIOLENCE PREVENTION	\$ 0.42	\$ 0.45	\$ (0.03)
POLICE DEPARTMENT	\$ 261.40	\$ 280.74	\$ (19.33)
FIRE DEPARTMENT	\$ 142.61	\$ 147.96	\$ (5.35)
OAKLAND PUBLIC LIBRARY	\$ 13.17	\$ 12.95	\$ 0.22
PARKS & RECREATION	\$ 15.11	\$ 14.02	\$ 1.09
HUMAN SERVICES	\$ 15.50	\$ 15.31	\$ 0.18
ECONOMIC & WORKFORCE DEVELOPMENT	\$ 4.89	\$ 4.62	\$ 0.27
HOUSING & COMMUNITY DEVELOPMENT	\$ —	\$ —	\$ —
PLANNING & BUILDING	\$ 0.02	\$ 0.02	\$ —
OAKLAND PUBLIC WORKS	\$ 3.85	\$ 3.90	\$ (0.05)
TRANSPORTATION	\$ 11.20	\$ 10.56	\$ 0.64
NON-DEPARTMENTAL	\$ 48.21	\$ 48.21	\$ —
CAPITAL IMPROVEMENT PROGRAM	\$ 0.53	\$ 0.53	\$ —

Per Ordinance 13487 C.M.S, in the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), the Department must provide an action plan to the City Administrator no later than March 15, 2019. The City Administrator shall bring an

informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget

Table 6 below shows the projected personnel expenditures, including overtime, for Public Safety in the GPF. Details on the factors contributing to Police and Fire overtime projections are provided in two separate reports presented to the Finance Committee on February 19, 2019.

Table 6: FY 2018-19 Public Safety GPF Projected Personnel Expenditures

Department	FY 2018-19 Adjusted Budget	FY 2018-19 Projected Actuals	Year-End (Over) / Under Budget
Police Department			
Overtime (OT)	14.05	37.48	(23.43)
Reimbursable OT (Special Events, etc.)	—	8.28	8.28
All Other Personnel (non-OT)	211.56	205.62	5.95
Fire Department			
Overtime (OT)	1.54	20.12	(18.57)
All Other Personnel (non-OT)	126.22	111.46	14.76

III. FUND BALANCE

The audited FY 2018-19 GPF beginning fund balance was \$86.16 million. Importantly, this amount includes the City Council appropriated reserves discussed later in this report, as well as project and encumbrance balances carried forward.

The projected year-end available fund balance is estimated to be a deficit \$(1.66) million, after projecting for year-end revenues and expenditures, project and encumbrance carryforward, and amounts budgeted in FY 2018-19 (**Table 7**). The City's 7.5% GPF Emergency Reserve is set at \$45.20 million in FY 2018-19. Based on projected year-end results for FY 2018-19, the GPF Fund Balance will be negative \$(1.66) million which would result in a reduced GPF Emergency Reserve balance of **7.23%**. If projections hold, per the City's Consolidated Fiscal Policy, the City Administrator will present a strategy to Council on how the City will achieve restoring the balance to 7.5%.

Table 7: FY 2018-19 Projected Year-End Available GPF Fund Balance

GENERAL PURPOSE FUND (10.10)		FY 2018-19 Q2 Projected FYE
Beginning Fund Balance - Audited	\$	86.16
Revenue		616.48
Expenditures		622.78
Estimated Current Year Surplus/(Shortfall)		(6.30)
Subtotal Fund Balance	\$	79.86
Use of Fund Balance in FY 2018-19:		
Projects Carried Forward (CF) to FY 2018-19		(32.65)
FY 2018-19 MidCycle Adjusted Budget		(1.23)
FY 2018-19 Adopted Council Resolutions		(0.06)
Subtotal Use of Fund Balance	\$	(33.95)
Designated / Mandated Reserves:		
7.5% GPF Required Reserve		(45.20)
OMERS Reversion of Assets (held with Trustee; Resolution 85098)		(2.36)
Subtotal Reserves	\$	(47.56)
Estimated Ending Available Fund Balance	\$	(1.66)

IV. RESERVES

On December 9, 2014 Council Ordinance No. 13279 amended the City's Consolidated Fiscal Policies to include designated reserves for both the Vital Services Stabilization Fund and for the acceleration of long term obligations, in addition to the mandated 7.5% GPF Emergency Reserve (refer to City of Oakland Consolidated Fiscal Policy, Section I, Part C: Use of Excess Real Estate Transfer Tax). The summary below provides the adjusted total set-asides, including any additional contributions based on the projected excess RETT in the FY 2018-19 Second Quarter results. It is important to note that while these balances are designated each fiscal year, reserve appropriations adopted in subsequent fiscal years may include any prior year true-ups. As stated previously, the City's 7.5% GPF Emergency Reserve is set at \$45.20 million based on the FY 2018-19 Amended Midcycle Budget.

