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OAKLAND  
2014 OCT 16 PM 4: 17

# AGENDA REPORT

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

**FROM:** Kiran Bawa

**SUBJECT:** New General Purpose Fund (GPF) Proposed  
FY 2014-15 Appropriations

**DATE:** October 15, 2014

City Administrator  
Approval

Date

10/15/14

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Staff recommends that the City Council approve a resolution to appropriate undesignated General Purpose Fund balance resulting from FY 2013-14 unaudited year-end results:

Resolution Amending the City of Oakland's FY 2013-15 Biennial Budget, which was Adopted Pursuant to Resolution No. 84466 C.M.S. on June 27, 2013 and Amended by Resolution 84897 C.M.S. on March 18, 2014, and Further Amended by Resolution No. 85085 C.M.S. on July 1, 2014 to: (1) Appropriate FY 2014-15 GPF Expenditures in an Amount not to Exceed \$6,862,586 as Detailed in Exhibit 1; and (2) Increase General Purpose Fund Reserve in an Amount of \$384,301.

## OUTCOME

The FY 2014-15 Policy Budget will be amended based on available fund balance and appropriations to address capital and operational needs as detailed in Exhibit 1.

## EXECUTIVE SUMMARY

The FY 2013-14 Fourth Quarter Revenue and Expenditure (R&E) report, also scheduled for the October 28, 2014 Finance and Management Committee meeting, reports that the unaudited General Purpose Fund (GPF) available fund balance (excluding the Council appropriated reserves) at year-end is estimated to be \$11.25 million. This is due to a number of factors that include higher revenue collection over projections, due to continued economic growth, and underspending in expenses due to realistic/conservative budgeting and diligent cost controls in place.

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A number of critical funding needs totaling \$6,862,586 have been identified that requires an appropriation from the FY 2013-14 estimated GPF year-end fund balance of \$11.25 million in accordance with the FY 2013-14 Fourth Quarter R&E report. Approval of this action will require an additional appropriation to the 7.5% GPF reserve equal to \$384,301.

### **BACKGROUND/LEGISLATIVE HISTORY**

On June 27, 2013, the City Council adopted the FY 2013-15 Policy Budget (Resolution No. 84466 C.M.S.), which authorized expenditures of \$455,294,399 in FY 2013-14 and \$459,872,466 in FY 2014-15. In a subsequent action, the City Council approved the Mid-Year Budget Balancing Report (Legistar File #: 13-0314), which appropriated expenditures of \$7,747,810 and recognized \$18,122,435 in revenues for FY 2013-14.

On July 1, 2014, the City Council adopted the FY 2014-15 Midcycle budget (Legistar File No. 13-0540-1, Resolution No. 85085), which increased GPF revenue projections by \$33,837,358 and appropriated \$33,837,358 in additional FY 2014-15 GPF expenditures. The additional appropriations were used to fund a number of items that included, but were not limited to:

- **Public Safety** – police academies, Shotspotter, ceasefire, and other related items ;
- **Investments in and Stabilize our Workforce** –new positions in various departments, deposits into City reserves, and the set-aside of funding for pending litigation and settlements;
- **Economic Growth, Job Creation and Training, Education** – bridge funding for the West Oakland Job Resource Center, Bus Rapid Transit capital improvement mitigation projects, Head Start gap funding ;
- **Investment in Technology and Equipment** – a number of technology and infrastructure projects; and
- **Quality of Life** –additional street paving of “worst streets” and support for the Cultural Arts Grant Program

Since the adoption of the FY 2014-15 Midcycle Budget, the Controller’s Bureau, with assistance from the Revenue Management Bureau and the City Administrator’s Budget Office, completed and released the FY 2013-14 Q4 R&E report, which reported a GPF year-end estimated fund balance of \$11.25 million. A number of needs have been identified requiring an appropriation that cannot wait until the adoption of the FY 2015-17 Policy Budget. A summary of the line item appropriations is listed in Exhibit 1 and detailed below are descriptions of funding needs and the amounts requested for appropriation.

### **ANALYSIS**

The FY 2013-14 GPF third quarter projected revenue was \$471.56 million, which included a \$21.14 million anticipated transfer from fund balance. Fourth Quarter unaudited actual revenue

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totalled \$459.93 million, net of Transfers from Fund Balance, which represents an increase of \$7.00 million (net of lease proceeds) as compared to the FY 2013-14 Third Quarter projections.

