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OAKLAND  
2014 JUN 26 PM 5:34

# AGENDA REPORT

**TO:** HENRY L. GARDNER  
INTERIM CITY ADMINISTRATOR

**FROM:** Sarah T. Schlenk  
Interim Budget Director

**SUBJECT:** Resolution Authorizing the Use of  
One-Time Funds and Excess RETT

**DATE:** June 25, 2014

City Administrator  
Approval

Date

6/26/14

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Adopt a resolution authorizing the use of one-time revenues and excess real estate transfer tax revenues for purposes other than those denoted in Section C and Section D of Ordinance No. 13170 C.M.S., as amended, based on a finding of necessity, and describing prospective steps to be taken to return to the prescribed uses of one-time revenues and excess real estate transfer tax revenues.

## EXECUTIVE SUMMARY

The accompanying resolution allows the City Council to adopt the FY 2014-15 Proposed Midcycle Budget, without reducing \$19.9 million of ongoing expenditures. This resolution is the last element of a change in fiscal policies that began in early June 2014. If the City Council does not adopt this resolution by a six vote supermajority the Council would be required to reduce ongoing expenditures by roughly \$19.9 million from the Proposed Budget. These reductions would create significant disruptions in the provision of City services, and would likely require reductions in staffing.

## OUTCOME

Approval of this resolution by a six vote supermajority will allow the adoption of the FY 2014-15 Midcycle Budget, which proposes to utilize \$19.9 million in one-time revenues and excess real estate transfer tax for ongoing expenditures, or a similar spending plan that also uses one-time revenues and excess real estate transfer tax for ongoing expenditures.

Item: \_\_\_\_\_  
Special City Council  
July 1, 2014

## **BACKGROUND/LEGISLATIVE HISTORY**

On June 27, 2013, the City Council adopted Resolution No. 13170 C.M.S., which amended the City's financial policies relating to the uses of excess real estate transfer tax. On June 23, 2014, the City Council adopted the first reading an Ordinance that changes the procedures by which the City may use one-time revenues and excess real estate transfer taxes. That ordinance reads in part:

### **Section C3**

Any use of the "excess" RETT revenue for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution.

- a. The resolution shall be supported by a statement explaining the necessity for using excess RETT revenues for purposes other than those established above and;
- b. The resolution authorizing expenditures using excess RETT revenue for proposes other than those above shall include a finding of necessity by the City Council; and
- c. The resolution shall also include steps the City will take in order to return to utilizing one-time RETT revenues as described above.

And

### **Section D3**

Any use of the "one time revenues" for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution.

- a. The resolution shall be supported by a statement explaining the necessity for using one-time revenues for purposes other than those established above; and
- b. The resolution authorizing expenditures utilizing one-time revenue for proposes other than those above shall include a finding of necessity by the City Council; and
- c. The resolution shall also include steps the City will take in order to return to utilizing one-time revenues as described above.

The resolution accompanying this report is meant to fulfill the procedure noted above.

## **ANALYSIS**

The FY 2014-15 Proposed Midcycle Budget uses approximately \$19.9 million of one-time General Purpose Fund revenues and excess real estate transfer taxes for ongoing expenditures. The passage of this resolution is required for these proposed appropriations to be adopted in accordance with the City's financial policies.

The ongoing appropriations contained within the FY 2014-15 Proposed Midcycle Budget include critical investments in public safety, stabilizing the workforce, economic growth, job creation and training, education, equipment and technology, and quality of life.

Item: \_\_\_\_\_  
Special City Council  
July 1, 2014

The accompanying statement of necessity highlights the following ongoing expenditures.

- Implementation of signed contracts and memoranda of understand with City of Oakland employee unions including recently adopted cost of living increases for civilian employees, Firefighters-Local 55, providing certain benefits to temporary part-time employees, and maintaining investments in a skilled workforce.
- Investing in information technology systems and staff that have been reduced by 40% over the past several years. With projects including the Oracle upgrade, implementation of Microsoft 365, the public safety system improvements, and future radio system replacement/upgrade, totaling almost \$50 million, it is necessary to provide ITD with sufficient staff to ensure that these funds are utilized efficiently and that the systems are implemented effectively and maintained in the future. Funding will also support investments in in critical information technology systems in support of crime analysis, PCI compliance, crime data reporting, and budgetary operations.
- Restoring programs that were reduced during the great recession across many areas including, additional support for public ethics enforcement, performance auditing for the Oakland Police Department, staff training to reduce risk exposure and increased support for the cultural art grants program.