Table 8: FY 2018-19 Projected Year-End Reserve Balances

Description	Projected FYE 2018-19 Balances
7.5% GPF Required Reserve ¹	\$ 45.20
Vital Services Stabilization Fund	14.32
Total Reserves	\$ 59.53

¹ The 7.5% GPF reserve is not a cumulative balance

Total budgeted reserves and set-asides of \$59.53 million are equivalent to just over one month of FY 2018-19 operating expenditures of \$602.71 million in GPF (9.88%). **The Government Finance Officers Association (“GFOA”) recommends maintaining unrestricted budgetary fund balance in the general fund of no less than two months of operating expenditures (16.7%).**

The City’s Consolidated Fiscal Policy is available in its entirety on the City’s website.

GENERAL PURPOSE FUND
(Attachments A-1 and A-2)

REVENUE HIGHLIGHTS

The FY 2018-19 Second Quarter year-end projections are \$616.48 million. This represents a net increase of \$13.77 million over the FY 2018-19 Adjusted Budget, of which \$7.31 million is considered one-time revenue.

Attachment A-1 provides details of Second Quarter revenue forecast and comparison to the FY 2018-19 Adopted Budget.

Property Tax: +\$3.76 million compared to FY 2018-19 Adjusted Budget

Property Tax revenues are forecasted to exceed FY 2018-19 Adjusted Budget by \$3.76 million due to the forecasted receipt of additional Residual Property Tax Trust Fund ("RPTTF") revenues. Starting in FY 2011-12, the City began receiving a portion of the RPTTF as the result of the dissolution of the Redevelopment Agency. The RPTTF is the portion of property tax increment, less wind-down funding obligations, that would have gone to redevelopment agencies if they had not been dissolved. Net of RPTTF, Property Tax revenues increased 6.56% when compared to Fiscal Year 2017-18.

Table 9: Historical Property Tax Revenue: FY 2012-13 through FY 2018-19

Category	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 Q2 Forecasted FYE
Property Tax	\$ 129.27	\$ 133.12	\$ 141.03	\$ 150.93	\$ 160.98	\$ 172.46	\$ 183.93
Property Tax - RPTTF	\$ 24.88	\$ 9.71	\$ 18.33	\$ 7.77	\$ 10.50	\$ 14.71	\$ 16.3
Total Property Tax	\$ 154.15	\$ 142.83	\$ 159.36	\$ 158.7	\$ 171.48	\$ 187.17	\$ 200.23

During the depths of the Great Recession, the City lost \$2.59 billion in assessed valuation. For the past 5 years, Oakland's assessed valuation has experienced significant growth. Since FY 2011-12, the City's assessed valuation has grown \$21.46 billion.

Table 10: Assessed Valuation: FY 2009-2010 through FY 2018-19

Assessed Valuation Growth

FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
(2.91)%	(3.09)%	1.67%	2.15%	5.15%	5.85%	7.56%	7.47%	7.21%	7.3%

Real Estate Transfer Tax: +\$9.69 million compared to FY 2018-19 Adjusted Budget

Second Quarter FY 2018-19 year-end real estate transfer tax (RETT) forecast is anticipated to be \$83.87 million, which is \$9.69 million above the FY 17-18 Adjusted Budget. When compared to Fiscal Year 17-18, revenues derived from RETT are anticipated to increase 2.78% from \$77.52 million to \$83.87 million. The revenue derived from baseline property sales through November increased 3.63% when compared to last fiscal year; while revenue derived from larger property transactions is down 65.81% through the end of the November (*Table 11*).

Real Estate Transfer Tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions or as a result of the sale of high value properties. When certain high value commercial properties are sold, they can skew revenues upward. Furthermore, depending upon how the property is transferred and/or what type of entity is purchasing the property, the application of the City's RETT may not apply. The sale of large commercial properties listed in Table 12.

