CITY OF OAKLAND

AGENDA REPORT

TO:	Jestin D. Johnson City Administrator	**FROM:**	Erin Roseman Director of Finance
SUBJECT:	SUPPLEMENTAL 3 – Consolidated Fiscal Policy Revision 2024	**DATE:**	August 19, 2024

City Administrator Approval Jestin Johnson (Aug 26, 2024 08:47 PDT) Date: Aug 26, 2024

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report Regarding Proposed Substantive Changes To The Consolidated Fiscal Policy

REASON FOR SUPPLEMENTAL

At the June 25, 2024, Finance and Management Committee (FMC) meeting, the City Council requested further information from Finance Department staff on proposed updates to the City's Consolidated Fiscal Policy (CFP). Finance Department staff have included all relevant best practice advisories, notices, and recommendations for each of the proposed policy updates, and have compiled them in the section below.

The following fiscal policy updates and corresponding best practices and recommendations are:

1. Debt Management Policy: The following three updates to the current Debt Management Policy are as follows:
    a. Special Limited Obligations: Added to provide additional information on land-secured financing to include the City's Local Goals and Policies for Special Assessment and Mello-Roos Community Facilities District Financing that was adopted in 2015 by Resolution No. 85664 C.M.S.
    b. Other Obligations: This section was added to address special circumstances which will allow the City to finance when other forms of financing are appropriate.
    c. Conduit Debt Issuance: To provide additional clarification under this section, staff included the City's current Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing process. Summary - Statement No. 91 (gasb.org)
    d. California Debt Financing Guide, Debt Management Policy (gfoa.org)

2. Financial Reporting: In accordance with the Government Finance Officers Association (GFOA) 'Financial Reporting' best practices sections, a new section titled "Financial Reporting" is added to the proposed CFP. This section outlines the citywide accounting practices and financial reporting requirements. The addition of this section is aimed at ensuring the City's financial reporting policies align with industry standards. Including a

dedicated financial reporting section facilitates compliance with regulatory requirements and serves to strengthen stakeholder confidence in the City's financial reporting processes. Website Posting of Financial Documents (gfoa.org)

3. Other Post Employment Benefits (OPEB) Funding: The OPEB section update remains unchanged but will be incorporated into the CFP as is.

4. Revenue Policies: A new revenue policy section has been proposed to address the following:
    a. The use of one-time revenue, specifically the application of one-time revenues to one-time expenses or for the purpose of addressing unfunded liabilities. This section was based upon guidance of GFOA's 'Financial Policy Challenge - One-Time Revenues' and 'Fund Balance Guidelines for the General Fund' best practices sections.
    b. Implementing and establishing baseline charges and fees for local government services. This section is based on GFOA's 'Establishing Government Charges and Fees (gfoa.org),' best practices section.
    c. Accurate forecasting of revenues as needed for the City's budget. This section is based on GFOA's 'Financial Forecasting in the Budget Preparation Process' best practices section.
    d. Utilizing both time-sensitive trend data and comparative data of similar sized municipalities as a tool for financial analysis. This section is based on GFOA's 'The Use of Trend Data and Comparative Data for Financial Analysis' best practices section.
    e. Microsoft Word - 12a_Policies and Processes (bellevuewa.gov) Guidelines to maintain a long-term, structurally balanced budget. This section is based on GFOA's 'Achieving a Structurally Balanced Budget' best practices section.

5. Grant Administration: In accordance with the GFOA 'Establishing an Effective Grants Management Policy', 'Grants Administration', and 'Internal Controls for Grant Administration' best practices sections, a new section titled "Grant Management Policy" has been added to the proposed CFP. This section establishes comprehensive guidelines for the City's grant portfolio and management plan which requires alignment with the City's overall strategic direction.

6. Ballot Measures: A new section titled "Ballot Measures" has been added to the proposed CFP to provide comprehensive guidelines for City sponsored ballot measures and public understanding of the timeline and process for voter-initiated measures. The proposed section encompasses various aspects related to both municipal bond and non-bond measures. It delineates the types of measures, compliance requirements, standard templates, oversight mechanisms, and maintenance of effort considerations and establishes a timeline and process for the development of all future ballot measures. The proposed section will include detailed policies on municipal bonds, non-bond ballot measures, oversight and accountability, maintenance of effort, and the timeline and process for the development of all ballot measures. This policy section is based upon guidance from the Oakland auditor report 'Measure Q & Financial Conditions Report'.

7. Investment Policy: The two updates to the City's Investment Policy are:

a. US Treasuries: The proposed changes include allowing the City of Oakland and Successor Agency Pool Portfolios to invest in U.S. Treasuries up to 100% of the portfolio. Currently, the portfolios are mainly invested in Federal Agencies, Local Agency Investment Fund (LAIF), and money market funds. U.S Treasuries are considered the safest assets in the world and investment in U.S. treasuries will further boost liquidity and diversity in the City's investment portfolios. This section is based upon guidance from the State of California's Debt and Investment Advisory Commission local agency investment guidelines.

b. Linked Banking Ordinance: The City of Oakland passed the Linked Banking Services Ordinance No. 11607 C.M.S. (the "Ordinance") in 1993 and later amended it in 1998, 2001 and 2017. Under the Ordinance, an annual survey is conducted of banks interested in doing business with the City to determine whether each bank has met its "Fair Share Goal" of community credit lending. Banks that meet the "Fair Share Goal" and comply with reporting requirements are deemed "Eligible Depositories" and are eligible to do business with the City. However, the program no longer serves its intended purpose due to the additional reporting requirement of the Ordinance. The financial institutions are not able to complete the survey and comply with the reporting requirements to be on the approved list of Eligible Depositories for the Linked Banking Service Program due to the confidential nature of individual banking relationships. Therefore, staff is requesting to end the Linked Banking Ordinance No. 12066 C.M.S. and will introduce separate legislation consistent with this recommendation later this fall.

8. Budgeting Policies: The primary updates to the CFP's budgeting policies encompass expenditure and revenue controls aimed to enhance and maintain the City's financial stability, as advised by GFOA's 'Strategic Planning' best practices and the 'Recommended Budget Practices' by the National Advisory Council on State and Local Budgeting. Moreover, the policy incorporates performance measures standards to ensure accountability and foster continuous improvement in the City's financial management practices, as based off GFOA's 'Performance Measures' best practices section.

9. Capital Plan: A Multi-Year capital plan is an important financial planning resource for agencies that require long-term fiscal and project management administration and transparency. Staff drafted the proposed Capital Plan policy based on GFOA's 'Multi-Year Capital Planning' best practices section.

10. Carryforward funds: The City's carryforward funding practice currently does not allow for an adequate implementation of key projects and programs. Staff drafted the proposed carryforward funds policy based on the GFOA 'Budget Controls' best practices section.

The Finance Committee also requested staff to provide information on the following: 1) Definitions or terms from other cities regarding varying degrees of fiscal distress, specifically adverse fiscal conditions, extreme fiscal necessities, and fiscal crisis or emergency, and 2) Best practices and definitions for Maintenance of Efforts (MOEs) language. Staff reached out to the cities of Berkeley, Fremont, Hayward, San Jose, Long Beach, Sacramento, and Fresno. Responses were received from Berkeley, San Jose, Long Beach, and Sacramento.

In general, the cities did not have explicit definitions for states of fiscal distress or emergencies. Apart from Berkeley, which provides a definition, other cities lack specific criteria or have generalized descriptions to outline their fiscal conditions.

Berkeley

Provided in ***Attachment A**,* City of Berkeley's General Fund Reserve Policy, Berkeley defines fiscal emergency - which must be approved through a City Council ordinance - when all of the following criteria are met:

- When general revenues increase less than 3% from the prior fiscal year;
- When the City needs to mitigate State or Federal budget actions that may reduce revenue or increase expenditures;
- When the City must absorb liability settlements in excess of available resources in the City's litigation designation.

From the responses received, the cities do not consider the maintenance of effort as a standard practice. Instead, most cities fund services directly through their respective measures, and during economic downtowns, emphasize maintaining consistent funding services by utilizing reserves.

Redlined Document

The Finance Department was asked to provide a full redlined version of the Consolidated Fiscal Policy (***Attachment B***). In ***Attachment B***, the redlined document contains text from the Amended Consolidated Fiscal Policy adopted on May 15, 2018 (C.M.S. 13487), herein as 2018 CFP, and the proposed revisions to the policy, herein as the Proposed 2024 CFP. Attachment B contains three different colored text whose general meanings can be found below.

- Black text: The black text is language from the 2018 CFP that has not changed.
- Green text: The green text is language from the 2018 CFP that has not changed but has been relocated.
- Pink text: The pink text is language that is newly added to the 2018 CFP; inherently creating the Proposed 2024 CFP.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report Regarding Proposed Substantive Changes To The Consolidated Fiscal Policy.

For questions regarding this report, please contact Erin Roseman, Director of Finance, at 510-238-2026.

Respectfully submitted,

Erin Roseman (Aug 23, 2024 09:45 PDT)

ERIN ROSEMAN
Director of Finance
Finance Department

Prepared by:
Stephen Acker, Principal Budget & Mgmt Anlst.
Brittany Hines, Assistant to the Director
Rina Stabler, Asst. Budget Administrator
Rogers Agaba, Asst. Revenue & Tax Admin.
Dawn Hort, Assistant Treasury Administrator
Pooja Shrestha, Assistant Controller

Reviewed by:
Bradley Johnson, Budget Administrator
Sherry Jackson, Revenue & Tax Administrator
David Jones, Treasury Administrator
Stephen Walsh, Controller

Attachment (1):

A: City of Berkeley General Fund Reserve Policy
B: Redlined Proposed 2024 Consolidated Fiscal Policy

RESOLUTION NO. 68,332–N.S.

ESTABLISHING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensure the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, and floods; and

WHEREAS, the current General Fund Reserve level of 13.8% is not consistent with GFOA's best practice recommended minimum General Fund Reserve level of 16.7%; and

WHEREAS, specific portions of the reserve should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, the use and replenishment of the General Fund Reserves should be defined.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserve Policy is hereby adopted.

The foregoing Resolution was adopted by the Berkeley City Council on February 13, 2018 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Harrison, Maio, Wengraf, Worthington and Arreguin.

Noes: None.

Absent: None.

Jesse Arreguin, Mayor

Attest:

Mark Numainville, City Clerk

City of Berkeley
General Fund Reserve Policy

Policy

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund reserve policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

Functions of Reserves: Stability and Catastrophic

The City of Berkeley will establish and maintain an adequate General Fund Reserve ("Reserve") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserve shall not be used for ongoing or new programs or services.

A **Stability Reserve** will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A **Catastrophic Reserve** will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

Funding and Functions that are NOT Part of the General Fund Reserves
Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Target Reserve Levels
The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserve shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserve shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. The Council hereby adopts a Long Term Goal of a Reserve of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserve level.

Starting in Fiscal Year 2018, to achieve the City's Intermediate and Long Term Reserve Goals, 50% of Excess Equity above the first $1 M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

Methodology to Meet Reserve Levels
The General Fund Reserve is separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The following graphic shows the relation between these funds as well as other restricted, committed, and assigned general fund monies.

Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, nonrecurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves.

Attaining the Long Term Goal of 30% Reserves is important to the long-term financial health and stability of the City.

Replenishment of the General Fund Reserves

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.

Usage of the General Fund Stability Reserve

The General Fund Stability Reserve shall only be drawn upon if all of the following criteria are met:

1. City revenues are insufficient to meet normal operating expenses.
2. A hiring freeze has been implemented, with exceptions only for designated positions as appropriate to maintain essential and core services to the public that support public health, safety, and welfare. Essential services will be determined at the time of fiscal emergency with a recommendation from the City Manager to be approved by City Council.
3. User fees and services charges are being fully utilized for those services for which they were collected.
4. A declaration of fiscal emergency is made by ordinance before drawing on the reserves Fiscal emergency is defined as the following:
    a. When general revenues increase less than 3% from the prior fiscal year
    b. When the City needs to mitigate State or Federal budget actions that may reduce revenue or increase expenditures.
    c. When the City must absorb liability settlements in in excess of available resources in the City's litigation designation

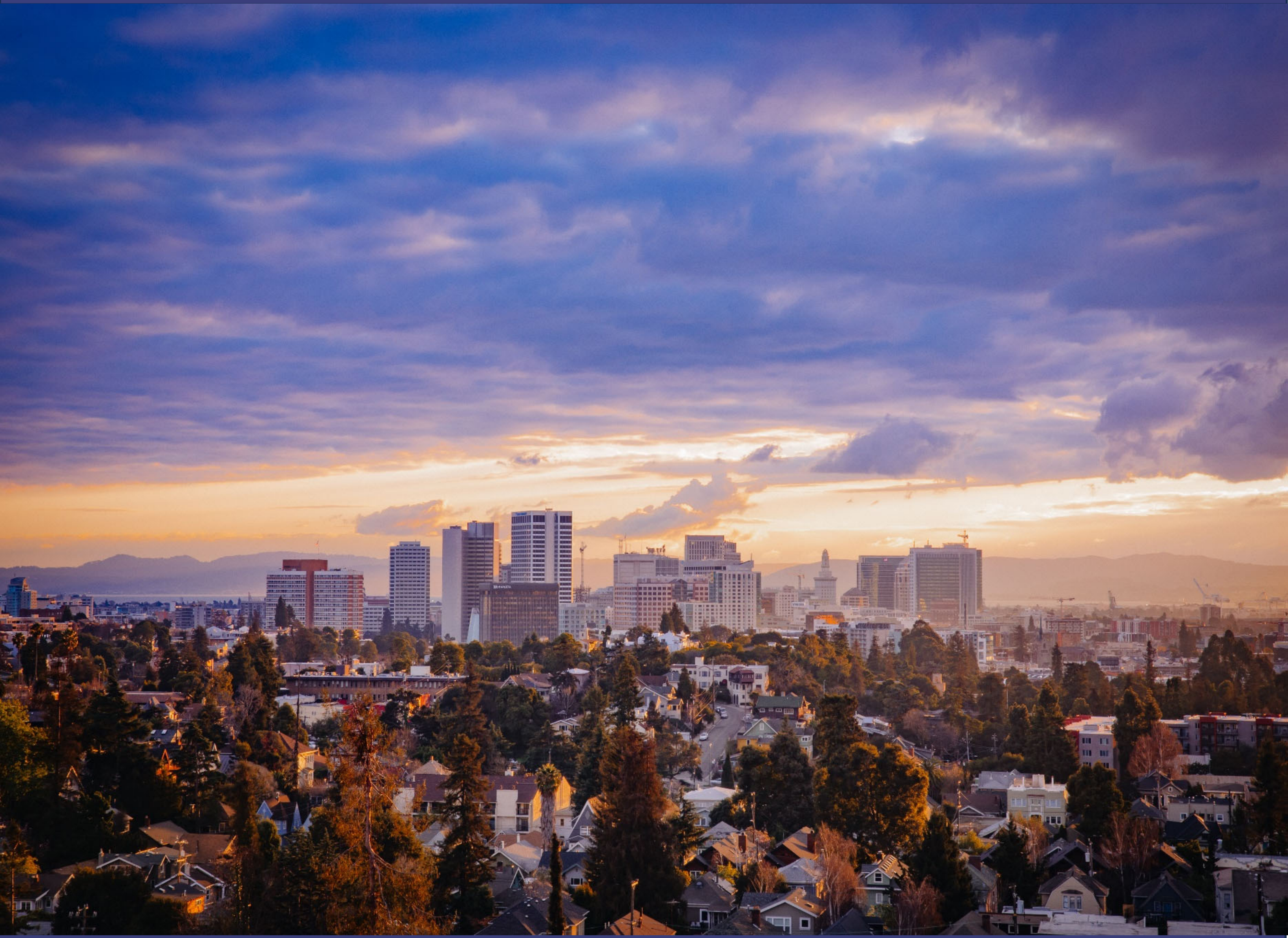
The General Fund Stability Reserve shall only be used in the following manner:

1. Stability Reserve funds shall be prioritized to preserve essential services and necessary staffing levels determined at the time of the fiscal emergency with a recommendation from the City Manager to be approved by the City Council.
2. All other reasonable and available expenditure reduction measures shall have been considered by the City Manager and the City Council before using one-time funding to support operational positions.
3. Operational positions shall not receive Stability Reserve funds for longer than two years except in extreme conditions.

For any draw-down of Stability Reserve funds, Council shall adopt a plan to repay the dollar amount of the drawdown within three months of the withdrawal. Restoration of Reserves begins within 24 months after first use. A timeline for full reimbursement must be included in the repayment plan.

Attachment B

City Of Oakland



Consolidated Fiscal Policy

Table Of Contents

Introduction

The City of Oakland's ("City") consolidated fiscal policy ("CFP") represents a framework to guide sound financial management practices, sets standards for fiscal performance and promote long-term fiscal sustainability. In alignment with recommendations from the Government Finance Officers Association (GFOA), the policies contained herein encompass a range of critical areas including budgeting practices, reserve funds management, funding for Other Post Employment Benefits (OPEB), financial reporting standards, debt and investment policy, and the management of the City's capital plan.