The FY 2013-14 unaudited year-end available GPF fund balance is estimated to be \$11.25 million (Table 1). It should be noted that this balance reflects the net difference between the revenue and expenditure results, as well as, a number of adjustments made for: (1) FY 2014-15 amounts funded by GPF fund balance as authorized in the FY 2014-15 Midcycle Adopted Budget; and (2) unspent project and encumbrance balances carried forward into FY 2014-15. Any additional appropriations would require increasing the 7.5% GPF reserve accordingly.

**Table 1: FY 2013-14 Year-End Available GPF Fund Balance**

<b>Gross Audited Fund Balance</b>	<b>\$95.25</b>
FY 13-14 Unaudited FYE Revenues	\$459.93
FY 13-14 Unaudited FYE Expenditures	(446.02)
Amounts in FY 14-15 Midcycle Adopted Budget	(26.26)
Project Carryforwards	(32.37)
Set-aside in FY 14-15 Adopted Budget:	
<i>Library Reserve</i>	(0.50)
<i>Hunger Relief Program Contingency</i>	(0.04)
<i>Vital Services Stabilization Fund</i>	(2.02)
<b>Subtotal Available Fund Balance</b>	<b>\$47.96</b>
7.5% GPF Required Reserve <i>(based on FY 14-15 adopted expenditures)</i>	(36.71)
<b>Estimated Ending Available Fund Balance<sup>1</sup></b>	<b>\$11.25</b>

To address critical current service needs and to reduce potential future service reductions, a total of \$6,862,586 in appropriations is recommended at this time. Detailed below are descriptions of funding requests recommended by staff and the amounts requested for appropriation.

EXPENDITURES

**Election Costs (\$1 million, one-time)**

As reported in the FY 2014-15 Midcycle report (Legistar File #: 13-0540-1), staff anticipates that there will be a need for additional resources associated with the November 2014 elections with the amount to be determined after the conclusion of the elections. Staff recommends allocating an additional \$1 million at this time to ensure that sufficient funds are available to address additional elections costs related to: a larger than anticipated number of candidates running for City elective office, a larger than anticipated number of ballot measures, and increased translations costs (four additional languages were added for a total nine languages). Staff will report back to the City Council after the November 2014 election in the event that the \$1 million

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additional appropriation is found to be insufficient. As part of the FY 2013-14 Mid-Year Budget Balancing adjustments, \$500K was allocated towards election costs in addition to the baseline budget.

**Internal Personnel Assessment System Phase 2 (IPAS2) (\$887,500, one-time)**

The Negotiated Settlement Agreement (NSA), entered into by the City in 2003 to resolve allegations of police misconduct, requires the Oakland Police Department (OPD) to “fully implement a computerized relational database for maintaining, integrating, and retrieving data necessary for supervision and management of OPD and its personnel.” To address this issue the City developed the IPAS system, but this system was never intended to be a long-term solution and additional functionality requirements have been identified since its implementation in 2006.

On October 14, 2014, the Public Safety Committee considered a report to enter into an agreement with Microsoft Corporation to design, develop, and implement IPAS2; a second generation early warning system and technology platform (Legistar File #14-0064). While sufficient funding was identified to initiate the project, an additional \$887,500 is needed to purchase hardware, software and professional services for the IPAS2 project.

**Oracle Release 12 (R12) Upgrade (\$1.30 million, one-time)**

On July 30, 2013, the City Council authorized the issuance of up to \$19.25 million in financing for the funding of the Oracle R12 Upgrade, IPAS2, Microsoft 365 upgrade, and other related IT projects. The Oracle R12 Upgrade, the comprehensive upgrade of the City’s financial systems, is currently taking place, but has experienced a number of unanticipated delays and the go live date has subsequently been revised from September 2014 to November 2014. An additional \$1.13 million in funding is needed to address Oracle R12-related unanticipated hardware needs, training, and additional professional services in order to complete the upgrade.

The City has executed agreements with IBM Credit LLC and Oracle for a total of \$17.5 million in financing. While the City could issue additional debt to fund the needed \$1.13 million, this would increase the City’s debt service liability. As a result, staff recommends that this funding be appropriated from the General Purpose Fund balance. Additional future funding may be needed to address training and hardware needs related to the Oracle R12 update and the City’s other systems.