Table 11: RETT Growth Rate Q2

Category	FY 2017-18	FY 2018-19				
RETT	7.97%	15.69 %	20.16%	4.03 %	(1.86)%	3.63%
RETT-Larger Commercial Properties	434.42%	(33.3)%	172.52%	(61.68)%	(17.53)%	65.81%

Table 12: FY 2018-19 YTD Large Property Sales (in millions)

Quarter	Property	Value
Quarter 1	1330 Broadway	\$ 2.64
Quarter 1	6310 College Ave	0.57
Quarter 1	1440 Broadway	0.65
Quarter 2	1221 Broadway	3.8
Quarter 2	Latham Square	0.92
Quarter 2	Westlake C. Terrace	0.73
Quarter 2	Glibert Street	0.92

Business License Tax: +\$2.42 million compared to FY 2018-19 Adjusted Budget

Year-end revenue derived from Business Licenses Tax is forecasted to be \$89.04 million. This is \$2.42 million higher than the Adjusted FY 2018-19. The forecast includes numerous businesses that registered in 2018 paying 2 years of taxes as required under the City's tax code. Revenues derived from 1st year tax payments made during the second year of operation are considered one-time revenues. Business taxes are considered late if not received by March 1. A more comprehensive analysis will be provided during the Third Quarter analysis.

Any Council action that decreases the existing recreational cannabis business tax rate during the current fiscal year will negatively impact FY 2018-19 Adjusted Budget by \$(1.8) million. Furthermore, any Council action that waives business taxes for residential landlords and/or provides refunds for previously paid taxes, penalties and interest for residential landlords will also have a negative impact on the current and future budgets.

Utility User Tax: -\$1.12 million compared to FY 2018-19 Adjusted Budget

Year-end revenue derived from Utility User Tax is forecasted to be \$53.09 million, which is 2.00% increase when compared to FY 2017-18 audited receipts.

Transient Occupancy Tax: +\$1.80 million compared to FY 2018-19 Adjusted Budget

Year-end Second Quarter revenue derived from Transient Occupancy Tax (TOT) revenue is forecasted to be \$25.47 million. The City is still experiencing growth in this revenue category with revenues increasing 8.00% when compared to the Second Quarter of Fiscal Year 2017-18. The increase in TOT is being felt across the Bay Area as the demand for hotel lodging increases due to the improved business climate and an influx of foreign travelers, which also increases room rates based upon simple supply and demand. Table 13 reflects year-over-year growth of Transient Occupancy Tax.

Table 13: Transient Occupancy Tax Growth Rate Q2

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Transient Occupancy Tax	15.99%	17.24%	18.03%	12.89%	5.43%	8.00%

EXPENDITURE HIGHLIGHTS

As outlined in **Attachment A-2**, the FY 2018-19 Q2 net Adjusted Budget is \$602.71 million. The fiscal year-end General Purpose Fund (GPF) expenditures are projected to be \$622.78 million, resulting in an over-spending of \$20.07 million primarily due to Public Safety personnel and overtime costs. Additionally, this attachment also summarizes department-level spending. The breakdown of projected fiscal year-end overtime spending for the General Purpose Fund and All Funds is provided in **Attachment B**. Below is a discussion of each department's estimated savings or overspending in the GPF at year-end as compared to the Adjusted Budget.

Mayor's Office

The Mayor's Office is projected to end the fiscal year at budget.

City Council

The City Council is projected to end the fiscal year with approximately \$0.36 million resulting from salary savings.

City Administrator

The City Administrator's Office is projected to end the fiscal year with an estimated savings of \$0.57 million primarily due to vacancies in Administration and Animal Services.

City Attorney

The City Attorney is estimated to have savings of \$0.21 million primarily associated with vacancies.

City Auditor

The City Auditor is projected to end the fiscal year at budget.

City Clerk

The Office of the City Clerk is projected to end the fiscal year at budget.

Police Commission

The Police Commission is projected to end the fiscal year with a savings of \$0.27 million due to vacancies.

Public Ethics Commission (PEC)

The PEC is projected to end the fiscal year at budget.

Finance Department

Finance is estimated to have savings of \$0.65 million due to salary savings from vacancies.