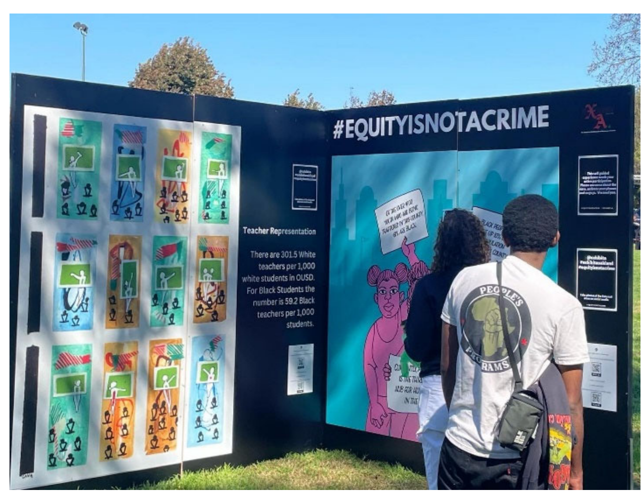
The City's CFP will be reviewed annually and shall be in conformance with all state and federal laws and generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB).

Mission

The City of Oakland is committed to the delivery of effective, courteous, and responsive services. Residents and employees shall be treated with fairness, dignity, and respect. Civic and employee pride are accomplished through the pursuit of excellence by a work force that values and reflects the diversity of the Oakland community.

The Finance Department proudly serves as the fiscal steward of the City of Oakland and is committed to ethical, efficient, and responsible financial decision-making and use of the City's assets and resources.

The Finance Department strives to foster a culture of respect, integrity, accountability, and teamwork while providing quality governmental financial customer service.



Revenue Policy

OBJECTIVE

The purpose of this policy is to establish a revenue structure that meets the City's immediate and long-term service delivery needs. The City's revenue policy shall be used by the City Council and City Administration, in conjunction with the City's budgeting and financial planning efforts, to create a diversified, stable revenue base to insulate the City from wide economic swings, creating a consistent revenue growth trend line by blending revenue streams with different economic fluctuations. The policy is designed to ultimately produce revenue stability and consistency to mitigate service disruption, reduce over reliance on volatile revenue streams, and remove built in use of one-time revenue for ongoing expenses. The policy provides a basis for complete transparency in the City's revenue.

POLICIES

1) Revenue Diversification

The City shall strive to create diverse revenue streams that vary by taxpayer category (resident vs. business), limit property tax burden, balance revenue for economic cycles, and pursue additional revenue sources to expand the tax base. The diversification shall have the goal of limiting over reliance upon any one revenue source.

The City shall provide an analysis of all General Purpose Fund (GPF) major revenue streams, indicating the percentage of the overall revenue budget, analysis of macro and micro economic trends driving the revenue source, and sensitivity analysis of the revenue stream to create a volatility index. This analysis shall be provided annually as revenue forecasts are developed and provide recommendations for the possible creation of caps by revenue category to limit over reliance in a boom economy.

2) Revenue Forecasting

A) General Provisions: City revenue estimates shall be transparent, based on appropriate trend data, historical data, and economic impact factors, and adjusted for inflation, if appropriate. No less than five years of historical data should be considered when data is available, and the underlying assumptions shall be disclosed.

Revenues shall be estimated conservatively and shall not be assumed to be collected by more than 98%. Revenue estimates shall differentiate current collections from historical collections, with penalties and interest estimated separately to the extent allowable by the financial system.

B) New Revenue Sources: Any new or proposed source of revenue should be fully vetted. The evaluation of the new or proposed source of revenue must be reviewed and confirmed for legality, including substantiation to support the calculations, metrics related to collectability, and a framework for administrative processes, prior to inclusion in revenue budgets. In the first year of inclusion in the revenue budget, there should be minimal reliance on its receipts until a historical trend is developed.

C) Exemptions to Revenue Sources: Any tax-rate reduction or exemption for any General Purpose Fund or special fund revenue source shall only be approved following legal analysis consistent with applicable laws. The exemption criteria should be based upon specific Council Action, be in line with policy goals, and have consistent guidelines that are legally defensible based upon federal and state law.

D) Multi-year Revenue Forecasting and Estimates: The City shall produce a Five-Year Financial Forecast (“FYFF”) on a biennial basis. The FYFF is a planning tool used to estimate the City's expected revenues and expenditures over five years, based on appropriate financial, economic, and demographic data. FYFF forecasts provide the City additional lead time to react to expected revenue shortfalls, or to strategically manage predicted revenue surges.

i) **Timeline:** The FYFF shall be produced and presented to the Finance & Management Committee or City Council in March or April preceding the biennial budget adoption. FYFF Fact Sheets shall be distributed to City community centers and FYFF data shall be available on an open data portal.

ii) **Requirements:**

(a) Each budget cycle, the City Administrator shall prepare a FYFF.

(b) The FYFF shall contain the two-year baseline budget for the forthcoming budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus an additional three-year forecast of revenues and expenditures.

(c) The FYFF shall contain information on the variance between prior forecasts and actuals, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available. At minimum, revenue projections shall consider projected revenue for the current fiscal year, as reflected in the Second Quarter (Q2) Revenue and Expenditure (R&E) Report, with appropriate trending into future years and an explanation of how the revenue projections were derived including information on the assumptions used.

(d) The report shall include a Five-Year Forecast "Fact Sheet” document, which summarizes the FYFF's key findings with simplified text and graphics to make this important budgetary information more accessible to the general public. Within one month after the FYFF is heard by the City Council, the City Administrator shall print and distribute the Forecast Fact Sheet to all City libraries, recreation centers, and senior centers, including in languages required by Oakland's Equal Access Ordinance. The full FYFF shall also be posted on the City of Oakland's website. FYFF data shall be available on the City’s website for Financial Reporting.

3) Use Of One-Time, Non-Recurring, and Volatile Revenue Streams

A) Use of One-Time Revenues

One-time revenues are defined as resources that the City cannot reasonably expect to receive on an ongoing basis, such as proceeds from asset sales and debt refinancing. This section shall not apply to sections called "Use Of Excess Real Estate Transfer Tax (RETT) Revenues" or "Use Of Proceeds From Sale Or Lease Of City-Owned Properties."

Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses. Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes:

- To fund **one-time** expenditures.
- To fund debt retirement and unfunded long-term obligations such as negative fund balances, unfunded vehicle replacements, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post Employment Benefits (OPEB) unfunded liabilities; or shall remain as fund balance.
- Use of one-time revenues for purposes other than those established in this section must be authorized by City Council resolution. The resolution shall explain the need for using one-time revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using one-time revenues pursuant to this section.

B) Use Of Excess Real Estate Transfer Tax (RETT) Revenues

To ensure adequate levels of General Purpose Fund reserves and to provide necessary funding for municipal capital improvement projects and one-time expenses, the City shall require that excess Real Estate Transfer Tax revenues be defined and used as follows:

- The excess Real Estate Transfer Tax (RETT) revenue is hereby defined as any amount of projected RETT revenues that exceed 10% of General Purpose Fund Tax Revenues (inclusive of RETT).
- The excess Real Estate Transfer Tax, as described in this section, shall be used in the following manner and appropriated through the budget process:
- 50% shall be allocated to the Vital Services Stabilization Fund, until the value in such fund is projected to equal 25% of total General Purpose Fund revenues over the coming fiscal year; and
- 50% shall be used to fund debt retirement and unfunded long-term obligations such as

negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post Employment Benefits (OPEB) unfunded liabilities or acquisitions of vehicles, technology, equipment, and similar assets needed to support existing services.

Recognizing RETT as a volatile source susceptible to fluctuations in the real estate market during periods identified as economic "troughs" characterized by economic downturns or uncertainties, the City Council is advised to exercise caution in the utilization of excess RETT and refrain from the addition of ongoing costs and the expansion of services based solely on RETT revenues. The focus shall be on prioritizing one-time expenditures that contribute to the City's fiscal stability and resilience.

Use of the excess RETT revenues for purposes other than those established in this section must be authorized by City Council resolution. The resolution shall explain the need for using excess RETT revenues for purposes other than those established in this section. The resolution shall also include the steps the City will take to return to using excess RETT revenues pursuant to this section.

Following the completion of the annual audit, excess RETT revenues will be analyzed to determine whether the transfers to the Vital Services Stabilization Fund or expenditures to fund debt retirement and unfunded long-term obligations were sufficient. If insufficient funds were transferred, a true-up payment shall be made in the next fiscal year. If the transfers exceed the actual requirement, the amounts in excess may be credited against allocations in the next fiscal year.

C) Use Of Proceeds From Sale Or Lease Of City-Owned Real Properties

Net proceeds from the sale or lease of City-owned properties are to be designated as a possible source for affordable housing developments and shall be deposited to the Capital Improvements Reserve Fund, Fund 5510. Net proceeds are defined as "all sales or lease proceeds net of transaction costs." Net transaction costs do not include any fees paid by developers intended to cover third party expenses related to the negotiation of Disposition and Development Agreements (DDA), Lease Disposition and Development Agreements (LDDA,) and ground leases or fund needs for interim property maintenance and other administrative costs.

4) Cost Recovery Of Fees Charged For Services Provided (Master Fee Schedule)

The City shall charge fees for services where such an approach is permissible by state and federal law, and where a group of beneficiaries who can pay such fees is identifiable. For the purposes of these provisions, fees for service are those set by the City in amounts no greater than the reasonable cost of providing the service in accord with

Sufficient fees for service shall be levied based on the reasonable cost of providing the service for which they are charged, including the operating (direct and indirect), capital, and appropriate projected future costs. All fees for service for the City shall be monitored annually to determine that rates meet, but do not exceed the reasonable cost of providing the service. If a current or proposed fee is not recovering the reasonable cost of providing the service, the department that administers that service shall consider proposing a new fee that is based on the reasonable cost of the service as part of its annual budget and Master Fee Schedule update submission.

If, upon careful review of policy considerations, the Mayor and City Council determine to set the amount of a fee for service below the level required to recover the reasonable cost of providing that service, the Mayor and City Council must take specific action to appropriate the necessary funds to fully pay for that service. The amount of any such appropriation shall be reported annually through the budget process.

In rare circumstances, when permitted by law and based on a finding of clear public benefit, the City Council may decide to waive fees for service for an individual user. If the fee to be waived is for a service funded through a source of funds generated by the collection of that fee, a General Purpose Fund appropriation may be required to prevent other service users from improperly subsidizing such fee.

5) Revenue Manual

The City shall create and maintain a comprehensive revenue manual that documents all major revenue sources and factors relevant to present and projected revenue collections. The manual shall include at the very least all financial revenue accounts, the major revenue category and identify the fund in which it is recorded, authorizing legislation, departmental management, five years of collection data, collection trends, and descriptions of economic volatility. The manual shall be updated biennially, presented to City Council, and available for public inspection.

6) Cost-Effective Collection Practices

City collections shall adhere to Federal, State, and Local laws and the Fair Debt Collection Practices Act. The cost of collections shall not exceed the marginal extra revenue obtained and shall not absorb a large percentage of the amount collected. Collection efforts shall take into consideration timing, statute of limitations, and method and means, such as liens and special assessments, to ensure outstanding receivables or taxes are worked diligently and expeditiously before they are deemed as bad debts and written-off. When allowable by law, any refunds due shall be offset by any delinquent amounts owed. Revenues deemed uncollectible shall be presented to the City Council for consideration of bad debt to write off every three years.

HISTORY

- Policy Name
    - Resolution No. XXXXX, adopted by City Council on Month Day, Year

Ballot Measures

OBJECTIVE

The purpose of this policy is to establish guidelines that governs the management of ballot and bond measures.

POLICIES

7) Municipal Bond Ballot Measures

Municipal bond ballot measures are proposals or initiatives presented to voters during an election seeking approval of additional spending by providing authorization of bond issuance. The measure requires a two-thirds voter approval to authorize a designated tax for a specific purpose. Bonds are secure and common way for city to finance capital projects. The issuance and use of municipal bonds requires the approval and participation of the City of Oakland and taxing authority. The public shall not propose municipal bond measures without the coordinated review of the City of Oakland Finance Department.

A) Types

i) General Obligation Bonds

General obligation bonds are voter-approved long-term debt instruments which are secured by the legal obligation to levy and collect ad valorem property taxes sufficient to pay annual debt service on the bonds.

ii) Revenue Bonds

Revenue bonds are long-term debt instruments supported by a specific dedicated source of revenues, often revenues generated by a project funded out of bond proceeds.

B) Compliance with Debt Management Policy

General obligation bonds and subsequent issuances must comply with all provisions of the Debt Management Policy; specifically the section *"Capacity for Voter-Approved Indebtedness"* (please see the Debt Management Policy below). Treasurer shall provide considerations to ensure that the taxpayer is not over-burdened.

C) Standard Template

Each bond ballot measure proposed must minimally include required text for legal compliance. A template will be created by the Finance Department and City Attorney's office for standardized use that provides guidance on formatting and content.

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D) Oversight and Compliance

Bond ballot measures must be assigned to an existing oversight body for compliance and oversight. An annual independent audit shall be performed by an external entity to ensure accountability and proper disbursement of the bond proceeds in accordance with the bond covenants.

8) Non-Bond Ballot Measures

Non-Bond ballot measures are defined as proposals or initiatives presented to voters during an election that do not involve the authorization of a bond issuance. Each measure defined in Section 2 (A) must minimally include the information within the ballot measure text as outlined in Section 3 of this policy.

A) Types

i) Parcel Tax Measures

A parcel tax ballot measure is defined as a proposed levy on real estate parcels within the City, which must be paid by the owners of parcels, or units, of real estate. A parcel tax is an assessment based on the characteristics of the parcel. These assessments can include taxing a parcel based on square footage or by dwelling unit, or the tax may be a flat rate per parcel.

ii) Other Tax Measures

Other tax measures, as defined for this policy, are taxes levied on transactions, activities, or businesses with the City, excluding parcel taxes. These may include sales tax, business license tax, transient occupancy tax and utility user tax.

iii) Other Ballot Measures

Other Ballot Measures, as defined for this policy, are proposals that are not related to the imposition or collection of taxes. These measures may include Charter amendments, special district measures and initiatives. Proposed measures, including citizen-proposed initiatives shall be subject to the review process outlined in Section 6 of this policy. Additionally, these measures should refrain from allocating additional City resources or committing expenditures without identified funding sources.

9) Standard Template

Each measure proposed by the City must minimally include the information within the ballot measure text as outlined in this section. A template will be created by the Finance Department for standardized use that provides guidance on formatting and content.

~~8~~

A. Purpose and Intent

The ballot measure should clearly state the purpose of the parcel tax, providing an overview of the programs of services to be funded, and clearly outline the intended impact that the measure aims to deliver to residents, businesses, and the community.

B. Rate and Duration

The proposed rate of the tax and the duration for which it will be in effect will be specified in the ballot measure text. Provisions for adjusting or extending the duration in the future shall be outlined. Language should include provisions for adjusting the tax rate by the twelve-month (12) annual percentage change in the San Francisco/Bay Area Consumer Price Index (CPI), as published by the Bureau of Labor Statistics (BLS); or the percentage change in California per capita personal income, as determined by the California State Department of Finance and shown in the Price Factor and Population Information report issued each May.

C. Exemptions and Exclusions

Any exemptions or exclusions from the tax, such as exemptions for low-income households, or certain types of properties should be identified. This section should clearly define circumstances under which entities, individuals, or transactions are subject to the tax and under what circumstances the exemptions may apply and the rationale behind them.

D. Use of Funds

The measure language should detail how the revenue generated from the parcel tax will be allocated and used. Specific details regarding the programs, services, or projects benefitting from the tax revenue should be provided. Funds shall prioritize covering the county administration fee, audit costs, staff expenses related to tax revenue collection, and any other associated costs of tax collection before allocation to other purposes.

10) Oversight and Accountability

Mechanisms for oversight and accountability will be established to ensure that parcel tax funds are used effectively and efficiently. Whenever feasible, oversight will be delegated to an existing City of Oakland board or commission. The oversight body will serve in an advisory capacity and shall not possess the authority to direct the allocation of funds.

11) Maintenance of Effort

Maintenance of Effort (MOE) is defined as a requirement which mandates that a certain level of funding be maintained for specific programs or services. As a standard practice, the City should refrain from pursuing MOE measures to avoid inefficiencies in funding allocation. The City shall instead focus on developing parcel tax measures that directly address identified community needs and provide clear guidelines on the use of funds. Any inclusion of MOE language in the ballot measure text should be based on appropriations that can be clearly delineated. This approach promotes transparency and mitigates potential ambiguity that could arise from use of percentages or formulas, which could also result in fluctuating targets or unclear calculations.

A provision for exemption shall be included into the language of the ballot measure to address circumstances of adverse financial condition, extreme fiscal necessity, or a fiscal emergency. This provision would authorize the suspension of MOE requirements by City Council Resolution.

12) Timeline and Process for Development

All city sponsored ballot measures must comply with Rule 23 of the Council Rules of Procedure and Oakland Municipal Code Section 221. Voter-initiated ballot measures are strongly encouraged to follow the timeline established below. This timeline delineates the procedural steps necessary for the consideration and the inclusion of a measure on the ballot of a general election taking place in November. Modifications to the timeline are necessary for special elections or other months when an election might be held, but the timeline should generally maintain a similar duration to that of a November election.

A. Review by the Finance Department (by Late-April)

Proposed measures are first submitted to the City's Finance Department for a comprehensive fiscal review. This review assesses the financial implications of the proposed measure, including potential costs, revenue impacts and funding availability. Proposed measures should refrain from allocating City resources or committing additional expenditures without the identification of funding availability.