**Acceleration of the 172nd Police Academy (\$984,687, one-time)**

On September 30, 2014 the Public Safety Committee heard the Monthly Police Staffing Report as of August 31, 2014, which recommended that the 172<sup>nd</sup> Police Academy start date be moved to April 2015 instead of the July 2015 original start date. OPD reports that the acceleration of the 172<sup>nd</sup> police academy is needed in order to address the current attrition rate of six sworn officers per month and is projected to cost an additional \$984,687, which was not included in the current budget. The funding will be used to cover Police Officer Trainee Salaries (\$513,456) and academy costs (\$471,231).

**Full-Time Vegetation Inspector (\$52,000, on-going)**

As part of the adopted FY 2014-15 Midcycle Budget, the City Council directed the City Administrator to identify additional ongoing revenue of \$104,000 to hire one full-time Fire Inspector. It is recommended that half year funding of \$52,000 be allocated to the Fire Department since the fiscal year is almost half through and it will take time to complete the recruitment/hiring process. Permanent funding for this position will need to be identified in the FY 2015-17 Budget.

**Unaccompanied Minors (\$200,000, one-time)**

At the October 14, 2014 Finance and Management Committee meeting, the Committee (Legistar File #14-0045) heard a resolution authorizing the City Administrator to identify unbudgeted funds in an amount up to \$577,231 for a grant to Centro Legal De La Raza to be used for various legal/social services related to Central American unaccompanied children and their families. Staff recommends that \$200,000 be appropriated for this purpose at this time, and that additional funding be considered in the future, if funds become available.

**East Bay Regional Communications Systems Authority (EBRCSA) Transition (\$200,000, one-time)**

Due to the high demands of existing projects, additional staffing and professional services resources will be required to assist with both the project management and technical aspects of the City's transition to the EBRCSA network. Staff recommends that a consultant be hired to assist the City with the transition to EBRCSA. Additional staffing resources may be required for the transition and will be addressed as part of the FY 2015-17 budget.

**Disparity Study (\$500,000, one-time)**

As part of the FY 2014-15 Midcycle Budget, the City Council appropriated \$200,000 to conduct a race and gender disparity evaluation of the City's contracts as required by the City Charter, Article VIII, Section 808b. The Charter requires that such a study be conducted every two years. Staff has surveyed other cities that have recently conducted similar analysis and determined that an additional \$500,000 will be required to complete the study according to the Charter's requirements.

**RESERVES CONTRIBUTIONS / PAY DOWN OF NEGATIVE FUND BALANCES**

**Library Reserve (\$114,845)**

As part of the FY 2014-15 Midcycle Budget, \$500,000 for was appropriated to Oakland Public Library as a contingency for potential future funding deficiencies due to increasing shortfalls in Measure Q as a result of expenditure growth outpacing revenue growth. Per the FY 2013-14 Q4 R&E report, the Library has an unaudited under spending of \$114,845. Staff recommends that this amount be appropriated as additional contingency funds for the Library.

**Self Insurance Liability Fund (\$1.62 million)**

The Self Insurance Liability Fund (1100) has a current negative fund balance of \$22.3 million due to over expenditures. The fund is on an adopted repayment schedule, but expenses continue

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to outpace the scheduled repayment amounts. It is recommended that \$1.62 million be appropriated to supplement the repayment of this negative fund balance.

**7.5% General Purpose Fund Reserve (\$384,301)**

The City Council adopted a financial policy to establish a GPF Reserve Policy (Ordinance 13170 C.M.S.) that states that:

".. the City of Oakland to provide in each fiscal year a reserve of undesignated fund balance equal to seven and one-half percent (7.5%) of the General Fund 1010 appropriations for such fiscal year (the "General Fund Reserve Policy")."

In the event the City Council increases expenditures (appropriations to reserves and/or contingencies are exempt from this policy), a reserve fund contribution is required per the City's reserve fund policy. The amount of appropriations subject to the 7.5% reserve requirement is \$5,124,007. Based on this new appropriation request, the additional required reserve equals \$384,301. See Exhibit 1 for additional information.

OTHER

**Asset Management Revenue (\$4 million)**

Included in the FY 2013-15 Adopted Policy Budget was \$4 million in projected revenues from "asset management" or the sale of City owned properties. Due the complexity of real estate transactions, this revenue is not anticipated to be realized by the end of FY 2014-15 and as a result, \$4 million from the GPF fund balance may be needed to address the projected revenue shortfall. No adjustment is requested at time.

PUBLIC OUTREACH/INTEREST

Not applicable.