Information Technology Department (ITD)

ITD is projected to overspend the Adjusted Budget by \$(0.10) million which is attributed to personnel costs.

Race & Equity

The Race & Equity Department is projected to end the fiscal year at budget.

Human Resources Department (HRD)

Human Resources is projected to spend \$6.56 million compared to the Adjusted Budget of \$6.86 million, resulting in a savings of \$0.30 million due to vacancies.

Department of Violence Prevention (DVP)

DVP is projected to spend \$0.49 million compared to the Adjusted Budget of \$0.46 million, resulting in an overspending of \$(0.03) million. Per Ordinance 13487 C.M.S, in the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), DVP must provide an action plan to the City Administrator no later than March 15, 2019.

Oakland Police Department (OPD)

The projected overspending in OPD of \$(19.33) million is largely due to overtime related to backfill, extension of shift and unanticipated special enforcement. Additional details on overtime spending is provided in a separate report presented to the Finance and Management Committee on February 19, 2019. OPD's overtime spending is projected to be \$37.48 million, compared to the adjusted overtime budget of \$14.05 million. Per Ordinance 13487 C.M.S, in the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), OPD must provide an action plan to the City Administrator no later than March 15, 2019.

Oakland Fire Department (OFD)

The Fire Department is projected to end FY 2018-19 with overspending of approximately \$(5.35) million primarily due to overtime. Details on overtime spending are provided in a separate report presented to the Finance and Management Committee on February 19, 2019. Overtime spending in OFD is estimated to be \$20.12 million at fiscal year-end, which is approximately \$(18.57) million over the Adjusted Budget. *Table 6* provides additional information for overall personnel savings versus costs. Per Ordinance 13487 C.M.S, in the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), OFD must provide an action plan to the City Administrator no later than March 15, 2019.

Oakland Public Library (OPL)

OPL is estimated to end the fiscal year with a savings of \$0.22 million due to salary savings.

Oakland Parks & Recreation (OPRYD)

OPR is projected to end the fiscal year with a savings of \$1.09 million from due to vacancies.

Human Services Department (HSD)

Human Services is projected to end the fiscal year with small savings of \$0.18 million primarily in personnel costs.

Economic Workforce & Development (EWD)

EWD is projected to end the fiscal year with underspending of \$0.27 million from salary savings associated with vacancies.

Housing & Community Development (HCD)

Housing is projected to end the fiscal year at budget.

Planning & Building

Planning is projected to end the fiscal year at budget.

Oakland Public Works (OPW)

OPW is projected to end the fiscal year with a slight deficit of \$(0.05) million due to personnel costs.

Department of Transportation (DOT)

DOT is projected to end the fiscal year with a savings of \$0.64 million from salary savings as a result of vacancies in Parking Management which are anticipated to be filled prior to fiscal year end.

Non-Departmental

Non-Departmental is projected to end the fiscal year at budget.

OTHER FUNDS
(Attachments B through G)

Self-Insurance Liability Fund

The Self-Insurance Liability Fund (1100) receives contributions from the General Purpose Fund and select funds to cover costs associated with liability claims and settlements, insurance premiums, outside legal services and court costs.

Unaudited revenues at fiscal year-end are projected to be \$31.97 million, which is \$9.23 million higher than the Adjusted Budget. Actual expenditures of \$22.75 million exceeded the Adjusted Budget by \$(0.01) million. Additional details are provided in **Attachment B**.

The negative fund balance in the Self Insurance Liability Fund (1100) - which is on City Council approved repayment plan - is projected to decrease from negative \$(13.78) million to negative \$(6.77) million in FY 2018-19. This result is largely due to the payment of a \$12.0 million legal settlement from Fund 1100 (Resolution No. 87241 C.M.S.) for which \$9.0 million was reimbursed by the City's excess liability insurer in the first quarter of FY 2018-19.