B. Review by City Attorney's Office (by Late-April)

Simultaneously, proposed measures are submitted to the City Attorney's Office for through legal review, and to ensure compliance with all applicable laws, regulations and legal standards.

C. Discussion at City Council Meeting (beginning Mid-May)

Following the Finance Department and City Attorney's Office review, the proposed ballot measures are discussed at regular meeting of the full City Council. The City Council shall review and deliberate on the merits of the proposal.

D. Late June

Finalization and submissions of all materials to the Council Registrar of Voters (ROV) to meet deadline for ballot inclusion.

E. November General Election

Ballot measures, having undergone thorough review and adherence to the outlined timeline, are included in the November general election for voter consideration.

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HISTORY

- Hearings Required For Certain Ballot Measures Proposed By the Council (Measure X)
  - Resolution No. 89317, adopted by City Council on July 11, 2022

Grant Management Policy

OBJECTIVE

The purpose of this policy is to establish comprehensive guidelines that governs the management of the City's grant funding. Grants are awarded by a government department, non-profit or private entity to fund specific projects or programs.

POLICIES

1) Grant Identification and Strategic Alignment

The City of Oakland shall seek to obtain funding from external sources including federal, state, and local agencies that align with the citywide priorities and strategic goals of the City. Prior to the submission of a grant application, the City must assess the grant and the extent to which it is consistent with the goals of the City's mission, and Council, and/or departmental priorities. The City shall avoid applying for, or accepting if an application is not required, a grant that is inconsistent with the overall strategic direction of the City as this poses significant fiscal risk beyond the grant period. The City Administrator or designee shall coordinate grant application efforts and assign a departmental lead to be the responsible party for grant application development and submission.

2) Grant Application and Funding Analysis

Upon successful determination that the grant application is in strategic alignment with the City's goals, and prior to the submission of a grant application, the City must provide notice to the City Council to accept and appropriate grant funding. Prior to a grant application submittal, or acceptance if an application is not required, all grants shall be reviewed by City Administrator's Office to ensure compliance with citywide priorities and strategic goals of the City.

The City shall require a funding analysis to be completed prior to the submission of a grant application. The funding analysis must identify and determine the effects on the City such as cash flow availability, procurement requirements, financial reporting, or compliance requirements so that the impacts can be reviewed and understood beforehand. The funding analysis must include the financial support required to complete the grant funded project including required current or on-going City matching funds or in-kind contributions, any applicable restrictions exceeding the grant period, options for phased implementation, and a timeline with milestones and the corresponding funding needed to accomplish each milestone. The funding requirement must include the estimated amount needed to fund ongoing maintenance or required service levels, programming, and operating needs of the grant funded project following the termination of the grant. The City will carefully analyze the need for, and availability of, required financial support of these grant programs beyond the anticipated grant award.

3) Budgeting and Appropriations

The City shall avoid using one-time grant revenues to meet ongoing service delivery needs. The City shall budget expenditures for grant-funded programs only after receipt of the grant award or letter of commitment or approval from the Budget Bureau. The budget, as adopted by City Council, shall only include appropriations for the grant award to be expended within the fiscal year. Grant funding awarded outside the budget process must be appropriated by City Council.

The Administration may appropriate restricted grants or gifts up to $50,000 without City Council approval. City Council reserves the authority to appropriate unrestricted grant funding in any amount

A. Grant Retention Clauses

Prior to the appropriation of revenues from any grant outside of the budget process, the City Council shall be informed of any retention clauses that require the City to retain grant-funded staff, services, programs, or operations beyond the term of the grant. The fiscal impacts of such retention clauses shall be disclosed at the noticing of City Council. During the biennial budget process staff shall report to the Council the ongoing projected fiscal impacts of such retention clauses.

~~Section 1. Budgeting Practices~~

4) ~~Part A.~~ Cost Recovery or Reimbursable Grants

The nature of reimbursable grants requires the city to cover the expenditures from cash reserves before the grant funds are reimbursed. This process limits the City's ability to fund other operations and city services, therefore, City shall submit reimbursements and other periodic reporting to the grantor quarterly or during the stipulated billing term per the grantor specified timeline. City departments shall close out reimbursable grants timely and prior to the year-end procedures for the termination grant period.

5) Evaluation Prior To Renewal or Grant Continuation

Prior to the submission of a grant application, the City shall require departments to develop continuation plans for sustaining grant-funded programs if funding is reduced or terminated. The continuation plans must detail a strategy to rectify the loss of funding and the subsequent loss of grant-funded positions and/or program components. Departments must plan responsibly for either termination or reduction of the program, seek to secure alternative sources of funding, or indicate that the grant activities will not be continued absent dedicated grant funding.

The City shall evaluate the impacts of grant funded programs prior to the renewal of a grant at the end of the initial grant period. The City shall develop outcome measures prior to the acceptance of the grant to determine if the grant funded program produces the desired results and aligned with the strategic goals of the City. The outcome measures must include a review of the actual costs and detail the general revenues utilized for the grant to determine if the benefits of the cost match produced the desired results.

6) State Subventions, Unfunded Mandates, and Pass-Through Grants

State Subventions are Federal and State entitlement programs that are allocated to the City directly from the awarding agency. The City shall oppose state or federal actions that mandate expenditures that the Council considers unnecessary and are unfunded. The City shall pursue intergovernmental funding to support the incremental cost of such mandates.

The City shall make every attempt to limit pass-through funding directly to specified entities and require the grantor to award the funding to the entity directly. Furthermore, the City shall oppose pass-through funding to specified entities unless there is a requirement for the direct oversight and/or participation of the City. The City shall analyze and determine if there is departmental capacity to manage the programmatic and administrative aspects of the grant project and reject the acceptance of the award if the grant binds the City to expenses beyond the grant period and not within budget.

7) City-Issued Grant (Grant Agreements)

A. Appropriations

The City Council may appropriate one-time grant funding in the biennial budget for the purposes of supporting non-profit entities serving the residents of Oakland. Grant appropriations shall not be recurring in nature and should not benefit any one entity for more than a continuous two-year period. Grant appropriations are not a requirement of the City's budget and are contingent upon the availability of funding.

B. Awards

- The City Council shall award grant funding to qualified and registered 501 (c)(3) organizations.

C. Multiple Awards

- The City may limit the number of grant agreements to any one entity at any time to not exceed three agreements.
- The City shall review grantee with additional scrutiny in the event of multiple awards stemming from a variety of programs.

D. Restrictions

- The City shall not award grants to entities to perform professional services on behalf of the City. Such services are not grants and subject to the procurement policy of the City.
- The City shall not award grant funding solely for operational support but to enhance services to the community and support identified programs with community benefit. to assist agencies in meeting ongoing minimum service delivery needs.
- The City shall cap advance payments to no more than 15% of the total grant award in any grant agreement. The City shall require the vendor to substantiate the advance payment's expenditures prior to the release of any subsequent payment.
- The City shall not renew or continue any grant award without a performance measure analysis to determine the efficacy of the program's goals.

E. Fiscal Sponsorships

- The City may establish additional criteria for the fiscal sponsor to ensure financial ability, capacity, and rigor. The City shall require fiscal sponsors to disclose the prior and current grant agreements with the City prior to the execution of a new agreement.

F. Reporting

- The City Administrator shall provide a report to the City Council on an annual basis detailing both the City's grantee and grantor efforts. The report shall at minimum detail the grant title or program, managing department, grantee name, amount of funding available, amount requested, amount received/awarded, amount appropriated, amount expended, expenditure deadline, and funding source.

HISTORY

- Grant Award Approval

- Ordinance No. 13051 C.M.S., adopted by City Council on November 11, 2014

- $50,000 or Less Restricted Grant or Gift Appropriation
  - Ordinance No. 13380 C.M.S., adopted by City Council on July 19, 2016July 19, 2016

Budget Policy

OBJECTIVES

The purpose of this policy is to establish comprehensive guidelines that govern the management of the City's operating funds, with a primary objective of achieving and sustaining a structurally balanced budget. These guidelines encompass expenditure and revenue controls aimed to enhance and maintain the City's financial stability. Moreover, the policy incorporates performance measures standards to ensure accountability and foster continuous improvement in the City's financial management practices.

POLICIES

1) General Provisions

The City's Fiscal Year shall begin on July 1st of each year and end on June 30th of the subsequent year. The City shall adopt a two-year biennial policy budget by June 30th of odd-numbered calendar years. The City shall amend its biennial policy budget (midcycle) by June 30th of even-numbered years. The budget and midcycle amendments shall be adopted by resolution of the City Council as required by the City Charter.

~~Part B.~~

2) Policy on Balanced Budgets

The City shall adopt a balanced budget that limits appropriations to the total of estimated revenues and unallocated fund balances projected to be available at the close of the current fiscal year. The City Administrator shall be responsible for ensuring that the budget proposed to the City Council by the Mayor, adheres to the balanced budget policy.

This policy entails the following additional definitions and qualifications:

- ~~1.~~ The budget must be balanced at an individual fund level.
- ~~2.~~ City policies on reserve requirements for individual funds must be ~~taken into account~~considered. The appropriated expenditures included in the balanced budget equation must include the appropriations necessary to achieve or maintain reserve targets.
- ~~3.~~ Appropriated revenues can include transfers from unallocated fund balance where such fund balance is reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. Transfers from fund balance are not to be counted as revenue if the fund balance is not reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. (Note: The precise definition of 'fund balance' will vary from fund to fund, depending on the fund's characteristics and accounting treatment.)

- ~~4.~~ Appropriated expenditures can include transfers to fund balance or to reserves.

From time to time the City Council may present changes in policy and consider additional appropriations that were not anticipated in the most recently adopted budget. Amendments by the City Council shall maintain a balanced budget.

Each fiscal year the City Administrator shall report to the City Council on actual revenues and expenditures in the General Purpose Fund and other funds as deemed necessary.

~~**Part C. Use of Excess Real Estate Transfer Tax (RETT) Revenues**~~

~~To ensure adequate levels of the General Purpose Fund reserves and to provide necessary funding for municipal capital improvement projects and one-time expenses, the City shall require that excess Real Estate Transfer Tax revenues be defined and used as follows:~~

~~1. The excess Real Estate Transfer Tax (RETT) revenue is hereby defined as any amount of projected RETT revenues that exceed 15% of General Purpose Fund Tax Revenues (inclusive of RETT).~~

~~2.~~

3) Compliance with Gann Limitation

The City shall adhere to the spending limits imposed by the Gann Limitation, or Gann Limit, as prescribed by Article XIIIB of the California Constitution.

A. Guidelines for Compliance

i) Calculation Methodology

The Gann Limit will be recalculated annually by multiplying the previous year's limit by an adjustment factor for population growth and inflation as published by the California Department of Finance. The Finance Department shall be responsible for conducting Gann Limit calculations using appropriate methodologies and data sources.

ii) The annual budgeting process shall incorporate Gann Limit considerations to ensure compliance with spending restrictions.

iii) The Finance Department shall oversee Gann Limit compliance and initiate corrective actions as necessary to maintain compliance.

- ~~The excess Real Estate Transfer Tax, as described in this section, shall be used in the following manner and appropriated through the budget process:~~

~~a. At least 25% shall be allocated to the Vital Services Stabilization Fund, until the value in such fund is projected to equal to 15% of total General Purpose Fund revenues over the coming fiscal year; and~~

~~b. At least 25% shall be used to fund debt retirement and unfunded long-term obligations such as~~

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~~negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post-Employment Benefits (OPEB) unfunded liabilities; and~~

~~c. The remainder shall be used to fund one-time expenses or to augment reserves.~~

~~3. Use of the excess RETT revenues for purposes other than those established in this section must be authorized by City Council resolution. The resolution shall explain the need for using excess RETT revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using excess RETT revenues pursuant to this section.~~

~~4. Following the completion of the annual audit, excess RETT revenues will be analyzed to determine whether the transfers to the Vital Services Stabilization Fund or expenditures to fund debt retirement and unfunded long-term obligations were sufficient. If insufficient funds were transferred, a true-up payment shall be made in the next fiscal year. If the transfers exceed the actual requirement, the amounts in excess may be credited against allocations in the next fiscal year.~~

~~Part D. Use of One-Time Revenues~~

~~1. One-time revenues are defined as resources that the City cannot reasonably expect to receive on an ongoing basis, such as proceeds from asset sales and debt refinancing. This part shall not apply to the use of excess RETT revenues pursuant to Section 1. Part C.~~

~~2. ***Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses.*** Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes: to fund one-time expenditures, to fund debt retirement and unfunded long-term obligations such as negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post-Employment Benefits (OPEB) unfunded liabilities; or shall remain as fund balance.~~

~~• 3. Use of one-time revenues for purposes other than those established in in this section must be authorized by City Council resolution. The resolution shall explain the need for using one-time revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using one-time revenues pursuant to this section.~~

4) ~~Part E.~~ Use of Unassigned General Purpose Fund Balance

Any unassigned General Purpose Fund balance, as projected in the 3rd Quarter Revenue and Expenditure Report, and not budgeted for other purposes, shall be used in accordance with ~~Section 1, Part D~~the Use of One-Time Revenues section of this document.

5) Strategic Appropriation of Ongoing Funds

Ongoing funds are defined as resources that the City reasonably expects to receive on an ongoing basis. This part shall not apply to the use of excess RETT revenues pursuant to Section 1. ~~**Part F.**~~ Part C, the use of One-Time revenues pursuant to Section 1. Part D, or the use of unassigned

General Purpose Fund Balance pursuant to Section 1 Part E.

There is need for a strategic approach to appropriate unrestricted new ongoing available funds that may become available during the fiscal year. This applies to new general taxes approved by the voters. These funds may also result from other new revenue sources or expenditure savings achieved due to cost efficiencies, reduced service levels, or other unforeseen factors.

The priority order for the appropriation of these funds shall adhere to specific criteria, promoting fiscal prudence and long-term financial stability:

1) Known operating deficits;
2) Negative fund balances;
3) Acquisitions of vehicles, technology, equipment, and similar assets needed to support existing services;
4) Augmented discretionary spending on existing services and programs;
5) New discretionary spending on new programs and pilots

Any deviation from this policy requires a City Council resolution to exempt specific allocations from the established criteria. The City Council holds the responsibility to prepare a resolution that details the reasons for exemption and should include an evaluation of the service and equity impacts of not adhering to the criteria. Council members shall not be precluded from combining other exemptions in order to pass a balanced budget, provided each exemption considered has been published in the City Council agenda packet as a component of one Resolution.

6) Analysis of Funding for Debt or Unfunded Long-Term Obligations From Certain Revenues

When excess RETT or other one-time revenues are used to fund accelerated debt retirement or unfunded long-term obligations, the City Administrator shall present his or her analysis and recommendations to the Council based on the best long-term financial interest of the City.

~~Part G.~~

7) Criteria for Project Carryforwards and Encumbrances

Previously approved but unspent project appropriations ("carryforwards") and contingent liability reserves for current purchases or contracts that are paid in the following fiscal year ("encumbrances") are financial obligations against reserves. Fiscal prudence requires that such obligations be limited.

~~Each~~To limit these obligations, each fiscal year~~,~~ the Finance Department will submit a list of eligible carryforwards and encumbrances to all departments for evaluation for all funds, including the General Purpose Fund. Departments may request to retain some or all carryforwards and encumbrances when such balances are:

~~1.~~1) Deemed essential to the delivery of active city projects, programs and services; or

~~2.~~2) If the liquidation of such balances would be in violation of legislative or legal requirements.

A departmental request to retain project carryforwards and/or encumbrances must be submitted to the Finance Department. Departments shall provide specific reasons for requested project carryforwards and encumbrance carryforwards, including, but not limited to, those reasons outlined above. Carryforward of project appropriations in funds with negative balances will only be allowed on an exception basis.

The Finance Department will recommend to the City Administrator an action on the departmental requests. The City Administrator shall make a final determination on project carryforward and encumbrances~~,~~ and will direct the Finance Department to make carryforwards available to the appropriate department.

~~**Part H.** *Grant Retention Clauses*~~

~~Prior to the appropriation of revenues from any grant outside of the budget process, the City Council shall be informed of any retention clauses that require the City to retain grant-funded staff, services, programs, or operations beyond the term of the grant. The fiscal impacts of such retention clauses shall be disclosed. During the biennial budget process staff shall report to the Council the ongoing projected fiscal impacts of such retention clauses.~~

~~**Part I.**~~ Each year, upon the availability of audited financials, the Finance Department will conduct a true-up of final project carryforward and encumbrance amounts. This process will help to mitigate discrepancies between pre-audit and post-audit actuals and the over-appropriation of carryforward funds.

8) Alterations to the Budget

Substantial or material alterations to the adopted budget including shifting the allocation of funds between departments and substantial or material changes to funded service levels, shall be made by resolution of the City Council.

The Finance Department will include departmental expenditure projections for the General Purpose Fund in the Second Quarter Revenue & Expenditure Report. In the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), 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.

9) ~~Part J.~~ Transfers of Funds between accounts.

The City Administrator shall have the authority to transfer funds between personnel accounts, and between non-personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts within a department provided that cumulative transfers within one fiscal year do not exceed 5% of the original personnel account allocation of that department. The City Administrator shall have the authority to transfer funds from non-personnel accounts to personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts if the transfer is required to meet the conditions of or maximize the funding derived from a grant that has been approved by the City Council. For the purposes of this section accounts for the provision of temporary personnel services shall be considered personnel accounts.