### **POLICY ALTERNATIVES**

Alternatively the City Council could adopt a budget that reduces ongoing General Purpose Fund expenditures by \$19.9 million. Such reductions would have significant impacts on City services, and would likely require reductions in staffing.

### **PUBLIC OUTREACH/INTEREST**

Public discussion on the amendments to the financial policies that enable this resolution was heard at the City Council Meetings of June 2, 2014, June 17, 2014, and June 23, 2014 along with the Finance and Management Committee meeting of June 10, 2014.

### **COORDINATION**

This report was prepared the City Administrator's Office in coordination with the Finance Department and the City Attorney's Office.

Item: \_\_\_\_\_  
Special City Council  
July 1, 2014

**COST SUMMARY/IMPLICATIONS**

Adopting this resolution by a vote of six councilmembers would allow the passage of the FY 2014-15 Mid-Cycle Budget as proposed. If this resolution were not to pass the Council would be required to reduce ongoing expenditures by roughly \$19.9 million. These reductions would create significant disruptions in the provision of City services, and would likely require reductions in staffing.

**SUSTAINABLE OPPORTUNITIES**

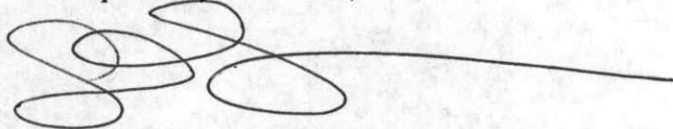
***Economic:*** No direct economic opportunities have been identified.

***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 Bradley Johnson, Assistant to the City Administrator, at (510) 238-6119.

Respectfully submitted,



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SARAH T. SCHLENK  
Interim Budget Director,  
City Administrator's Office

***Attachments: Resolution Authorizing the Use of One-time Revenues***

Item: \_\_\_\_\_  
Special City Council  
July 1, 2014

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Approved as to Form and Legality

**DRAFT**

City Attorney

## OAKLAND CITY COUNCIL

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

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**RESOLUTION AUTHORIZING THE USE OF ONE-TIME REVENUES AND EXCESS REAL ESTATE TRANSFER TAX REVENUES FOR PURPOSES OTHER THAN THOSE DENOTED IN SECTION C AND SECTION D OF ORDINANCE NO. 13170 C.M.S., AS AMENDED, BASED ON A FINDING OF NECESSITY, AND DESCRIBING PROSPECTIVE STEPS TO BE TAKEN TO RETURN TO THE PRESCRIBED USES OF ONE-TIME REVENUES AND EXCESS REAL ESTATE TRANSFER TAX REVENUES.**

**WHEREAS**, on June 17, 2003, the City Council adopted Ordinance No. 12502 C.M.S., which repealed the original reserve policy for the City's undesignated general fund balance and adopted new operating budget and capital improvement budget policies, and a higher minimum level of reserves; and

**WHEREAS**, on June 30, 2009, the City Council adopted Ordinance No. 12946 C.M.S., which revised the amended reserve policy for the City's undesignated general fund balance to clarify the established reserve requirements; establish criteria for the use of GPF reserve, use of excess Real Estate Transfer Tax (RETT) revenue, and use of other one-time revenues, including the requirement to declare a fiscal emergency to use one-time revenue or excess RETT for purposes other than those described by the Ordinance; and to minimize drawdowns from the GPF reserve by previously approved project carryforwards and purchase order encumbrances; and

**WHEREAS**, on October 2, 2012, the City Council adopted Ordinance No. 13134 C.M.S., which allowed one-time revenues to be used on one-time expenditures; and

**WHEREAS**, on June 27, 2013, the City Council adopted Ordinance No. 13170 C.M.S., which allowed excess (one-time) Real Estate Transfer Tax revenues to be used on one-time expenditures; and