Table A: FY 2018-19 Self-Insurance Liability Fund Projected Year-End Available Fund Balance

SELF-INSURANCE LIABILITY FUND (1100)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
Beginning Fund Balance - Audited	\$ (13.78)	\$ (13.78)	
Revenue	22.74	31.97	9.23
Expenditures	22.74	22.75	0.01
Estimated Current Year Surplus/(Shortfall)	\$ —	\$ 9.22	\$ 9.22
Subtotal Fund Balance	(13.78)	(4.56)	
Use of Fund Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	(2.21)	(2.21)	
Budgeted Fund Balance Repayment	2.35	—	
Estimated Ending Fund Balance	\$ (13.64)	\$ (6.77)	

Landscaping and Lighting Assessment District Fund (LLAD)

In the LLAD Fund (2310), unaudited year-end revenue and expenditure results show an operating surplus of \$(0.05) million in FY 2018-19 as reflected in **Attachment C**. When accounting for obligated amounts carried forward to FY 2018-19 and a beginning fund balance deficit of \$(1.11) million, the deficit in LLAD is projected to increase to \$(2.08) million as reflected in Table B.

The LLAD fund eliminated its roughly (\$6.0) million negative fund balance in FYE 2014-15. However, rapidly increasing costs and the inability to adjust the assessment rate has prevented the City from reaching its goal of maintaining a positive fund balance. The assessment rate cannot be adjusted without voter approval; therefore, the City must continue to carefully manage personnel and O&M expenses throughout FY 2018-19 to mitigate any further reductions in the fund balance.

Table B: FY 2018-19 LLAD Projected Year-End Available Fund Balance

LANDSCAPING & LIGHTING ASSESSMENT DISTRICT FUND (2310)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
Beginning Fund Balance - Audited	\$ (1.11)	\$ (1.11)	
Revenue	20.48	20.16	0.32
Expenditures	20.48	20.21	(0.27)
Estimated Current Year Surplus/(Shortfall)	\$ —	\$ (0.05)	
Subtotal Fund Balance	(1.11)	(1.16)	
Use of Fund Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	(0.92)	(0.92)	
Estimated Ending Fund Balance	\$ (2.03)	\$ (2.08)	

Reproduction Fund

This fund is reported on a cash basis. Revenues are generated from equipment rental and services charges to operating departments for maintenance and replacement of City reproduction equipment.

Table C, which shows the projected fiscal year-end results for the Reproduction Fund (4300), reflects a slight operating surplus with revenues exceeding expenditures by \$0.09 million, decreasing the cash balance deficit to \$(1.71) million. This fund will be placed on a repayment plan in the FY 2019-21 Biennial Budget (per Resolution No. 87140 C.M.S.). Additional details are provided in **Attachment D**.

Table C: FY 2018-19 Reproduction Fund Projected Year-End Available Fund Balance

REPRODUCTION FUND (4300)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
Gross Beginning Cash Balance - Audited	\$ (1.77)	\$ (1.77)	
Revenue	1.29	1.28	0.01
Expenditures	1.29	1.19	0.10
Estimated Current Year Surplus/(Shortfall)	\$ —	\$ 0.09	
Subtotal Cash Balance	(1.77)	(1.68)	
Use of Cash Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	\$ (0.03)	\$ (0.03)	
Estimated Ending Cash Balance	\$ (1.80)	\$ (1.71)	

Facilities Fund

This fund is reported on a cash basis. Projected fiscal year-end results for the Facilities Fund (4400) shown in Table D indicate that revenues will be higher than expenditures by approximately \$3.05 million. Additional detail is provided in **Attachment E**.

Based on FY 2018-19 projected year-end results, and despite budgeted amounts carried forward from FY 2017-18 to FY 2018-19 of \$2.76 million, the negative fund balance will be eliminated per the scheduled repayment plan. The FY 2018-19 Midcycle Amended Budget allocated additional one-time funding of in FY 2018-19 to eliminate the remaining negative cash balance.

Table D: FY 2018-19 Facilities Fund Projected Year-End Available Cash Balance

FACILITIES FUND (4400)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
Gross Beginning Cash Balance - Audited	\$ (2.35)	\$ (2.35)	
Revenue	39.26	39.31	(0.04)
Expenditures	39.26	36.25	3.01
Estimated Current Year Surplus/(Shortfall)	\$ —	\$ 3.05	\$ (3.05)
Subtotal Cash Balance	(2.35)	0.71	
Use of Cash Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	(2.76)	(2.76)	
Budgeted Cash Balance Repayment	4.23	2.06	
Estimated Ending Cash Balance	\$ (0.88)	\$ —	

Central Stores Fund

This fund is reported on a cash basis. The Central Stores operation and facility was closed during a restructured inventory model in OPW. The negative fund balance resulted primarily from liquidating the physical inventory on hand. This fund now supports the Citywide mailroom function and revenues are generated by charges to internal user departments.