~~**Part K. Pay-Go Account Expenditures, Priority Project Fund Expenditures, and Grants**~~

~~The City Council hereby finds and determines that it is in the public interest to spend Pay-go account fund to facilitate and support programs & services of the City of Oakland, capital improvement projects of the City of Oakland, and programs & capital improvement projects of the public schools and other public entities within the City of Oakland. The Council authorizes Pay-Go account funds to be used for the following purposes:~~

~~Capital Improvements:~~

1. ~~To pay for or augment funding for a City of Oakland capital improvement project including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and~~

2. ~~To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or other public entity for use on capital improvement project within the City of Oakland, including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and~~

~~Furniture & Equipment:~~

3. ~~To pay for or augment funding for purchase of furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the City of Oakland; and~~

4. ~~To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or another public entity to be used for furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the public school or public entity.~~

~~Pay-go purposes stated above shall operate as restrictions on Pay-go expenditures or Pay-go grants, regardless of the Pay-go account funding source.~~

~~Pay-go purposes stated above shall apply to any and all Pay-go expenditures or grants made by the Mayor and each City Councilmember. All Pay-go expenditures and grants shall be administered by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.~~

~~In accord with the City Council's motion approving the initial allocation of Councilmember Priority Project funds on June 8, 2006, the City Councilmembers must obtain City Council approval for all Priority Project expenditures.~~

~~All Priority Project fund grants approved by the City Council and shall be administered and executed by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.~~

~~Section 2. Reserve Funds~~

~~Part A. General Purpose Fund Emergency Reserve Policy~~

~~1. Council hereby declares that it shall be the policy of the shall City of Oakland maintain in each fiscal year a reserve equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations as adopted in the biennial or midcycle budget, and not including prior year carryforwards, encumbrances, or appropriations to Fund Balance for, such fiscal year (the "General Purpose Fund Emergency Reserve Policy"),~~

~~2. Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the General Purpose Funds Emergency Reserve to the City Council and on the adequacy of the of the 7.5% reserve level. If in any fiscal year the General Purpose Fund Reserve Policy is not met, the City Administrator shall present to Council a strategy to meet the General Purpose Funds Emergency Reserve Policy. Each year, the City Administrator shall determine whether the 7.5% reserve level requires adjustment and recommend any changes to the City Council.~~

~~3. The amounts identified as the General Purpose Funds Emergency Reserve may be appropriated by Council only to fund unusual, unanticipated and seemingly insurmountable events of hardship of the City, and only upon declaration of fiscal emergency. For the purposes of this Ordinance, "fiscal emergency" may be declared (1) by the Mayor and approved by the majority of the City Council, or (2) by a majority vote of the City Council.~~

~~4. Prior to appropriating monies from the General Purpose Funds Emergency Reserve, the City Administrator shall prepare and present such analysis to the City Council. Upon review and approval of the proposed expenditure by the City Council, and appropriate fiscal emergency declaration necessary for the use of GPF reserve, the City Administrator will have the authority to allocate from the reserves.~~

~~Part B. Vital Services Stabilization Fund Reserve Policy~~

~~1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Vital Services Stabilization Fund (VSSF) with a target funding level of 15% of General Purpose Fund Revenues. The funding of the Vital Services Stabilization Fund shall be made pursuant to Section 1, Part C concerning excess Real Estate Transfer Tax.~~

~~2. In years when the City forecasts that total General Purpose Fund revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services.~~

~~3. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years.~~

~~Part C. Capital Improvements Reserve Fund~~

~~1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Capital~~

~~Improvements Reserve Fund.~~

~~2. Revenue received from one time activities, including the sale of Real Property, shall be deposited into the Capital Improvements Reserve Fund, unless otherwise directed by a majority vote of the City Council. Interest earnings on monies on deposit in the Capital Improvements Reserve Fund shall accrue to said fund and be maintained therein.~~

~~3. Monies on deposit in the Capital Improvements Reserve Fund may be appropriated by Council to fund unexpected emergencies, major capital maintenance, repair costs to City-owned facilities and to fund capital improvement projects through the Five-Year Capital Improvement Program.~~

10)~~Section 3.~~ Performance Measures

All City Departments shall be responsible for developing and documenting performance measures relevant to their programs and services during the budget preparing process. Performance measures shall be prominently featured in the proposed and adopted biennial budget documents, providing a clear understanding of the expected outcomes and impacts associated with proposed expenditures.

Performance measures shall include a mix of outcome and efficiency measures to provide a comprehensive view of performance.

Performance measures shall be subject to annual evaluation for enhancements and refinement based on changing community needs, technological advancements and emerging best practices.

11)Budget Process, Fiscal Planning, Transparency, and Public Participation

The City shall endeavor to provide accessible information and engage residents throughout the budget process. Emphasizing continuous improvement, Oakland seeks to refine its practices, promote public trust and strive toward equitable outcomes for all constituents.

Unless otherwise noted all timelines apply only to budget development years, normally odd numbered years and not to mid-cycle revisions to an adopted two-year budget.

A. ~~1.~~ Assessment of Stakeholder Needs, Concerns and Priorities

i) Timeline~~:~~

Budget Advisory Committee review prior to survey release. Survey completion ~~by~~in November and December ~~5th~~ of even-numbered years. ~~Results publicly available within three weeks of survey's close.~~

ii) Requirements~~:~~

(1) The City Administrator should develop or secure a professional statistically valid survey for assessing the public's concerns, needs and priorities prior to the development of the biennial budget. Whenever feasible, the City should conduct a professional poll administered to a statistically relevant and valid sample of residents that is representative of Oakland's population in terms of race, income, neighborhood, age, profession, family size, homeownership/renter-ship, etc. If that's not possible, then demographic information should be collected and reported out with the survey results.

(2) Prior to release, the survey questions shall be submitted to the Budget Advisory Committee ~~by September 1st of even numbered years~~ for review of bias, relevance, consistency in administration, inclusion of benchmark questions, and ability to assess concerns, needs and priorities. The survey instrument, method of dissemination, and any instructions for administration shall be publicly available. The survey should be conducted following the November election and before the end of December ~~5th~~.

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(3) If the City cannot afford or provide for a professional survey, an informal survey shall be made available for broad dissemination by the Mayor and Councilmembers through community list serves and other communication channels. Furthermore, the City Administrator shall take steps to promote participation, such as issuing a Flyer promoting participation in the survey and methods of participation (survey internet link, email, phone number) and posting such Fliers near publicly available computers in all City libraries, Recreation Centers, and Senior Centers. A list of those dissemination channels should be publicly available along with survey results.

(4) Survey results should be publicly available within three weeks of the completion and analysis of the survey. Survey results should be ~~made widely available, shared on social media, and~~ published on the City's Budget website. ~~In the event that City's~~If a statistically valid survey has been completed, the Mayor and City Administrator shall include in their proposed budget a summary of the survey data ~~and a statement regarding how the data was or was not incorporated into the final proposed budget. Informal surveys and their results shall be made public but not included in their proposed budget document~~.

~~The City Administrator shall development a standardized and diverse means of collecting resident input via other means prior to budget development.~~

~~2.~~

B. Council ~~Initial~~ Budget Briefing and ~~Priorities~~ Discussion of Assessment of Stakeholder Needs, Concerns and Priorities

i) Timeline~~:~~
February or March (this briefing and discussion may be combined with discussion of the Five-Year Forecast as described below)

ii) Requirements~~:~~
The Mayor and City Council will hold a bi-annual budget ~~workshop soon after the commencement of the Council term. The workshop will include~~meeting that includes briefings on estimated baseline expenditures, revenue projections and an overview of the City's budgeting process. The ~~workshop~~meeting will provide the Mayor and Council with the opportunity to begin discussing priorities for the next budget year based on the Assessment of Stakeholder Needs, Concerns and Priorities.

~~**3. Five-Year Forecast**~~

iii) *Five-Year Forecast*: The City shall produce a Five-Year Financial Forecast ("FYFF") on a biennial basis. The FYFF is a planning tool used to estimate the City's expected revenues and expenditures over five years, based on appropriate financial, economic, and demographic data. FYFF forecasts provide the City additional lead time to react to expected revenue shortfalls, or to strategically manage predicted revenue surges.

(a) **Timeline:** ~~Produced~~The FYFF shall be produced and ~~heard by~~presented to the ~~Council's~~ Finance & Management Committee or ~~the full~~ City Council in ~~February or~~ March~~. Forecast~~ or April preceding the biennial budget adoption. FYFF Fact Sheets ~~should~~shall be distributed to City community centers and ~~Forecast~~FYFF data ~~should~~shall be available on

~~Open Data Portal within two weeks of the Council hearing.~~an open data portal.

(b) **Requirements:**

(i) Each ~~Budget Cycle~~budget cycle, the City Administrator ~~must~~shall prepare a ~~Five-Year Forecast~~FYFF.

~~The Five-Year Financial Forecast ("Forecast") is a planning tool that estimates the City's likely revenues and expenditures over five-years, based on appropriate financial, economic, and demographic data. The purpose of the Forecast is to surface all major financial issues and estimate future financial conditions to support informed long-term decision making. Such planning provides for greater financial stability, signals a prudent approach to financial management, and is consistent with best practices.~~

(ii) ~~The Forecast~~The FYFF shall contain the two-year baseline budget for the forthcoming budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus an additional three-year forecast of revenues and expenditures. ~~The Baseline Budget shall consist of projected expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues for the two-year period.~~

(iii) The ~~Forecast~~FYFF shall ~~also~~ contain information on the variance between prior forecasts and ~~actual amounts~~actuals, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available~~; minimally~~. At minimum, revenue projections shall ~~take into account~~consider projected revenue for the current fiscal year, as reflected in the ~~2nd quarter~~Second Quarter (Q2) Revenue and Expenditure (R&E) Report, with appropriate trending into future years and an explanation ~~as to~~of how ~~such~~the revenue projections were derived including information on the assumptions used.

(iv) The report shall include a Five-Year Forecast "Fact Sheet" document, which summarizes the ~~Forecast's~~FYFF's key findings with simplified text and graphics to make this important budgetary information more accessible to the general public. Within ~~two weeks~~one month after the ~~Forecast~~FYFF is heard by the City Council, the City Administrator shall print and distribute the Forecast Fact Sheet to all City libraries, recreation centers, and senior centers, including in languages required by Oakland's Equal Access Ordinance. The full ~~Forecast~~FYFF shall also be posted on the City of Oakland's website. ~~Forecast~~FYFF data shall be available ~~in open data format~~ on ~~Oakland's data portal.~~the City's website for Financial Reporting.

~~**4. Statement**~~

C. Council Priorities Workshop and Statements of Councilmember Priorities

i) Timeline~~: Written submission due by~~
Held in Late March ~~15th~~through Mid-April of odd-numbered years.

ii) Requirements~~:~~
The Mayor and City Council will hold a bi-annual budget workshop to discuss priorities for the coming budget. The meeting will provide the Mayor and Council with the opportunity to adopt collective City priorities for the next budget year.

City Council Members will have the opportunity to advise the Mayor ~~and~~, City Administrator, and their colleagues publicly of their priorities. Each Councilmember shall be invited to submit up to seven specific expenditure priorities in ranked and/or weighted order for changes ~~to the baseline budget as presented in the Five-Year Forecast.~~. Councilmember priority statements must be submitted as part of ~~a report to be heard by the City Council and/or in a publicly available writing to the Mayor and City Administrator by March 15~~the agenda packet for the Council Priorities Workshop. In addition to the priorities, Councilmembers may also submit other suggestions, including revenue suggestions. The Council President may request additional information regarding the priorities of each Councilmember be included in the packet for the Council Priorities Workshop.

~~5.~~ Collective adopted priorities and Councilmember priority statements shall be published in the Proposed and Adopted Budget

D. Administrator's Budget Outlook Message & Calendar Report

i) Timeline~~: Heard~~
Published by ~~City Council before~~ April 15th.

ii) Requirements~~:~~
The City Administrator shall ~~bring as a report to the City Council~~prepare a Budget Outlook Message & Calendar no later than April 15th that provides an overview of the budget development process and lists all key dates and estimated dates of key budget events, including, but not limited to the release of the Mayor and Administrator's Proposed Budget, Community Budget Forums, Council meetings, and formal budget passage dates. This publication shall be posted on the City's website and by other means determined by the City Administrator.

E. ~~6.~~ Release of Mayor & Administrator's Proposed Budget & Fact Sheet

i) Timeline~~:~~
Published and publicly available by May 1st. Heard by City Council ~~and Fact Sheet distributed~~ by May ~~15th~~17th.

ii) Requirements~~:~~
The Proposed Budget must be released by May 1st and shall clearly indicate any substantive changes from the current baseline budget, including all changes to service levels from the current budget. The Proposed Budget shall indicate staffing by listing the number of positions in each classification for each Department, including a listing of each position proposed for

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addition or deletion. The Council shall hold a public meeting to present the Proposed Budget no later than May ~~15th~~17th in budget adoption years. The full proposed budget document shall be made available online from the City's website, and printed copies shall be available in all City libraries. Additionally, the proposed budget data shall be available in open data format on the City's open data portal by May ~~1st~~17th. Every effort should be made to thoroughly respond to any public request for departmental budget ~~details, such as line item budgets.~~detail. The requested information shall also be made available on the City's website and open data portal within a reasonable time following the request.

The Proposed Budget must include a Budget Fact Sheet with easy-to-understand graphics and text explaining the City's overall finances, the Proposed Budget and that year's Budget Calendar. The Fact Sheet shall be published in languages required by Oakland's Equal Access Ordinance. The Fact Sheet shall be printed and made available in all City Recreation Centers and Senior Centers as well as all City libraries by May ~~15th~~17th or the presentation to the Council, whichever is sooner.

F. ~~7.~~ *Community Budget Forums*

i) Timeline~~:~~
During the months of May and June of odd-numbered years

ii) Requirements~~:~~
The Administration and Council shall hold at least one (1) Community Budget Forum in each council district. These forums, organized by the City Administrator's Office in partnership with Councilmembers shall be scheduled to maximize residents' access. The forums should include sufficient time for a question and answer period in a format that maximizes community participation, as well as a presentation of budget facts by City staff. One or more of the forums must be scheduled in the evening. Another must be scheduled on the weekend. These meetings shall also be scheduled so that Councilmembers have sufficient opportunity to attend a meeting close to their council district. Every member of the City Council shall make their best effort to attend the Community Budget Forum in their council district. Sufficient Fact Sheets in all available languages shall be available at all Forums.

These forums should be publicized in social media and via other means in a manner that is linguistically and culturally appropriate. City Council staff shall work with community-based, faith-based, identity based, and district specific organizations to ensure that a representative and broad group of residents is aware and encouraged to attend each forum.

G. ~~8.~~ *Ongoing Public Education*

i) Timeline~~:~~
During the ~~months of May and June~~Spring of even-numbered years

ii) Requirements~~:~~
Beginning with the first even-numbered year following adoption of this ordinance, the Administration and City Council shall hold at least three (3) Community Budget Education Presentations in different neighborhoods throughout the City and outside of City Hall. These presentations shall seek to increase Oakland residents understanding and awareness of the City Budget and Budget process.

~~29~~

H. ~~9.~~ *Budget Advisory Commission's Report*

i) Timeline~~:~~
June 1st

ii) Requirements~~:~~
The Budget Advisory Committee (BAC) shall be requested to submit published, written report to the full City Council regarding the proposed budget with any suggested amendments no later than June 1 in budget adoption years. If submitted, the statement shall be published as part of the next budget report to the City Council. The BAC is encouraged to provide similar statements during the mid-cycle budget revise and any other significant budget actions.

I. ~~10.~~ *Council President's Proposed Budget*

i) Timeline~~:~~
June 17th

ii) Requirements~~:~~
The City Council President, on behalf of the City Council, shall prepare a proposed budget for Council consideration to be heard at a Special City Council Budget Hearing occurring on or before June 17th. The Council President may delegate the duty to prepare a budget proposal to another member of the Council. The Finance Department will provide a costing analysis for proposed amendments. The City Council may schedule additional Special City Council Budget Hearings or Workshops as needed.

J. ~~11.~~ *Council Budget Amendments*

i) Timeline~~:~~
No later than up to three (3) days prior to final budget adoption for public noticing

ii) Requirements~~:~~
In addition to the Council President's proposed budget, any Councilmember or group of Councilmembers may submit proposed budget amendments at any time during the budget process. However, the adopted budget shall not contain substantive amendments made on the floor by Councilmembers at the final meeting when the budget is adopted. All substantive amendments must have been published in the City Council agenda packet for at least three days prior to the budget's final adoption and posted on the City's budget website. This shall not preclude Council members from combining elements from various proposals, provided each element considered has been published in the City Council agenda packet as a component of one proposal. This three-day noticing requirement may be waived by a vote of Council upon a finding that (1) new information impacting the budget by at least $1 million dollars came to the attention of the body after the publication deadline making it not reasonably possible to meet the additional notice requirement and (2) the need to take immediate action on the item is required to avoid a substantial adverse impact that would occur if the action were deferred to a subsequent special or regular meeting, such as employee layoffs.

Councilmembers will present their proposed amendments in an easy to understand, standardized format provided by the City Administrator. The format should allow the proposals to be easily compared to the Mayor's Proposed Budget and to one another. Additions and reductions shall be clearly noted in separate sections.