**WHEREAS**, on July 1, 2014 the City Council adopted Ordinance No. \_\_\_\_\_ C.M.S., amending

Ordinance No. 13170 C.M.S., to require a resolution approved by super majority vote of the City Council to authorize the use one-time revenues and excess RETT for purposes other than those denoted in Section C and D; and

**WHEREAS**, the resolution is to include 1) a finding of necessity 2) a statement explaining this necessity, and 3) a statement describing prospective steps to be taken to return to uses of one-time revenues, and excess RETT described in Section C and Section D of Ordinance No. 13170 C.M.S, and

**WHEREAS**, it is anticipated that the City Council will adopt amendments to the Fiscal Year ("FY") 2014-15 midcycle budget on July 1, 2014, and appropriating certain funds to provide for the expenditures proposed by said budget; and

**WHEREAS**, the proposed FY 2014-15 midcycle budget includes revenue uses that are inconsistent with Section C and Section D of Ordinance No. 13170 C.M.S., as amended; therefore, a resolution such as described above is required to approve the FY 2014-15 budget as proposed; now, therefore be it

**RESOLVED:** That the City finds that a fiscal necessity exists to use one-time revenues and excess RETT Revenues to fund ongoing expenditures reflected in the proposed FY 2014-15 budget; and be it

**FURTHER RESOLVED:** That this finding of necessity is supported by the attached Statement of Necessity offered by the City Administrator attached hereto as *Exhibit A*, which demonstrates that the use of one-time revenues and excess RETT is necessary for the City to continue to make critical investments over the next fiscal year in public safety, stabilizing the workforce, economic growth, job creation and training, education, equipment and technology, and quality of life. These investments include implementation of signed contracts and memoranda of understand with City of Oakland employee unions, investing in information technology systems and support that are required for the continued operations of financial, public safety, and revenue collection systems; and are detailed in Exhibit 1 to the FY 2014-15 midcycle budget adoption resolution; and be it

**FURTHER RESOLVED:** That the city may undertake the following steps in order to return to utilizing one-time revenues, and excess RETT for the purposes described in Section C and Section D of Ordinance No. 13170 C.M.S., as amended: Review future estimates of revenues and expenditures to analyze long-term fiscal balance; reprioritize expenditures in coming budget cycles so that future investments are made within available resources; seek efficiencies and costs saving mechanisms to reduced ongoing expenditures; evaluate fees and service charges to enhance ongoing revenues and increase cost recovery where possible; continue to develop revenue collection strategies; collaborate with community groups, city employee unions; and subject matter experts to provide innovative solutions to enhance revenues and reduce costs; and

**FURTHER RESOLVED:** That this Resolution shall take effect immediately upon passage by super majority vote (6 of 8 council members).

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

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

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

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

# EXHIBIT A

## Statement of Necessity

The City Administrator has determined the use of one-time revenues and excess Real Estate Transfer Tax (RETT) to be necessary to support ongoing expenditures as detailed in Exhibit 1 to the FY 2014-15 midcycle budget adoption resolution.

The ongoing expenditures supported by these resources include critical investments over the next fiscal year in public safety, stabilizing the workforce, economic growth, job creation and training, education, equipment and technology, and quality of life.

These investments include:

- Implementation of signed contracts and memoranda of understand with City of Oakland employee unions including recently adopted cost of living increases for civilian employees, Firefighters-Local 55, providing certain benefits to temporary part-time employees, and maintaining investments in a skilled workforce.
- Investing in information technology systems and staff that have been reduced by 40% over the past several years. With projects including the Oracle upgrade, implementation of Microsoft 365, the public safety system improvements, and future radio system replacement/upgrade, totaling almost \$50 million, it is necessary to provide ITD with sufficient staff to ensure that these funds are utilized efficiently and that the systems are implemented effectively and maintained in the future. Funding will also support investments in in critical information technology systems in support of crime analysis, PCI compliance, crime data reporting, and budgetary operations.
- Restoring programs that were reduced during the great recession across many areas including, additional support for public ethics enforcement, performance auditing for the Oakland Police Department, staff training to reduce risk exposure and increased support for the cultural art grants program.