The projected fiscal year-end results for the Central Stores Fund (4500) are provided in Table E. The data shows that expenditures exceeded revenues by \$(0.01) million, increasing the negative cash balance from \$(4.25) million to \$(4.26) million. This fund will be placed on a repayment plan in the FY 2019-21 Biennial Budget (per Resolution No. 87140 C.M.S.). Additional details are provided in **Attachment F**.

Table E: FY 2018-19 Central Stores Fund Projected Year-End Available Fund Balance

CENTRAL STORES FUND (4500)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over/Under Budget
Gross Beginning Cash Balance	\$ (4.25)	\$ (4.25)	
Revenue	0.44	0.42	0.02
Expenditures	0.44	0.43	0.01
Estimated Current Year Surplus/(Shortfall)	\$ —	\$ (0.01)	
Subtotal Cash Balance	(4.25)	(4.26)	
Use of Cash Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	—	—	
Estimated Ending Cash Balance	\$ (4.25)	\$ (4.26)	

Purchasing Fund

This fund is reported on a cash basis. The Purchasing supports the Citywide purchasing function for good and services. Revenues are generated by charges to internal user departments.

The FY 2018-19 year-end revenues are projected to come in at budget as shown in Table F. The ending cash balance is projected to improve to a deficit \$(0.49) million as a result of estimated expenditure savings. This fund will be placed on a repayment plan in the FY 2019-21 Biennial Budget (per Resolution No. 87140 C.M.S.). Additional detail on the Purchasing Fund is provided in **Attachment G**.

Table F: FY 2018-19 Purchasing Fund Projected Year-End Available Fund Balance

PURCHASING FUND (4650)	FY 2018-19 Adjusted Budget	FY 2018-19 Q2 Projected FYE	Year-End Over / Under Budget
Gross Beginning Cash Balance	\$ (0.53)	\$ (0.53)	
Revenue	1.42	1.42	—
Expenditures	1.42	1.38	0.04
Estimated Current Year Surplus/(Shortfall)	\$	\$ 0.05	
Subtotal Cash Balance	(0.53)	(0.48)	
Use of Fund Balance in FY 2018-19:			
Budgeted Amounts Carried Forward (CF) to FY 2018-19	(0.01)	(0.01)	
Estimated Ending Fund Balance	\$ (0.54)	\$ (0.49)	

PUBLIC OUTREACH / INTEREST

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

COORDINATION

This report was prepared in coordination between the Finance Department and the City Administrator's Office and various departments.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No direct environmental impacts have been identified.

Social Equity: No social equity opportunities have been identified.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends that City Council receive an informational report on the projected Fiscal Year (FY) 2018-19 Second Quarter Revenue and Expenditure results and year-end summaries for the General Purpose Fund (GPF, 1010) and selected funds; and General Purpose Fund (GPF, 1010) carryforward for FY 2018-19; and overtime analysis for the General Purpose Fund (1010) and All Funds.

For questions regarding this report, please contact Kirsten LaCasse, Controller, at 238-6776.

Respectfully submitted,



KATANO KASAINÉ
Director of Finance/Treasurer
Finance Department

Reviewed by:
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Budget Administrator
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Attachments (8):

- A-1: *General Purpose Fund Revenues*
- A-2: *General Purpose Fund Expenditures*
- B: *Self-Insurance Liability Fund Revenues & Expenditures*
- C: *Landscape and Lighting Assessment District Fund Revenues & Expenditures*
- D: *Reproduction Fund Revenues & Expenditures*
- E: *Facilities Fund Revenues & Expenditures*
- F: *Central Stores Fund Revenues & Expenditures*
- G: *Purchasing Fund Revenues & Expenditures*

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

GENERAL PURPOSE FUND REVENUES (\$ in millions)