In order to provide sufficient time to evaluate the cost of proposals, Councilmembers should request costing analyses for proposed budget amendments or line-items within a budget amendment to the City Administrator at least six (6) working days prior ~~to~~ the ~~City Council meeting where~~publication of that amendment ~~will be considered~~.

~~12.~~

K. *Process Feedback & Continual Improvement*

i) Timeline~~:~~
September 30th following budget adoption

ii) Requirements~~:~~
The Budget Advisory Commission (BAC) shall be requested to submit an Informational Report to the Council's Finance and Management Committee and City Council containing their analysis of the budget adoption process including, but not limited to: ~~1)~~

- the informational quality of the Proposed Budget; ~~2)~~
- the City Administration's and City Council's attention to engaging the public and its impacts on the budget process and product; ~~3)~~
- the level of transparency and open dialogue in all public meetings dedicated to the budget; and ~~4)~~
- opportunities for improving the process in future years.

In assessing opportunities for continually improving public participation in the budget process, the Administration, City Council and BAC shall be requested to consider the following guiding principles:

1. **Inclusive Design:** The design of a public participation process includes input from appropriate local officials as well as from members of intended participant communities. Public participation is an early and integral part of issue and opportunity identification, concept development, design, and implementation of city policies, programs, and projects.

2. **Authentic Intent:** A primary purpose of the public participation process is to generate public views and ideas to help shape local government action or policy.

3. **Transparency:** Public participation processes are open, honest, and understandable. There is clarity and transparency about public participation process sponsorship, purpose, design, and how decision makers will use the process results.

4. **Inclusiveness and Equity:** Public participation processes identify, reach out to, and encourage participation of the community in its full diversity. Processes respect a range of values and interests and the knowledge of those involved. Historically excluded individuals and groups are included authentically in processes, activities, and decision and policymaking. Impacts, including costs and benefits, are identified and distributed fairly.

5. **Informed Participation:** Participants in the process have information and/or access to expertise consistent with the work that sponsors and conveners ask them to do. Members of the public receive the information they need, and with enough lead time, to participate effectively.

6. **Accessible Participation:** Public participation processes are broadly accessible in terms of location, time, and language, and support the engagement of community members with disabilities.

7. **Appropriate Process:** The public participation process uses one or more engagement formats that are responsive to the needs of identified participant groups; and encourage full, authentic, effective and equitable participation consistent with process purposes. Participation processes and techniques are well- designed to appropriately fit the scope, character, and impact of a policy or project. Processes adapt to changing needs and issues as they move forward.

8. **Use of Information:** The ideas, preferences, and/or recommendations contributed by community members are documented and given consideration by decision-makers. Local officials communicate decisions back to process participants and the broader public, with a description of how the public input was considered and used.

9. **Building Relationships and Community Capacity:** Public participation processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders. This may include relationships with other temporary or ongoing community participation venues.

10. **Evaluation:** Sponsors and participants evaluate each public participation process with the collected feedback and learning shared broadly and applied to future public participation efforts.

HISTORY

- Long-Term Financial Planning Policy
  - Resolution No. 84264, adopted by City Council on April 2, 2013
- Historic Fiscal Accountability Policy
  - Resolution No. 80777, adopted by City Council on July 17, 2007
- Balanced Budget Policy
  - Resolution No.77922, adopted by City Council on July 15, 2003
- Transparency and Public Participation Policy
  - Resolution No. 84385, adopted by City Council on May 21, 2013

Reserve Funds

OBJECTIVES

The General Fund Reserve Policy is intended to provide guidelines on the purpose, the sizing, the uses, and the restoration requirements of the General Purpose Fund Emergency Reserve (both the Emergency Reserve Account and Contingency Reserve Account) and the Vital Services Stabilization Fund Reserve. Taken together, these two funds compose the City's General Fund reserves. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund considering each government's unique circumstances, such as vulnerability to natural disasters, level of dependence on volatile revenue sources or on state and federal funding that are subject to being cut. The GFOA sets a minimum standard of maintaining no less than two months of operating revenues or operating expenditures. The rating agencies that evaluate the City's capacity to repay its debt have consistently stated that establishing and meeting minimum reserve levels is an important component of their review of the City's fiscal health. Thus, in addition to serving as a contingency for unforeseen challenges that arise during the fiscal year, the level of the City's reserves is also reviewed by investors that are considering purchasing the City's debt.

POLICIES

1) General Purpose Fund Emergency Reserve

The City's General Purpose Fund Emergency Reserve is established to provide funding for unanticipated expenditures and revenue shortfalls in the City's General Fund. It shall include two accounts within the fund, the Emergency Reserve Account and the Contingency Reserve Account.

a) Required Funding Level

i) Emergency Reserve Account (Fund 1011)

The City will maintain in each fiscal year a reserve equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations as adopted in the biennial or midcycle budget, and not including prior year carryforwards, encumbrances, or appropriations to Fund Balance for, such fiscal year.

ii) Contingency Reserve Account

The Contingency Reserve Account shall include all unassigned fund balance in the General Purpose Fund and does not have a minimum balance that it must maintain. The determination of reserve targets is at the discretion of the Finance Director.

b) Uses Of General Purpose Fund Emergency Reserve

The amounts identified as the General Purpose Fund Emergency Reserve (Fund 1011 and all unassigned fund balance in the General Purpose Fund) may be appropriated by Council only to fund unusual, unanticipated, and seemingly insurmountable events of hardship of the City, and only upon declaration of fiscal emergency. For the purposes of this Ordinance, "fiscal emergency" may be declared by:

1. by the Mayor and approved by the majority of the City Council, or
2. by a majority vote of the City Council.

Prior to appropriating monies from the General Purpose Funds Emergency Reserve, the City Administrator shall prepare and present such analysis to the City Council. Upon review and approval of the proposed expenditure by the City Council, and appropriate fiscal emergency declaration necessary for the use of GPF reserve, the City Administrator will have the authority to allocate from the reserves.

c) Restoration Requirements

Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the General Purpose Fund Emergency Reserve to the City Council and on the adequacy of the of the 7.5% reserve level. In fiscal years where it becomes necessary for the City to use monies in the General Purpose Fund Emergency Reserve such that the Reserve Fund balance drops below the 7.5% level, the City Administrator shall present to Council a strategy to meet the General Purpose Funds Emergency Reserve Policy. In the event of a catastrophic event which requires use of the Emergency Reserve Account spanning more than one fiscal year, the City Council may temporarily suspend the restoration requirements. Each year, the City Administrator shall determine whether the 7.5% reserve level requires adjustment and recommend any changes to the City Council.

2) Vital Services Stabilization Fund Reserve

The Vital Services Stabilization Fund (VSSF) is established to provide a method to prevent overspending during prosperous years and to provide resources to help maintain service levels during lean years.

a) Required Funding Level

While the VSSF (Fund 1020) does not have a minimum balance that it must maintain, the City will target to maintain a funding level of 15% of General Purpose Fund Revenues.

b) Uses Of Vital Services Stabilization Fund Reserve

In years when the City forecasts that total General Purpose Fund revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years.

c) Restoration Requirements

i) 50% of the excess Real Estate Transfer Tax, as described in the Revenue Policy shall be allocated to the VSSF, until the value in the said fund is projected to equal to 15% of total General Purpose Fund revenues over the coming fiscal year.

3) Capital Improvements Fund Reserve

The Capital Improvements Reserve Fund is established to deposit revenue received from one time activities, including the sale of Real Property, unless otherwise directed by a majority vote of the City Council. Interest earnings on monies on deposit in the Capital Improvements Reserve Fund shall accrue to said fund and be maintained therein.

a) Required Funding Level

The Capital Improvements Fund Reserve does not have a minimum balance that it must maintain,

b) Uses Of Capital Improvements Fund Reserve

Monies on deposit in the Capital Improvements Fund Reserve may be appropriated by Council to fund unexpected emergencies, major capital maintenance, repair costs to City-owned facilities and to fund capital improvement projects through the Ten-Year Capital Plan.

c) Restoration Requirements

There are no restoration requirements for the Capital Improvement Fund Reserve.

HISTORY

- Rainy Day Policy
  - Ordinance No. 13279, adopted by City Council on December 9, 2014
- Amended Consolidated Fiscal Policy
  - Ordinance No. 13487, adopted by City Council on May 15, 2018
- General Purpose Fund Emergency Reserve Policy
  - Resolution No. 88717 C.M.S., adopted by City Council on June 24, 2021

Capital Plan

OJECTIVES

The City of Oakland's 10 Year Capital Plan will exemplify the City's commitment and philosophy to utilize all available funds to complete the City's many Capital needs in a timely and efficient manner. Adopting and presenting the 10 Year Capital Plan will also provide clarity on how the City is planning to address its sizeable asset management infrastructure upgrade needs for seven years in the future. Additionally, the Plan will provide data and insight on how Capital funds have been expended, and which Capital Projects and Programs have been funded or delivered in the previous three years.

In addition to a clearer long term financial forecast of when the City expects to expend capital funds over a longer period of 10 years, a 10-year Capital Plan will improve ***how and when*** staff can allocate Capital funding sources over an extended period of time. This is especially critical regarding how Capital Projects are financed from a cash management and debt financed perspective. The 10-year Capital Plan will also provide long term budgeting and expenditure forecast data for all funded Capital projects in an easy-to-understand format for all Oaklanders.

The primary objectives that will be derived from implementing a 10-year Capital Plan are as follows:

- Identify the long term need to repair, maintain and increase the City's Capital Assets.
- Accurately forecast the financial needs and project delivery milestones over a 10-year period.
- Adopt a specified 10-year financing plan for all Capital Projects and Programs selected to be funded in the City's Adopted CIP Program, and for Affordable Housing/Anti-Displacement programs through the City's Notice of Funding Availability (NoFA) process.

Secondary Objectives of the 10-Year Capital Plan are to:

- Define and identify short term and long-term financing plans for all grant funded, bond funded, and City financed Capital projects, including when a Capital project should request or expect a project to receive "Seed Funding".
- Confirm that the 10-Year Capital Plan Expenditures conform with the City's many Plans: General Plan, ECAP, OSCAR.

POLICIES

1) Calendar

The 10-year Capital Plan will complement the City's biennial Capital Improvement Program (CIP). It will be brought to Council in a biannual process each 2 years during the City's Midcycle Budget Adjustment Process ("**Midcycle**"). Adopting the 10-Year Capital Plan during the Midcycle will allow administrative staff the time needed to provide all updated Capital Expenditures data, without adding additional administrative burden during the biannual budget process held in even years. The midcycle budget season will also allow staff to adjust in the current two-year budget season and adapt more quickly to changes in CIP project administration.

The 10-year Capital Plan will be referenced and used as a guide to the two-year biennial Capital Improvement Program that is adopted with the overall City budget every other odd year.

2) Implementation

a) Finance staff will instruct Fiscal staff, Project Managers or Capital Program Managers from each Department that administers Capital funds on how to submit 10 year forecast expenditures data at least 6 months prior to Midcycle.

b) Finance staff will request and validate all Capital expenditures and encumbrances from each Department and will compile all data into a visual data format (I.e., graphs, charts, and metrics) that is easily understandable for City Council and members of the public. The 10-year capital plan expenditures and forecast data will be presented online and in conjunction with the City's Capital Improvement Program data on or before the passage of the Midcycle.

HISTORY

- Capital Improvement Program Prioritization Process
  - Resolution No. 87376 C.M.S., adopted by City Council on October 16, 2018
- Recommended Fiscal Year (FY) 2019-21 Capital Improvement Program
  - Resolution 87759 C.M.S., adopted by City Council on Month XX, 2019

Investment Policy

OBJECTIVES

The primary objectives, in order of priority, of the City Portfolio are:

1) Preservation of Capital (Safety)

The first and primary goal of the Portfolio is the preservation of capital. Investment shall be undertaken in a manner to avoid losses due to market value risk, issuer default and broker default. To attain this objective; investments are diversified.

2) Liquidity

The Portfolio will be structured in a manner that will provide cash as needed to meet anticipated disbursements. Cash flow modeling ensures that investments mature as needed for disbursements.

3) Diversity

The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises.

4) Yield

The Portfolio is also managed to maximize its overall market return with consideration of the safety, liquidity, and diversity parameters discussed above. Exception to the prohibition securities issued by, or backed by, the United States government that could result in zero or negative interest accrual if held to maturity, in the event of or duration of negative market interest rates. This exception will sunset on January 1st, 2026.

POLICIES

1) Investment Policy

a) Purpose and Composition

The purpose of this Investment Policy ("Policy") is to establish overall guidelines for the management and investment of the City of Oakland (the "City") public funds.

a) Scope of the Investment Policy

The Investment Policy applies to the operating funds of the City of Oakland, and the Port of

Oakland (the "City Operating Pool"), which includes the General Fund, Special Revenue Funds, Debt Service Funds and all other funds comprised in City Operating Pool.

i) Proceeds of notes, bonds issues or similar financings including, but not limited to, reserve funds, project funds, debt service funds and capital trust funds derived from such financing, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond indentures or the State of California Government Code 53600, as applicable.

ii) Retirement/Pension Funds and Deferred Compensation Funds are also not governed by this Investment Policy, but rather by the policies and Federal or State statutes explicitly applicable to such funds.

iii) Operating funds available for investments exclude funds needed for immediate, day to day needs of the City such as funds in City' checking accounts.

b) Prudence

i) All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 is defined as;

ii) Prudent Investor Standard: Acting with care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

c) Delegation of Authority

Management responsibility for the investment program is specifically delegated by the City Administrator or designee to the Director of Finance ("Treasurer") or designee who shall establish procedures for the investment programs, which are consistent with the Investment Policy. Authorization for investment decisions is limited to the Treasurer or designee. The Treasury Administrator and/or Investment Operations Manager may execute investment transactions in the absence of the Treasurer or designee per the Treasurer's instructions or prior authorization.

A Treasury Administrator or Investment Operations Manager may make decisions only with respect to overnight investments but may implement investment decisions received directly from the Treasurer or designee.

d) Internal Control

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets.

e) Ethics and Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the City should be disclosed to the City Administrator. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

f) Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. All securities owned by the City shall be held in safekeeping by the City's custodial bank, which acts as agent for the City under the terms of custody agreement.

g) Social Responsibility

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

h) Trading Policies

For sales prior to maturity, "Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate an audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

i) Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasurer or designee will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list.

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide proof of Financial Industry Regulatory Authority (FINRA) certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and for every two years thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer may remove a firm from the approved list at any time due to:

- any failure to comply with any of the above criteria;
- any failure to successfully execute a transaction;
- any change in broker/dealer staff;
- or any other action, event or failure to act which, in the sole discretion of the Treasurer is materially adverse to the best interests of the City.

j) General Credit Quality

Short- term debt shall be rated at least “A-1” by Standard & Poor’s Corporation, “P-1” by Moody’s Investor Service, Inc., “F-1” by Fitch. Long-term debt shall be rated in a rating category of at least “A” by Standard & Poor’s Corporation, Moody’s Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund. The Treasurer will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

k) Maximum Maturities

The City’s Investment Policy shall be structured to provide that sufficient funds from investments are available to meet City’s anticipated cash need. No investments will have a maturity of more than 5 years from its settlement date. Purchase of investments with forward settlement date exceeding 45 days from time of investment is prohibited.

2) Reporting

a) City Council and Council Committees

The City Administrator or designee shall submit the City’s Investment Policy to the City Council for approval each year.

As best practice and sound financial management practice, the City Administrator or designee will publish a quarterly cash management report.

The quarterly cash management report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as within 45 days following the end of the quarter covered by the report, the City Administrator submits the report to the City Clerk for scheduling to a City Council or City Council committee meeting.

Due to the City Council's summer recess, the quarterly cash management report for the period ending June 30 will be deemed timely so long as the City Administrator submits the report to the City Clerk by the following September for scheduling to a City Council or a City Council committee meeting.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

b) Annual Audit

Investment Portfolio is priced to market per Government Accounting Standards Board (GASB) and reported in compliance with General Accepted Accounting Principles. Annual disclosure requirements such as Custodial Credit Risk, Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk are reported in the City's Annual Comprehensive Financial Report (ACFR).

c) Internal Audits

Internal audits of treasury operations may be conducted periodically to review its procedures and policies and make any recommendations for changes and improvements if needed.

3) Permitted Investments

The following securities are permissible investments pursuant to Section 53601 of the California Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council.

a) U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall.

- Credit Requirement: N.A.

Exception from the Nuclear Free Zone Ordinance, there is no limitation under the California Government Code.

b) Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall
- Credit Requirement: N.A.

c) Banker's Acceptances (BA)

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum Maturity: 180 days
- Maximum Portfolio Exposure: 40%
- Maximum Issuer Exposure: 30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
- Credit Requirement: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than any of the rating listed above.

d) Commercial Paper

A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum Maturity: 270 days
- Maximum Portfolio Exposure: 40%
- Maximum Issuer Exposure: No more than 10% of the total assets of the investments held by the City may be invested in any one issuer's commercial paper; and maximum 5% per issuer
- Credit Requirement: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than any of the rating listed above.
- Eligibility Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having rating category of "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

e) Asset-Backed Commercial Paper

Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

- Maximum Maturity: 270 days
- Maximum Portfolio Exposure: 25% (Not to exceed 25% of total secured and unsecured CP)
- Maximum Issuer Exposure: No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer's commercial paper; and maximum 5% per issuer
- Credit Requirement: AI, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than any of the rating listed above.
- Eligibility: Issued by special purpose corporations ("SPC") organized and operating in the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States.
- Program must have credit facility that provides at least 100% liquidity
- Serialized ABCP programs are not eligible
- Ratings are to be routinely monitored. The Treasurer is to perform the Treasurer's own due diligence as to creditworthiness.

f) Local Government Investment Pools

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

- Maximum Maturity: N/A
- Maximum Portfolio Exposure: 20%
- NAV Requirement: $1.00
- Credit Requirement: Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
- Must retain an Investment Advisor
- Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
- Fund Composition Comprised of instruments in accordance with the California State Government Code

g) Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

- Maximum Maturity: 5 years (additional limitations based on credit, below)
- Maximum Portfolio Exposure: 30%
- Maximum Issuer Exposure: No more than 5% of the Portfolio shall be invested in any single institution.