COORDINATION

This report was prepared in coordination with the Controllers Bureau and Revenue Management Bureau, and various departments.

COST SUMMARY/IMPLICATIONS

Staff estimates the FY 2013-14 year-end GPF fund balance to be \$11.25 million. The proposed expenditures of \$6,862,586 includes an \$114,845 appropriation for the Library Reserve and \$1.62 million to pay down the negative fund balance in the Self Insurance Liability Fund. Approval of this action will require an additional appropriation to the 7.5% GPF reserve equal to \$384,301.

**SUSTAINABLE OPPORTUNITIES**

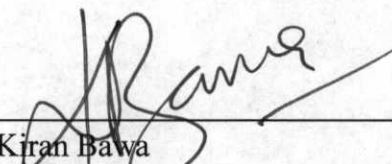
*Economic:* None.

*Environmental:* None.

*Social Equity:* None.

For questions regarding this report, please contact Kiran Bawa, Budget Director, at (510) 238-3671.

Respectfully submitted,

  
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Kiran Bawa  
Budget Director

Prepared By:  
Michael K. Kek, Assistant to the City Administrator  
City Administrator's Office

***Attachments:***

New General Purpose Fund Proposed FY 2014-15 Appropriations Resolution  
Exhibit 1: FY 2014-15 Amendments to General Purpose Fund

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# OAKLAND CITY COUNCIL

DRAFT

City Attorney

2014 OCT 1 RESOLUTION No. \_\_\_\_\_ C.M.S.

Introduced by Councilmember \_\_\_\_\_

**RESOLUTION AMENDING THE CITY OF OAKLAND'S FY 2013-15 BIENNIAL BUDGET, WHICH WAS ADOPTED PURSUANT TO RESOLUTION NO. 84466 C.M.S. ON JUNE 27, 2013 AND AMENDED BY RESOLUTION 84897 C.M.S. ON MARCH 18, 2014, AND FURTHER AMENDED BY RESOLUTION NO. 85085 C.M.S. ON JULY 1, 2014 TO: (1) APPROPRIATE FY 2014-15 GENERAL PURPOSE FUND EXPENDITURES IN AN AMOUNT NOT TO EXCEED \$6,862,586 AS DETAILED IN EXHIBIT 1; AND (2) INCREASE GENERAL PURPOSE FUND RESERVE IN AN AMOUNT OF \$384,301**

**WHEREAS**, on July 1, 2014, the City Council adopted the FY 2014-15 Midcycle Policy Budget (Resolution 85085 C.M.S.), which authorized appropriations of \$493,709,824 in FY 2014-15 in the General Purpose Fund; and

**WHEREAS**, the projections in the FY 2014-15 Midcycle Policy budget were based upon the FY 2013-14 Third Quarter Revenue and Expenditure Report; and

**WHEREAS**, the FY 2013-14 Fourth Quarter Revenue and Expenditure Report projects that there is undesignated and un-appropriated fund balance in the General Purpose Fund in the amount equal to \$11.25 million ; and

**WHEREAS**, staff has identified additional expenditures that will require appropriations if the City is to continue to provide current services, complete projects that are already initiated, perform critical information technology upgrades, and fulfill the policy directives established by the City Council; therefore be it

**RESOLVED:** That the Oakland City Council, hereby authorizes the City Administrator to amend the Fiscal Year 2014-15 budget and appropriate additional expenditures in an amount not to exceed \$6,865,699 plus a \$384,301 increase to the General Purpose Fund Reserve as detailed in Exhibit 1.

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 1

<b>Appropriated General Purpose Fund (GPF) Expenditures</b>		
Election Costs	\$	1,000,000
Internal Personnel Assessment System Phase 2 (IPAS2)	\$	887,500
Oracle Release 12 Upgrade	\$	1,299,820
Costs to Accelerate 172nd Academy to April 2015	\$	984,687
Vegetation Inspector (1.0 FTE for 6 months)	\$	52,000
Unaccompanied Minors	\$	200,000
EBRCSA Transition	\$	200,000
Disparity Study	\$	500,000
Library Reserve	\$	114,845
Self Insurance Liability Fund (Pay down Neg. Fund Balance)	\$	1,623,734
<b>Expenditure Adjustments Total</b>	<b>\$</b>	<b>6,862,586</b>

<b>7.5% GPF Reserve</b>		
7.5% GPF Reserve	\$	384,301
<b>Grand Total</b>	<b>\$</b>	<b>7,246,887</b>