	2018-19	2017-18	2016-17	2015-16
PROPERTY TAX	\$ 196.47	\$ 88.46	\$ 200.23	\$ 3.76
SALES TAX	57.68	21.32	60.83	3.15
VEHICLE LICENSE FEES	—	—	—	—
BUSINESS LICENSE TAX	86.62	10.09	89.04	2.42
UTILITY CONSUMPTION TAX	54.21	19.54	53.09	(1.12)
REAL ESTATE TRANSFER TAX	74.18	37.60	83.87	9.69
TRANSIENT OCCUPANCY TAX	23.67	11.40	25.47	1.80
PARKING TAX	11.44	4.71	11.44	—
LOCAL TAX	—	(0.01)	—	—
LICENSES & PERMITS	2.10	1.04	2.43	0.33
FINES & PENALTIES	21.23	9.61	19.39	(1.84)
INTEREST INCOME	1.21	—	1.21	—
SERVICE CHARGES	62.28	26.01	62.08	(0.20)
GRANTS & SUBSIDIES	0.12	0.29	0.30	0.18
MISCELLANEOUS	5.49	0.38	1.09	(4.40)
INTER-FUND TRANSFERS	4.77	1.19	4.77	—
TRANSFERS FROM FUND BALANCE	1.23	—	1.23	—

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)

MAYOR	\$ 3.16	\$ 3.16	\$ 3.16	\$ —
CITY COUNCIL	5.59	5.59	5.22	0.36
CITY ADMINISTRATOR	17.41	17.41	16.85	0.57
CITY ATTORNEY	12.75	12.75	12.54	0.21
CITY AUDITOR	2.07	2.07	2.07	—
CITY CLERK	3.83	3.83	3.83	—
POLICE COMMISSION	3.15	3.15	2.88	0.27
PUBLIC ETHICS COMMISSION	1.05	1.05	1.05	—
FINANCE DEPARTMENT	27.18	27.18	26.53	0.65
INFORMATION TECHNOLOGY	10.50	10.50	10.59	(0.10)
RACE & EQUITY	0.61	0.61	0.58	0.03
HUMAN RESOURCES	6.86	6.86	6.56	0.30
DEPARTMENT OF VIOLENCE PREVENTION	0.46	0.46	0.49	(0.03)
POLICE DEPARTMENT	266.57	266.57	285.90	(19.33)
FIRE DEPARTMENT	143.65	143.65	149.00	(5.35)
OAKLAND PUBLIC LIBRARY	13.20	13.20	12.98	0.22
PARKS & RECREATION	15.40	15.40	14.32	1.09
HUMAN SERVICES	18.64	18.64	18.46	0.18
ECONOMIC WORKFORCE & DEVELOPMENT	5.40	5.40	5.13	0.27
HOUSING & COMMUNITY DEVELOPMENT	0.93	0.93	0.93	—
PLANNING & BUILDING	0.22	0.22	0.22	—
OAKLAND PUBLIC WORKS	5.34	5.34	5.39	(0.05)
TRANSPORTATION	13.37	13.37	12.73	0.64
NON-DEPARTMENTAL	56.18	54.94	56.18	—
CAPITAL IMPROVEMENT PROGRAM	1.84	1.84	1.84	—
Amounts Carried Forward From FY 2017-18 (Project & Encumbrances)	(32.65)		(32.65)	—

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

SELF-INSURANCE LIABILITY FUND REVENUES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
FINES & PENALTIES	\$ —	\$ —	\$ —	\$ —
INTEREST INCOME	—	(0.11)	(0.21)	(0.21)
SERVICES CHARGES	—	—	—	—
MISCELLANEOUS	—	9.44	9.44	9.44
INTER-FUND TRANSFERS	22.74	7.58	22.74	—

SELF-INSURANCE LIABILITY FUND EXPENDITURES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
HUMAN RESOURCES	\$ —	\$ —	\$ —	\$ —
POLICE DEPARTMENT	5.80	0.38	5.80	—
FIRE DEPARTMENT	0.94	—	0.94	—
PARKS & RECREATION	0.41	—	0.41	—
PUBLIC WORKS	4.85	3.94	4.85	—
TRANSPORTATION	—	0.01	0.01	(0.01)
NON-DEPARTMENTAL	12.95	10.77	12.95	—
Amounts Carried Forward From FY 2017-18	\$ (2.21)	\$ —	\$ (2.21)	\$ —

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND REVENUES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
LOCAL TAX	\$ 19.16	\$ 9.20	\$ 19.16	\$ —
LICENSES & PERMITS	0.05	0.06	0.12	0.07
INTEREST INCOME	—	(0.03)	(0.06)	(0.06)
SERVICE CHARGES	0.21	—	—	(0.21)
MISCELLANEOUS	0.15	0.01	0.02	(0.13)
INTERFUND TRANSFERS	0.92	0.31	0.92	—

LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND EXPENDITURES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
FINANCE DEPARTMENT	\$ 0.07	\$ 0.02	\$ 0.07	\$ —
PARKS & RECREATION	3.67	1.55	3.69	(0.02)
ECONOMIC & WORKFORCE DEVELOPMENT	—	—	—	—
PUBLIC WORKS	13.13	5.42	12.72	0.41
TRANSPORTATION	2.60	1.23	2.37	0.24
NON-DEPARTMENTAL	1.92	0.10	2.27	(0.35)
CAPITAL IMPROVEMENT	0.01	—	0.01	—
Amounts Carried Forward From FY 2017-18	(0.92)	—	(0.92)	—

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

REPRODUCTION FUND REVENUES (\$ in millions)

	FY 2018-19 Actual	FY 2018-19 Budget	FY 2018-19 Actual	FY 2018-19 Budget
INTEREST INCOME	\$ —	\$ (0.01)	\$ (0.02)	\$ (0.02)
INTERNAL SERVICE	1.29	0.32	1.29	—
MISCELLANEOUS REVENUE	—	—	0.01	0.01

REPRODUCTION FUND EXPENDITURES (\$ in millions)

	FY 2018-19 Actual	FY 2018-19 Budget	FY 2018-19 Actual	FY 2018-19 Budget
INFORMATION TECHNOLOGY	\$ 1.31	\$ 0.47	\$ 1.21	\$ 0.10
NON-DEPARTMENTAL	0.01	—	0.01	—
Amounts Carried Forward From FY 2017-18	(0.03)	—	(0.03)	—

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

FACILITIES FUND REVENUES (\$ in millions)

Category	FY 2017-18 Actual	FY 2017-18 Budget	FY 2018-19 Actual	FY 2018-19 Budget
INTEREST INCOME	\$ —	\$ 0.01	\$ 0.03	\$ 0.03
SERVICE CHARGES	0.55	0.35	0.69	0.14
INTERNAL SERVICE	34.34	14.32	34.34	—
MISCELLANEOUS	0.14	0.01	0.02	(0.13)
INTERFUND TRANSFERS	4.23	4.23	4.23	—
Total Revenue	39.26	18.92	43.31	0.04

FACILITIES FUND EXPENDITURES (\$ in millions)

Category	FY 2017-18 Actual	FY 2017-18 Budget	FY 2018-19 Actual	FY 2018-19 Budget
HUMAN RESOURCES	\$ 0.03	\$ —	\$ 0.03	\$ —
PUBLIC WORKS	36.57	—	33.55	3.02
TRANSPORTATION	0.05	—	0.06	(0.01)
NON-DEPARTMENTAL	5.30	—	5.30	—
CAPITAL IMPROVEMENT PROGRAM	0.08	—	0.08	—
Total Expenditures	42.03	0.00	39.02	3.01
Amounts Carried Forward From FY 2017-18	(2.76)	—	(2.76)	—
Total Expenditures	39.27	0.00	36.26	3.01

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

CENTRAL STORES FUND REVENUES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
	Actual	Actual	Actual	Actual
INTEREST INCOME	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.01)
INTERNAL SERVICE	0.45	0.11	0.45	(0.34)
MISCELLANEOUS	—	0.01	0.02	0.01

CENTRAL STORES FUND EXPENDITURES (\$ in millions)

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
	Actual	Actual	Actual	Actual
FINANCE	\$ 0.36	\$ 0.16	\$ 0.34	\$ 0.01
NON-DEPARTMENTAL	0.08	—	0.08	—
Amounts Carried Forward From FY 2017-18	—	—	—	—

FY 2018-19 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2018 - December 31, 2018)

PURCHASING FUND REVENUES (\$ in millions)

Category	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
INTEREST INCOME	\$ —	\$ —	\$ —	\$ —
INTERNAL SERVICE	1.42	0.35	1.42	—
MISCELLANEOUS	—	—	0.01	0.01

PURCHASING FUND EXPENDITURES (\$ in millions)

Category	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
FINANCE	\$ 1.42	\$ 0.66	\$ 1.37	\$ 0.04
NON-DEPARTMENTAL	0.01	—	0.01	—
Amounts Carried Forward From FY 2017-18	(0.01)	—	(0.01)	—