- Credit Requirement: Must be Rated A3, A-, or A- or better by two of the three nationally recognized rating services, Moody's, S&P, or Fitch, respectively. No Rating may be lower than any of the Rating listed above and should have minimum "A" rating category or its equivalent or better.
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States.

h) Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: 30%
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch.

i) Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

- Maximum Maturity: 360 days
- Maximum Portfolio Exposure: None
- Maximum Dealer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Collateral Requirements: Collateral limited to Treasury and Agency securities; must be 102% or greater
- Mark-to-market: Daily
- Eligibility: Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City.

j) Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

- Maximum Maturity: 92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
- Maximum Portfolio Exposure: 20% of the base value of the portfolio

- Eligibility: Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City.

k) Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

- Maximum Maturity: 2 years
- Maximum Portfolio Exposure: 20%
- Maximum Issued/Provider Exposure: Prudent person standard applies overall; maximum 5% per issue
- Collateral Requirements: Collateral limited to Treasury and Agency securities; must be 102% or greater
- Mark-to-market: Daily
- Credit Requirement: Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
- Eligibility: Banks, insurance companies, insurance holding companies and other financial institutions.

l) Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $250,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and Federal law or rulings) pursuant to the following conditions:

- Maximum Maturity: 360 days
- Maximum Portfolio Exposure: Prudent person standard applies.
- Maximum Issuer Exposure: Prudent person standard applies.
- Credit Requirement: For deposits over $250,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch.
- Deposit Limit: For federally insured deposits of $250,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution. For deposits over $250,000, it must be collateralized.
- Depository Selection: Highest available rate of interest
- Institution Requirements: Most recent Annual Report

Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any person with decision-making authority serves on the board of directors or committee.

m) Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

- Maximum Maturity: N/A
- Maximum Portfolio Exposure: 20%
- NAV Requirement: $1.00
- Credit Requirement: Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
- Investment Advisor Alternative to Ratings: Registered with the SEC with not less than 5 years' experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
- Fund Composition: Comprised of instruments in accordance with the California State Government Code

n) State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $75 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum Maturity: N/A
- Maximum Portfolio Exposure None

o) Local City/Agency Bonds

Bonds issued by the City of Oakland, or any department, board, agency or authority of the City.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Minimum Rating Category of "A" or better

p) State of California Obligations and Others

State of California and any other of the 49 United States registered state warrants, treasury notes, or bonds issued by a State.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Prudent person standard applies

q) Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency with the state.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Minimum Rating Category of "A" or better

r) Deposits – Private Placement

Prudent to California Government Code Section 53601.8 and 53635.8, local agencies are authorized to invest their surplus funds in deposits, certificates of deposits including negotiable certificate of deposits at a commercial or saving bank, saving and loan, or credit union using a private sector deposit placement service.

- Maximum Portfolio Exposure: 50%
- Maximum Issuer Exposure: Maximum 10% per private sector placement entity
- Credit Requirement: Prudent person standard applies
- Sunset on January 1, 2026

s) Supranationals

U.S dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions such as International Bank of Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Inter-American Development Bank (IADB). Eligible for purchase and sale within the United States.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: 30%
- Credit Requirement: Minimum Rating Category of "AA" or better by NRSRO

t) Public Bank Obligations

Any commercial paper, debt securities, or other obligations of a public bank as defined in California Government Code Section 57600-57607.

A. Maximum Maturity: 5 year
B. Maximum Portfolio Exposure: N.A
C. Credit Requirement: Prudent Standard Applies

4) Applicable Ordinances

City of Oakland Resolutions and Ordinances related to the investment of City funds and adopted after adoption of this Investment Policy are incorporated herein.

a) Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S effective December 16, 1988, which restricts the City's investments in U.S Government Treasuries. Exception for investment in U.S. Treasuries as authorized by the Ordinance XXXX will allow the City to invest in U.S Treasuries.

b) Tobacco Divestiture Resolution

On February 17, 1998, Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. The Treasurer maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements, updated on annual basis.

c) Fossil Fuel Divestiture Resolution

On June 17, 2014, Council adopted Resolution No. 85053 C.M.S. which prohibits the Investment or ownership stake in any companies that extract, produce, refine, burn or distribute fossil fuels. The Treasurer is in full compliance with this Resolution.

d) Firearm or Gun Manufacturer Divestiture Resolution

On March 5, 2013, Council adopted Resolution No. 84242 C.M.S which prohibits investment or ownership stake in any manufacturer of firearms or ammunition.

e) Sanctuary City Investment Ordinance

On June 5, 2019, Council adopted Ordinance No. 13540 C.M.S which prohibits the City from investing in companies that contract with the United States Immigration and Customs Enforcement, Customs and Border Protection, or the Department of Health and Human Services of Refugee Resettlement to provide services or goods for data collection or immigration detention services.

HISTORY

- Investment Policy
  Resolution No. 89837 C.M.S., adopted by City Council on July 18, 2023

- Fossil Fuel Divestiture Resolution
  Resolution No. 85053 C.M.S., adopted by City Council on June 17, 2014

- Firearm or Gund Manufacturer Divestiture Resolution
  Resolution No. 84242 C.M.S., adopted by City Council on March 5, 2013

- Sanctuary City Investment Ordinance
  Ordinance No. 13540 C.M.S., adopted by City Council on June 5, 2019

Debt Management Policy

OBJECTIVE

The Debt Management Policy formally establishes parameters for issuing debt and managing a debt portfolio, which encompasses the City's specific capital improvement needs, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. The policies outlined in the Debt Management Policy are not goals or a list of rules to be applied toward the City's debt issuance; rather, these policies should be utilized as tools to ensure informed decision making and that adequate financial resources are available to support the City's long-term capital needs. Specifically, the policies outlined in this document are intended to assist the City in the following:

- Evaluating critical debt issuance options
- Promoting sound financial management
- Providing accurate and timely information on financial conditions
- Maintaining appropriate capital assets for present and future needs
- Protecting and enhancing the City's credit rating
- Ensuring the legal use of City bonding authority through an effective system of financial management and internal controls
- Promoting cooperation and coordination with other public entities and the private sector in the financing and delivery of services

POLICIES

1) Approach to Debt Management

In managing its debt, the City's greatest priorities are to:

- Achieve the lowest cost of capital,
- Ensure high credit quality,
- Ensure full and timely payment of debt,
- Maintain full compliance with financial disclosure and reporting,
- Maintain a prudent level of financial risk,
- Assure access to credit markets,
- Preserve financial flexibility, and
- Utilize local and disadvantaged banking and financial firms, when possible, in the sale of City debt.
- Structure its general obligation bond issuances with the goal of keeping the ad valorem property tax rate levied by the City during each year the City's general obligation bonds are outstanding at or below the fiscal year 2022-2023 tax rate of 0.2035%, as projected by the City as of the date each series of bonds is issued.

A) Capital Plan Integration

A sound debt management program begins with a well-devised capital plan. Therefore, a multi-year capital plan, which integrates pay-as-you-go projects and the projects to be financed, is critical. The multi-year capital plan (the "Capital Plan") shall be for a minimum of a 5-year period and shall be updated and presented to the City Council at least once annually. The Capital Plan shall include the following elements:

- Qualified capital projects and their projected costs
- Description of all sources of funds
- Availability of current revenues (non-debt sources for pay-go and debt service), as projected in the City's multi-year forecast
- Timing of capital projects
- A financing plan or methodology and debt service requirements

B) Review of Capital Plan

It is anticipated that the Capital Plan will be modified from time to time. Modifications to the Capital Plan shall be accompanied by a report from the City's Treasurer or designee and Budget Administrator that discusses the impact of the proposed borrowing on the Capital Plan.

C) Qualified Capital Projects

Generally, the City will not debt finance capital improvements with a cost less than $250,000. The City shall not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its life.

D) Cash Financing of Capital Outlays

To demonstrate the City's commitment to a continued capital program, ensure careful consideration of capital expenditure levels, and enhance the City's overall credit worthiness, the City shall seek to fund at least between two and five percent of the overall capital program from current resources, depending upon the specific projects and annual budgetary constraints.

E) Authorization of Issuance

Debt issuance for capital projects shall not be considered unless such issuance has been incorporated into the Capital Plan.

F) Affordability Targets

The ratios, standards, and limits identified below are primarily intended to restrict the use of debt financing in order to facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the City's annual operations.

i) **General Fund Debt Capacity –** The City's approach to its General Funds-secured financings is to ensure its long-term financing commitments are affordable and do not create undue risk or burden and maintain continued market access at the lowest cost of borrowing. As such, the Debt Policy establishes debt affordability for the City, reflecting best practices of other large California cities and the debt ratios used by the rating agencies when evaluating city credits. Debt ratios are defined as annual debt service payments as a percentage of General Fund and other revenues. Below are the debt capacity ratio ranges, it will be the City's goal of maintain a "low" debt ratio:

- Low debt ratio <5%
- Moderate debt ratio 5% - 15%
- High debt ratio >15%

ii) **Capacity for Voter-Approved Indebtedness** – The City will maintain a 10-year forward debt capacity schedule that incorporates assumptions of growth in assessed valuation and estimates of new debt issuance and retirement, taking into account the City's goal of keeping the ad valorem property tax rate levied by the City to service its voter- approved indebtedness during each year the City's general obligation bonds are outstanding no higher than the Fiscal Year 2022-2023 tax rate of 0.2035%, as such tax rate is projected by the City on the date of each series of bond issuance. To maintain that limit on the tax rate for voter-approved debt, the City will issue new bonds as older bonds are retired and/or as the tax base grows. Such schedule shall be available to any interested parties upon request.

In connection with each proposed issuance by the City of general obligation bonds, the Treasury Bureau shall prepare a projection of the impact of proposed bonds on the ad valorem property tax that is projected to be levied by the City during each year the City's general obligation bonds are outstanding. In the event the Director of Finance, based on such projections, determines that a proposed issuance of general obligation bonds will cause the ad valorem property tax that is projected to be levied by the City in any year the City's general obligation bonds are outstanding to exceed the Fiscal Year 2022-2023 tax rate of 0.2035%, the Director of Finance shall prominently state so in the staff report for such bonds and provide a rationale for issuing such bonds notwithstanding such projections. Any approval of general obligation bonds or other bonds by the Council, or the issuance of said bonds by the City, that is not consistent with this Policy shall constitute a waiver hereof.

iii) **Self-supporting Debt** – In some cases, the City will issue debt for which there is an identified repayment source. For debt to be characterized as self-supporting, the repayment source must support the issue through its maturity. Bond issues where interest has been capitalized are not considered to be self-supporting.

iv) **Overlapping Debt** – An analysis of overlapping debt (taking into consideration the tax-supported debt of the City (primarily general obligation and lease revenue bonds) as well as debt from all other jurisdictions that tax City taxpayers, will be taken into consideration in planning debt issuance.

v) **Credit Quality –** All City debt management activities will be conducted to in hopes of receiving the highest credit ratings possible for each issue that meets the City's financing objectives, and to maintain the current credit ratings assigned to the City's debt by the major credit rating agencies.

2) Standards for Use of Debt Financing

The City's debt management program will promote the use of debt only in those cases where public policy, equity, and economic efficiency favor debt over cash (pay-as-you-go) financing. Whenever possible, the debt shall be self-supporting, including general obligation debt supported by a supplemental property tax override; lease revenue bonds that, while secured by the General Fund, are expected to be repaid from an identified source of revenues; or special revenue debt with no recourse to the General Fund.

A) **Long-Term Capital Projects.** Debt will be used primarily to finance long-term capital projects — paying for the facilities or equipment over some or all of their useful life and concurrent with the stream of benefits from these facilities. The City will consider the debt capacity in determining the use of debt financing.

B) **Special Circumstances for Non-Capital-Project Debt Issuance.** Debt may be used in special circumstances for projects other than long-term capital projects such as pension obligations, only after careful policy evaluation by the City.

C) **Debt Financing Mechanisms.** The City will evaluate the use of all financial alternatives available, including, but not limited to long-term debt, pay-as-you-go, joint financing, reserve fund releases, lease-purchase, authority sponsored debt, special districts, community facility districts, special assessments, Mello-Roos bonds, state and federal aid, certificates of participation, tax increment, private placement, master lease programs, and interfund borrowing. The City will utilize the most cost advantageous financing alternative available while limiting the General Fund's risk exposure.

3) Financing Criteria

When the City determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

A) **Long-Term Debt.** Long-term borrowing may be used to finance the acquisition or improvement of land, facilities, or equipment. The City may issue long-term debt (e.g., general obligation bonds, revenue bonds, conduit revenue bonds, tax increment bonds, lease obligations, or variable rate bonds) when required capital improvements cannot be financed from current revenues. The proceeds derived from long-term borrowing will not be used to finance current operations or normal maintenance. Long-term debt will be structured such that the obligations do not exceed the expected useful life of the respective projects.

The City shall not use any debt, lease financing or other instruments of installment repayments with terms longer than two years to finance its operating costs. Exceptions to the policy may be made on a case-by-case basis by the Council.

B) **Short-Term Debt.** Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates). The City will determine and utilize the least costly method for short-term borrowing. The City may issue short-term debt when there is a defined repayment source or amortization of principal, subject to the following policies:

i) **Bond Anticipation Notes** (BANs) may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs shall mature not more than 3 years from the date of issuance. BANs shall mature within 6 months after substantial completion of the financed facility.

ii) **Tax and Revenue Anticipation Notes** (TRANs) shall be issued only to meet projected cash flow needs to better match the timing of revenues and expenditures, including prepayment of the City's retirement obligations to PERS. Tax-exempt TRANs will be issued only if there is a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS requirements and limitations.

iii) **Lines of Credit** or other bank credit facilities shall be considered as an alternative to other short- term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.

iv) **Other Short-Term Debt**, including commercial paper notes, may be used.

C) **Lease-Purchase Debt.** Lease-purchase debt, including certificates of participation, shall be considered as an alternative to long-term vendor leases. Such debt shall be subject to annual appropriation. In order to reduce the cost of lease borrowing and to improve control over leases, the City may adopt a master lease program.

D) **Variable Rate Debt.** To maintain a predictable debt service burden, the City will typically give preference to debt that carries a fixed interest rate. Variable rate debt, which is synthetically fixed, shall be considered fixed rate debt through the maturity of the swap. The City, however, may consider unhedged variable rate debt in certain instances, such as:

i) High Interest Rate Environment. Current interest rates are above historic average trends, and the benefits of the lower current variable interest rate justifies the risk of rates rising further. Such debt can be easily refunded once interest rates are lower.

ii) Variable Revenue Stream. The revenue stream for repayment is variable and is anticipated to move in the same direction as market-generated variable interest rates, or the dedication of revenues allows capacity for variability.

iii) Adequate Safeguards Against Risk. Financing structure and budgetary safeguards are in place to prevent adverse impacts from interest rate shifts; such structures could include, but are not limited to, interest rate swaps, interest rate caps and the matching of assets and liabilities.

iv) As a Component to Synthetic Fixed Rate Debt. Variable rate bonds may be used in conjunction with a financial strategy, which results in synthetic fixed rate debt. Prior to using synthetic fixed rate debt, the City shall certify that the interest rate cost is lower than traditional fixed rate debt.

v) Variable Rate Debt Capacity. Consistent with rating agency guidelines, the percentage of variable rate debt outstanding (not including debt which has been converted to synthetic fixed rate debt) shall be hedged by cash flow liquidity.

E) **Special Limited Obligations.** Special limited obligations are issued by the City to make proceeds available to finance the acquisition, construction, and/or improvement of capital assets and/or environmentally sustainable projects. The obligations represent special limited obligations of the City. Formation of a Community Facilities Districts ("CFD") may be initiated by a petition of one or more property owners or by the City through a resolution adopted by the City Council. On June 17, 2015, the City adopted Resolution No. 85664 C.M.S. the Local Goals and Policies for Special Assessment and Mello-Roos Community Facilities District Financing (the "Local Goals and Policies"). The Local Goals and Policies is intended to provide guidelines for formation and financing.

Mello-Roos community facilities districts ("CFDs")

The Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") was enacted by the State to help growing areas finance certain essential public facilities that typically accompany major development projects. The Mello-Roos Act permits a public agency to create a defined area within its jurisdiction and, by a two-thirds majority vote of the registered voters within the district (or, if there are fewer than 12 registered voters, through a landowner vote), levy a special tax within the district to pay directly for public improvements or services, or pay debt service on bonds issued to finance improvements. Any bonds issued by the CFD are secured by the special tax on the real property within the district.

Assessment District Financing

The Municipal Improvement Act of 1913 provides for a local agency to form an Assessment District to finance certain infrastructure, including roadways, water and sewer facilities, storm drains, and other improvements often required in connection with new development. Assessment Districts formed under this Act may also finance, but in very limited circumstances, maintenance services. Assessment Districts may also be formed to provide for, among other things, the undergrounding of overhead utility lines or the abatement of hazardous geological conditions, upon a successful petition signed by owners of property who want the improvement.

An Assessment District must include all properties that will benefit directly from the improvements to be constructed, and formation of the district requires an election in which at least 50% of property owners vote in favor of the district. If an Assessment District is formed, the City may levy assessments that can be utilized to directly finance the public improvements, or may be pledged to support debt service on bonds, which may be issued under the Improvement Bond Act of 1915. The assessments that are levied upon each parcel must be based upon the direct and special benefit received by the property.

F) **Other Obligations.** There may be special circumstances when other forms of financing are appropriately utilized by the City. The Treasurer will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, pension obligation bonds, long-term concession agreements, and non-enterprise revenue bonds.

4) Terms and Conditions of Bonds

The City shall establish all terms and conditions relating to the issuance of bonds, and will control, manage, and invest all bond proceeds. Unless otherwise authorized by the City, the following shall serve as bond requirements:

A) **Term.** All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event greater than thirty years unless otherwise beneficial.

B) **Capitalized Interest.** Certain types of financings such as lease-secured financings may require the use of capitalized interest from the issuance date until the City has beneficial use and occupancy of the financed project. Interest shall not be funded (capitalized) beyond a period of three years, or a shorter period if further restricted by statute. The City may require that capitalized interest on the initial series of bonds be funded from the proceeds of the bonds. Interest earnings may, at the City's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized.

C) **Debt Service Structure.** Debt issuance shall be planned to achieve relatively rapid repayment of debt while still matching debt service to the useful life of facilities. The City shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to levelize total debt service when considering existing debt.

D) **Call Provisions.** In general, the City's securities will include a call feature, which is no later than 10 years from the date of delivery of the bonds. The City will avoid the sale of non-callable bonds absent careful evaluation by the City of the value of the call option.

E) **Original Issue Discount.** An original issue discount will be permitted only if the City determines that such discount results in a lower true interest cost on the bonds and that the use of an original issue discount will not adversely affect the project identified by the bond documents.

F) **Deep Discount Bonds.** Deep discount bonds may provide a lower cost of borrowing in certain markets. The City will carefully consider their value and effect on any future refinancings as a result of the lower-than-market coupon.

G) **Derivative Structures.** When appropriate, the City will consider the use of derivative structures as a hedge against future interest rate risk and as a means for increasing financial flexibility. The City will avoid the use of derivative structures for speculative purposes. The City will consider the use of derivative structures when it is able to gain a comparative borrowing advantage of ten or more basis points and is able to reasonably quantify and understand potential risks.

The City shall not use derivative structures for the sole purpose of generating operating or capital proceeds, without a determination that such structure will accrue interest rate and borrowing costs benefits for the City. Aside from the current outstanding 1998 Swap, the City has placed a moratorium on any future use of Swaps in connection with debt financing.

H) **Multiple Series.** In instances where multiple series of bonds are to be issued, the City shall make a final determination as to which facilities are of the highest priority and those facilities which will be financed first, pursuant to funding availability and the proposed timing of facilities development, and which will generally be subject to the earliest or most senior lien.

5) Credit Enhancements

The City will consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when a clearly demonstrable savings can be shown shall enhancement be considered. The City will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancement.

A) **Bond Insurance.** The City shall have the authority to purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds.

i) **Provider Selection.** The Treasurer or designee will solicit quotes for bond insurance from interested providers, or in the case of a competitive sale submit an application for pre-qualification on insurance. In a negotiated sale, the City Administrator or designee and/or the Treasurer or designee shall have the authority to select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the City. The winning bidder in a competitive sale will determine whether it chooses to purchase bond insurance for the issue.

B) Debt Service Reserves. When required to secure the lowest net cost of funds, a reserve fund equal to no greater than the least of ten percent (10%) of the original principal amount of the bonds, one hundred percent (100%) of the maximum annual debt service, and one hundred and twenty five percent (125%) of average annual debt service, or, if permitted, 10 percent (10%) of par value of bonds outstanding (the "Reserve Requirement") shall be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies.

The City may purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous. Such equivalents shall be evaluated in comparison to cash funding of reserves on a net present value basis.

C) **Letters of Credit.** The City may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous, such as to provide liquidity when the City issue variable rate bonds and commercial paper. The City Administrator or designee and/or the Treasurer or designee shall prepare (or cause to be prepared) and distribute to qualified financial institutions as described in paragraph 2 below, a request for qualifications or proposal which includes terms and conditions that are acceptable to the City.

i) **Provider Selection.** Only those financial institutions with long-term ratings greater than or equal to that of the City or short-term ratings of VMIG 1/A-1/F1, by Moody's Investors Service, Standard & Poor's Ratings Services or Fitch Ratings, respectively, may be solicited.

ii) **Selection Criteria.** The selection of LOC providers will be based on responses to a City-issued request for qualifications; criteria will include, but not be limited to, the following:

- Ratings at least equal to or better than the City's
- Evidence of ratings (including "Outlook")
- Trading value relative to other financial institutions

- Terms and conditions acceptable to the City; the City may provide a term sheet along with the request for qualifications to which the financial institution may make modifications
- Representative list of clients for whom the bank has provided liquidity facilities
- Fees, specifically, cost of LOC, draws, financial institution counsel and other administrative charges

6) Refinancing Outstanding Debt

The Treasurer or designee shall have the responsibility to analyze outstanding bond issues for refunding opportunities that may be presented by underwriting and/or municipal advisory firms. In most cases, the goal of refunding or restructuring the debt portfolio is to reduce the City's annual debt service obligations. The Treasurer or designee will consider the following issues when analyzing possible refunding opportunities:

A) **Debt Service Savings.** The City establishes a minimum savings threshold goal of three percent (3%) of the refunded bond principal amount or at least $500,000, whichever is less, in present value savings (including foregone interest earnings on invested reserves) unless there are legal or restructuring reasons for defeasance. Refundings which produce a net savings of less than three percent (3%) will be considered on a case- by-case basis. The present value savings will be net of all costs related to the refinancing. The decision to take savings on an upfront or deferred basis must be explicitly approved by the City Administrator or designee, or the Treasurer or designee.

B) **Restructuring.** The City will refund debt when in its best interest to do so. Refundings may include restructuring to meet unanticipated revenue expectations, terminate swaps, achieve cost savings, mitigate irregular debt service payments, release reserve funds, or remove unduly restrictive bond covenants.

C) **Term of Refunding Issues.** The City may refund bonds within the term of the originally issued debt. However, the City may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The City may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

D) **Escrow Structuring.** The City shall utilize the least costly securities available in structuring refunding escrows. The City will examine the viability of an economic versus legal defeasance on a net present value basis. A certificate will be required from a third-party agent who is not a broker-dealer, stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations ("SLGS"), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or municipal advisor sell escrow securities to the City from its own account.

E) **Arbitrage.** Arbitrage regulations apply to all of the City's tax-exempt financings. The City shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refundings. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

7) Methods of Issuance

The City will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. General Obligation Bonds and Tax and Revenue Anticipation Notes will be issued on a competitive basis unless otherwise determined on a case-by-case basis that a negotiated sale is the most advantageous.

A) **Competitive Sale.** In a competitive sale, the City's bonds shall be awarded to the bidder providing the lowest bid as long as the bid adheres to the requirements set forth in the published official notice of sale.

B) **Negotiated Sale.** In a negotiated sale, the terms and price are negotiated by the City and the selected underwriter(s). The City recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the City shall assess the following circumstances:

- Bonds issued as variable rate demand obligations
- A complex structure which may require a strong pre-marketing effort
- Size of the issue which may limit the number of potential bidders
- Market volatility is such that the City would be better served by flexibility in timing its sale in changing interest rate environments

C) Private Placement. From time to time the City may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the City relative to other methods of debt issuance.

D) Conduit Debt Issuance. The City's may assist non-profit organizations in securing conduit financing through agencies such as California Statewide Community Development Authority, the California Municipal Finance Authority, or various authorities created by the State. Conduit Debt limitations may reflect the right of the issuing Government to approve the borrower's creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the Government or marketability of the Government's own direct debt.

The City may issue conduit revenue bonds that are not a debt or obligation of the City itself but are obligations of a private borrower. No funds of the City will be pledged to or made available for the repayment of any conduit bonds; Conduit debt is not a liability of the City. This arrangement is typically used for a qualified non-profit organization and multi-family housing projects. Notwithstanding other credit requirements of the City, such conduit revenue bonds may be issued and sold with or without a credit rating, provided that for any bond with a rating lower than "A", the following conditions shall be met:

- Bonds shall be issued only in denominations of not less than two-hundred and fifty thousand dollars;

- Bonds shall be eligible for purchase only by "qualified institutional buyers" as defined in Rule 144A of the Securities Act of 1933;

- Bonds shall be sold only to buyers who execute a standard form investor letter containing, among other things, representations of the buyer as sophistication as an investor and its familiarity with the transaction.

The role of the City in these instances is to hold a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing. This Act requires the local legislative body of the local agency in which the project is located to notice and conduct a public hearing. Request for a TEFRA hearing is made to the Treasury Bureau, who will schedule the matter. The Treasury Bureau holds this hearing to allow for the public to voice any objections to the proposed project financing. If no objection received during the hearing, the Mayor may approve the financing by executing the TEFRA Approval Certificate.

E) **Issuance Method Analysis.** The City shall evaluate each method of issuance on a net present value basis.

F) **Feasibility Analysis.** Issuance of self-supporting revenue bonds will be accompanied by a finding that demonstrates the projected revenue stream's ability to meet future debt service payments.

G) **Reporting to California Debt and Investment Advisory Commission (CDIAC).** State law requires any state or local government debt issuer to provide to CDIAC (1) a report of the proposed issuance no later than 30 days prior to the sale of any debt issue, (2) a report of final sale no later than 21 days after the sale, and (3) an annual report for any issue of debt for which the issuer has submitted a report of final sale.

8) Market Relationships Debt Administration

A) **Rating Agencies and Investors.** The City Administrator or designee and/or the Treasurer or designee shall be responsible for maintaining the City's relationships with the rating agencies rating its bonds. The City may, from time to time, choose to deal with only one or two of these agencies as circumstances dictate. In addition to general communication, the City Administrator or designee, the Treasurer or designee and the Budget Administrator shall: (1) meet with credit analysts when requested, and (2) prior to each competitive or negotiated sale of bonds for which the City seeks a rating, offer conference calls with agency analysts in connection with the planned sale.

B) **Continuing Disclosure.** The City shall remain in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within nine (9) months of the close of the fiscal year. The inability to make timely filings must be disclosed and would be a negative reflection on the City. While also relying on timely audit and preparation of the City's annual report, the Treasurer or designee will ensure the City's timely filing with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") repository or the designated repository at the time of reporting.

C) **Rebate Reporting.** The use of bond proceeds and their investments must be monitored to ensure compliance with arbitrage restrictions. Existing regulations require that issuers calculate annual rebates, if any, related to each bond issue, with rebate, if due, paid every five years. Therefore, the Treasurer or designee shall ensure that proceeds and investments are tracked in a manner that facilitates accurate calculation, calculations are completed, and rebates, if any, are made in a timely manner.

D) **Other Jurisdictions.** From time to time, the City will issue bonds on behalf of other public or private entities ("conduit" issues). While the City will make every effort to facilitate the desires of these entities, the Treasurer or designee will ensure that the highest quality financings are done, and that the City is insulated from all risks.

E) **Record-Keeping.** All debt related records shall be maintained within the Treasury Bureau. At a minimum, this repository will include all official statements, bid documents, ordinances, indentures, trustee reports, leases, etc., for all City debt. To the extent that official transcripts incorporate these documents, possession of a transcript will suffice (transcripts may be in hard copy or stored on CD- ROM). The Treasury Bureau will maintain all available documentation for outstanding debt and will develop a standard procedure for archiving transcripts for any new debt.

F) **Internal Control Procedures.** The City shall implement internal control procedures to ensure that the proceeds of bonds and debt issuance are directed to the intended use. When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The Treasury Bureau will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings under SEC Rule 15c2-12,
- Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- The Issuer's investment policies as they relate to the investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee, fiscal agent, or escrow agent which will disburse such proceeds to or upon the submission of one or more written requisitions by the Director of Finance or his/her designee, or (b) in those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, proceeds shall be held and accounted for in a separate fund or account. The City shall retain records of expenditures of proceeds through the final payment date for the debt.

G) **Rebate Policy and System.** The City will accurately account for all interest earnings in debt-related funds. These records will be designed to ensure that the City is in compliance with all debt covenants, and with State and Federal laws. The City will maximize the interest earnings on all funds within the investment parameters set forth in each respective indenture. The City will calculate and report interest earnings that relate to Internal Revenue Code rebate, yield limits, and arbitrage.

9) Fees

The City will charge an administrative fee equal to direct costs plus indirect costs as calculated by the City's OMB A87 model to reimburse its administrative costs incurred in debt issuance on behalf of other governmental entities.

10) Consultants

The City shall select its primary consultant(s) by competitive process through a Request for Proposals (RFP), however, if there are unforeseen events that necessitate immediate action including but not limited to redemption, defeasance, or restructuring to prevent the City from experiencing further losses, the City Administrator or designee and/or the Treasurer or designee can select a consultant without using the RFP process. In addition, the City should be encouraged to use local and disadvantaged banks and financial firms, when possible.

A) **Selection of Financing Team Members.** Final approval of financing team members will be provided by the City Council.

i) **Selection of Underwriter:** For any issue of debt, financing or debt instrument issued through negotiated sale, the City shall select the underwriter through a request for proposal process, when appropriate. The request for proposal will be distributed to qualified candidates to determine the level of experience as well as fees in the proposed type of financing.

(a) **Senior Manager Selection.** The Treasurer or designee shall recommend to the City Administrator or designee the selection of a senior manager for a proposed negotiated sale. Solicited or unsolicited proposals or statements of qualifications will be used to determine the selection and appointment of the senior managers and co-managers on the debt issuances. The criteria for selection as reflected in the RFP or RFQ shall include but not be limited to the following:

- The firm's ability and experience in managing similar transactions
- Prior knowledge and experience with the City
- The firm's willingness to risk capital and demonstration of such risk
- The firm's ability to sell bonds
- Quality and experience of personnel assigned to the City's engagement
- Financing plan presented

(b) **Co-Manager Selection.** Co-managers will be selected on the same basis as the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the City's bonds.

(c) **Selling Groups.** The City may establish selling groups in certain transactions. To the extent that selling groups are used, the City Administrator or designee and/or the Treasurer or designee at his or her discretion, may make appointments to selling groups from within the pool of underwriters or from outside the pool, as the transaction dictates.

(d) **Underwriter's Discount.** All fees and allocation of the management fee will be determined prior to the sale date; a cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Treasurer or designee. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

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(e) **Evaluation.** The City and/or Municipal Advisor will evaluate each bond sale after its completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits.

(f) **Syndicate Policies.** For each negotiated transaction, syndicate policies will be prepared that will describe the designation policies governing the upcoming sale. The Treasurer or designee or Municipal Advisor shall ensure receipt of each member's acknowledgement of the syndicate policies for the upcoming sale prior to the sale date.

(g) **Designation Policies.** To encourage the pre-marketing efforts of each member of the underwriting team, orders for the City's bonds will be net designated, unless otherwise expressly stated. The City shall require the senior manager to:

- Equitably allocate bonds to other managers and the selling group
- Comply with MSRB regulations governing the priority of orders and allocations
- Within ten working days after the sale date, submit to the Treasurer or designee a detail of orders, allocations and other relevant information pertaining to the City's sale

(h) **Selection of Underwriter's Counsel.** In any negotiated sale of City debt in which legal counsel is required to represent the underwriter, the appointment will be made by the lead underwriter.

ii) **Selection of Municipal Advisor:** The City shall conduct a request for qualifications from potential candidates every three years to establish a pool of qualified municipal advisors for each of the following areas:

The City Administrator or designee and/or the Treasurer or designee will make recommendations for municipal advisors and the City shall utilize the services of qualified applicants in the pool on a rotational basis, as applicable, for any issue of debt, financing or debt instrument.

Selection of the City's municipal advisor(s) and municipal advisor pool shall be based on, but not limited to, the following criteria:

- Experience in providing consulting services to complex issuers
- Knowledge and experience in structuring and analyzing complex issues
- Experience and reputation of assigned personnel
- Fees and expenses

B) **Municipal Advisory Services.** Municipal advisory services provided to the City shall include, but shall not be limited to the following:

- Evaluation of risks and opportunities associated with debt issuance
- Monitoring marketing opportunities
- Evaluation of proposals submitted to the City by investment banking firms
- Structuring and pricing
- Preparation of request for proposals for other financial services (trustee and paying agent

services, printing, credit facilities, remarketing agent services, etc.)
- Advice, assistance and preparation for presentations with rating agencies and investors
- Assist in the preparation and review of legal and financing documents in coordination with the financing team in connection with the financing

C) Bond Counsel Services. City debt will include a written opinion by legal counsel affirming that the City is authorized to issue the proposed debt, that the City has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues. The City will then make recommendations to the City Attorney's Office where they will review the recommendations. Compensation will vary based on the complexity of the transaction.

D) Disclosure Counsel Services. For all public sales of debt, the City will retain the services of disclosure counsel to prepare the official statement. The Finance Director/Treasurer will also determine whether to select another law firm to provide the services of disclosure counsel, or to assign such duties to bond counsel.

E) Disclosure by Financing Team Members. All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm's ability to provide independent advice which is solely in the City's best interests, or which could reasonably be perceived as a conflict of interest.

F) Conflicts of Interest. The City also expects that its municipal advisor will provide the City with objective advice and analysis, maintain the confidentiality of City financial plans, and be free from any conflicts of interest.

HISTORY

- Debt Policy
  Resolution No. 89833 C.M.S., adopted by City Council on July 18, 2023

- Local Goals and Policies for Land-Secured Financing
  Resolution No. 85664 C.M.S., adopted by City Council on June 17, 2015

Rating Scale:

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA−		AA−			
A1		A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-2	A−	A-2	A−	F2		
Baa1		BBB+		BBB+		Lower medium grade	
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB−		BBB−			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade aka high-yield bonds aka junk bonds
Ba2		BB		BB			
Ba3		BB−		BB−			
B1		B+		B+		Highly speculative	
B2		B		B			
B3		B−		B−			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC−				Default imminent with little prospect for recovery	
Ca		CC					
		C					
C		D	/	DDD	/	In default	
/				DD			
				D			

Financial Reporting

OBJECTIVE

The City shall maintain clear, accurate, and understandable financial reporting that provides accountability and transparency for all components of the City's financial affairs and ensures compliance with applicable statutory and other regulatory requirements. The City's financial reports must meet requirements established by applicable governmental regulatory organizations. The GFOA recommends establishment of a financial reporting policy that endorses key accounting principles and that ensures external audits are property performed.

POLICIES

1) Accounting Practices

The City shall establish and maintain Citywide accounting practices that conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

2) Financial Reporting

A) Annual Comprehensive Financial Report (ACFR)

The City shall prepare an Annual Comprehensive Financial Report (ACFR) each fiscal year in accordance with GAAP, GASB and state and federal regulations. The report must also meet the requirements of the Governmental Finance Officers' Association's Certificate of Achievement of Excellence in Financial Reporting. The City shall strive to present financial reports following best practices.

B) Annual Financial Audit (Single Audits)

The City shall contract with a qualified independent certified public accounting firm to perform an annual financial and compliance audit of the City's financial statements. The firm's opinions must be presented in the City's ACFR and the Single Audit Report.

C) Revenue and Expenditure Reports

The City shall prepare quarterly Revenue and Expenditure (R&E) reports detailing the City's year-to-date actuals and year-end projected revenues and expenditures for the General Purpose Fund (GPF) and may include select Non-General Purpose funds. The values are presented on a combination of cash and modified accrual basis. These reports should include a comprehensive analysis of revenue by category and expenditures by City department for the

GPF, as well as fund balance projections for the GPF and select Non-GPF funds.

The R&E reports are to be presented as independent reports to the Finance and Management Committee (FMC) and published no later than 75 days following the financial close of each quarter, with the exception of the Fourth Quarter report, which shall be consolidated and presented concurrently with the following year's first quarter report.

D) Cash Management Report

The City shall prepare quarterly Cash Management Report summarizing the characteristics of the investment portfolios for the quarter. The Cash Management Report is to be presented to the Finance and Management Committee (FMC) and scheduled within 45 days following the end of the quarter covered by the report, with the exception of City Council's summer recess, the quarterly cash management report for the period ending June 30 will be deemed timely so long as the City Administrator submits the report to the City Clerk by the following September for scheduling to a City Council or a City Council committee meeting.

E) Annual Continuing Disclosure Report

The City shall remain in compliance with Rule 15c2-12 by filing an annual continuing disclosure report with its annual financial statements and other financial and operating data for the benefit of its bondholders within nine (9) months of the close of the fiscal year to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") repository.

F) Retirement Plans Reports

i) Police and Fire Retirement Systems (PFRS) Report

The City shall prepare quarterly Investment Performance Report provided by the Oakland Police and Fire Retirement System (PFRS) Investment Consultant that summarizes the performance of PFRS investment portfolio. In addition, on an annual basis an Actuarial Valuation Report is presented to provide the actuarial funding status and projected City's contribution to PFRS.

ii) CalPERS

The City shall prepare an informational report summarizing the liability to the CalPERS retirement system within 75 days of publishing from CalPERS.

G) Grants Report

The City shall prepare an annual informational report detailing the grant awards that are appropriated midyear, and the status of pending grant applications.

H) Contracts Authority Report

The City shall prepare an annual informational report listing all purchases and contracts authorized by the City Administrator, within the City Administrators' contract authority.

l) Status of Negative Funds

The City shall prepare an annual informational report on the status of citywide negative funds.

3) Availability of Reports to the Public

The City's financial reports will be posted on the City's website and made available for public inspection.

HISTORY

- None.

Other Post-Employment Benefits (OPEB) Funding

OBJECTIVE

The purpose of the City's Other Post-Employment Benefits (OPEB) Funding Policy is to set forth the City's overall OPEB funding and benefit goals, the benchmarks that will be used to measure progress, and the methods and assumptions that will be used to develop and maintain these benchmarks.

POLICIES

1) OPEB Program Goals

The primary objectives of the City's overall OPEB program goals are to provide benefits that are:

- Affordable in the near-term, without crowding out the City's capacity to deliver quality services to the public or to provide reasonable salary increases to active employees;
- Sustainable over the long-term, ensuring that benefits will be secure and reliable for career employees throughout retirement, with substantial intergenerational equity for taxpayers regarding the funding of benefit costs; and
- Competitive, to support effective recruitment and retention of a strong municipal workforce.

The specific elements of this funding policy are intended to provide a balanced approach for addressing these goals within the parameters of the City's resources.

2) OPEB Funding Goals

The City of Oakland funds OPEB in two primary ways.

A) Explicit Subsidy

First, the City provides a benefit payment to eligible City retirees that is used to offset some or all of the cost of participation in health coverage. Prior to attaining Medicare eligibility, City retirees participate in the same health plans offered to active employees, and parallel plans integrated with Medicare are provided for retirees who have reached the age of Medicare eligibility. The City's benefit payment toward coverage in these plans is referred to in accounting terms as an explicit subsidy because it is structured as a contribution toward the stated premium costs for these plans.

To fund the explicit subsidy, the City participates in an irrevocable Section 115 Trust (hereinafter "OPEB Trust"). The objective in providing employer contributions to this OPEB Trust is to accumulate sufficient assets during a member's period of active employment to fully finance the benefits the member receives throughout retirement. Toward this objective, the City establishes the following OPEB Trust funding and related goals:

- Maintain a stable or increasing ratio of trust assets to accrued liabilities, with the goal of reaching a 100% funded ratio (full funding) for all explicit subsidy benefits. For this purpose, the funded ratio is defined as the actuarial value of trust assets divided by the trust's actuarial accrued liability for explicit subsidy benefits.

- Develop a pattern of stable and regular contribution rates when expressed as a percentage of member payroll as measured by valuations prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board, ultimately reaching a minimum employer contribution level at least equal to the Actuarially Determined Contribution (ADC) associated with explicit subsidy benefits.

- Manage the cost of benefits through labor-management partnership and collective bargaining to reach and maintain an affordable and sustainable level of coverage.

B) Implicit Subsidy

Second, the City also provides an implicit subsidy toward retiree medical coverage. This cost to the City results from the pooled approach to the health plans in which the City participates administered by the California Public Employees' Retirement System (CalPERS) pursuant to the Public Employees' Medical & Hospital Care Act (PEMHCA). Under these PEMHCA plans, the same rates are charged for active and retired employee participants on a blended basis. In turn, because the underlying cost for retirees, on average, will be higher than the underlying costs for active employees, this blended CalPERS rate effectively leads to a subsidy of the true costs for retirees in the aggregate. This implicit subsidy takes the form of the higher payments by the City for active employee premiums than would otherwise be required if retirees were not covered under the same PEMHCA pool with blended rates. As of the initial 2 adoption of this OPEB Funding Policy, PEMHCA does not offer the option of using separate rates for active employees and retirees, such that this implicit subsidy is unavoidable under the PEMHCA program.

For any implicit subsidy, the City's objective will be to ensure that combined employer and employee/retiree contributions are made in full for annual premiums, such that this funding requirement will consistently be met on a yearly basis.

3) Benefit Program

The City's goal is to provide an affordable, sustainable, and competitive level of retiree healthcare benefits for career employees.

A) Labor-Management Partnership

Specific benefit structures are subject to collective bargaining for represented employees, and the City respects the negotiation process and values its labor-management partnerships.

In parallel with each biennial OPEB actuarial valuation, and in advance of any rounds of collective bargaining, the City should seek to review its retiree healthcare benefits relative to offerings among other Bay Area governments and large California cities.

As retiree healthcare benefits are periodically reviewed and renegotiated, the following principles will serve as guidelines for pursuit of any adjustments:

- Until the City's OPEB Trust is fully funded, the affordability and sustainability of the City's retiree medical benefits offerings will be evaluated on the basis of whether the City's ADC for explicit subsidy benefits can be fully funded with a combination of full Pay-Go Funding ("pay-go") plus a supplemental employer contribution of no higher than 2.5% of payroll.

- Periodic adjustments to benefits will be pursued as required to ensure full funding and plan sustainability under the terms of this policy. If the ADC for explicit subsidy benefits exceeds pay-go costs plus a supplemental City payment of 2.5% of payroll, then the City will seek to negotiate approaches to modify benefits to close this sustainability gap. Among the potential approaches for closing this gap, the City may pursue retiree benefit modifications and/or contributions toward future OPEB coverage from active employees.

- The City will also seek to negotiate reopeners for retiree health care benefits in any year during which the trigger outlined in Section 4(c) below is met for waiving or deferring supplemental City OPEB contributions beyond pay-go.

- Any proposed OPEB changes shall be accompanied by an actuarial valuation projecting the impact on the ADC, funded ratio, and overall OPEB actuarial liability.

B) CalPERS Policies and Practices

The City will also partner with its employee groups' representatives to explore and potentially advocate for appropriate policy changes by CalPERS, to the extent the City continues to provide retiree healthcare benefits through the CalPERS system. Such policy changes may include but are not limited to the development of plan design changes that do not incur penalty costs under the Affordable Care Act, and the separation of rates for active and retiree healthcare plans to eliminate the implicit subsidy.

4) Funding Policy for Sustainable Benefits

A) Pay-Go Funding

At a minimum, the City will fully fund its pay-go commitments to eligible retirees and beneficiaries for the benefits they receive each year, inclusive of any implicit subsidy resulting from the blending of active and retiree healthcare rates.

B) OPEB Trust Funding

The City will continue to make contributions to its OPEB Trust. Once full funding has been achieved on an actuarially sound basis, and as full funding is sustained thereafter, all explicit subsidy payments on behalf of retirees and beneficiaries shall be made from the Trust, with the City also contributing the full ADC associated with explicit subsidy payments each year to ensure the continued health and sustainability of the Trust. Once full funding of the explicit subsidy is achieved, the annual City contribution will represent the actuarial normal cost for the explicit subsidy benefits, reflecting the dollars required to be set aside on a current basis so that active members' benefits will be fully funded upon retirement.

Until the Trust is 100% funded for explicit subsidy benefits, the City will make contributions in excess of the annual pay-go cost for current retirees and beneficiaries toward achieving full funding, under the policy outlined below.

i) Beginning in FY2020, the City will contribute an additional 2.5% of payroll above pay-go into the OPEB Trust on an annual basis until the liability associated with the explicit subsidy is fully funded.

ii) Consistent with Section 3(a) of this policy, If the sum of annual pay-go costs plus the supplemental contribution as outlined above is less than the ADC for explicit subsidy payments in that same year, then the City will seek to negotiate benefit and/or employee contributions sufficient to close this sustainability gap.

For the purposes of the above calculations, the ADC will be calculated with regard to retiree benefits exclusive of future implicit subsidy payments, as the City is committed to funding the implicit subsidy component of the OPEB liability on an ongoing basis through its general employee healthcare rates.

C) OPEB Trust Funding Adjustments

In addition to the above annual contributions, the City will continue to make further one-time contributions to the OPEB Trust when Excess Real Estate Transfer Tax (RETT) thresholds are met as provided in the City of Oakland Consolidated Fiscal Policy. This approach will help to build OPEB funding more rapidly, thereby improving plan stability and reducing future contribution requirements.

In the event of a severe economic downturn, the City will seek to continue the above payment structure in full, but, if authorized via Council Resolution, may temporarily reduce or defer its supplemental payments above pay-go until the City's revenues have recovered.

For the purpose of this provision: a severe downturn shall be defined as a fiscal year in which aggregate General Purpose revenues are projected to be negative and/or less than 50% of forecast growth in the Consumer Price Index for the ensuring fiscal year; and recovery shall be defined as the next fiscal year following a fiscal year when General Purpose revenues are estimated to have again been positive and exceeded 50% of forecast growth in the Consumer Price Index. In no event shall the City draw down from its OPEB Trust to meet pay-go costs if the ADC is not made in full for that same fiscal year.

5) Actuarial Approach

A) Biennial Valuations

An OPEB actuarial valuation will be performed at least biennially.

B) Actuarial Method and Assumptions

The actuarial funding method used to develop the benchmarks will be the entry age normal actuarial cost method. Any unfunded liability will be amortized over a closed 30-year period. Other actuarial assumptions used will be those adopted by the City Finance Department based on the advice and recommendation of the OPEB actuary. The actuary shall investigate each system's experience at least every five (5) years and use the results of the investigation to form the basis for those recommendations, consistent with Actuarial Standards of Practice (ASOP) and Government Finance Officers Association (GFOA) guidance.

6) Transparency and Reporting

Funding of the City's OPEB program should be transparent to all stakeholders, including City employees, retirees, employee organizations, elected officials, and Oakland residents and taxpayers. In support of this transparency, the following information shall be available:

A) Report to City Council

When each actuarial valuation for the City's OPEB plan is completed, typically on a biennial basis, a copy shall be transmitted to City Council along with a Finance Department report regarding progress toward full funding of the plan and ADC, and overall advancement of this policy's OPEB plan goals of affordability, sustainability, and competitiveness.

B) Website Publication

These OPEB actuarial valuations and the City's Annual Comprehensive Financial Report (ACFR) shall be published on the City's website. The ACFR includes information regarding the City's OPEB plan, contributions to the OPEB Trust, and the funded status of the plan.

C) Budget Transparency

The City's annual operating budget shall include clear and specific appropriations for contributions to the OPEB Trust and pay-go costs.

7) Review of Funding Policy

Sustainable OPEB funding requires a long-term commitment. To ensure that adequate resources are being accumulated to meet the City's OPEB goals, the City will review this policy biennially in conjunction with completion of its OPEB actuarial valuations.

HISTORY

- OPEB Funding Policy
  - Resolution No. 87551 C.M.S., adopted by City Council on February 26, 2019

Glossary of Terms

Adverse Financial Condition - The first stage of financial uncertainty, when there is an actual or projected deficit that exceeds 5% (but less than 10%) of the current fiscal year's adopted budget, or in years when the City forecasts significant service reductions to existing service levels such that the implementation of a hiring freeze, or the enforcement of cost savings measures to prevent a significant decrease in essential services, are contemplated due to adverse financial conditions, and the use of the Vital Services Stabilization Fund "Rainy Day Fund" must be considered to maintain existing services. A significant decrease in essential services is defined as a level of reduction that may result in adjustments to service delivery methods, increased wait times, or minor disruptions to non-essential services, but essential services remain largely operational.

Extreme Fiscal Necessity - An intervening step of fiscal austerity, such as when total projected General Purpose Fund revenues will be less than the current year's revenues, where there is an actual or projected reduction in total General Purpose Fund revenues, or when expenditure growth dramatically outpaces revenue growth, or when there is an actual or projected deficit exceeding 10% of the current fiscal year's adopted budget. It is the lessor of a catastrophic situation, the City entity would need to suspend provisions of local laws related to enhanced public services, such as Maintenance of Effort provisions or to prevent a dramatic decrease in essential services, relating to health, safety, and welfare; in addition to the use of the Vital Services Stabilization Fund "Rainy Day Funds" , may include the suspension of Use of One-time Revenues policy, suspension of accelerated liability repayments, or layoffs to achieve cost savings must be considered, in order to sustain City Services, but short of accessing emergency reserve monies. A dramatic reduction is defined as more a pronounced decrease in City services characterized substantial disruptions or limitation in service availability which may result in layoffs, and service closures to essential services that lead to noticeable hardships for residents and businesses.

Fiscal Crisis or Fiscal Emergency - Generally, the last and most severe stage of a governmental entity's financial solvency problems an unusual, unanticipated and seemingly insurmountable event or hardship of the City, one such as a natural disaster, acts of god or war, public emergency, or other unforeseen catastrophic event requiring the use of Emergency Reserves to sustain the most basic operations of the General Purpose Fund and maintain basic public health and safety. The City may need to develop a financial plan to alleviate the financial crisis.

HISTORY

- Creating Definitions For The Increasingly Severe States Of "Adverse Financial Condition," "Extreme Fiscal Necessity," And "Fiscal Crisis Or Fiscal Emergency"
  - Resolution No. 89803 C.M.S., adopted by City Council on June 26, 2023