



AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Donna Hom
Budget Director

SUBJECT: FIVE-YEAR FINANCIAL FORECAST **DATE: March 22, 2013**

City Administrator
Approval

Date

3/22/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept this supplemental agenda report on the Five-Year Financial Plan for FY 2013-14 through FY 2017-18.

REASON FOR SUPPLEMENTAL REPORT

On February 26, 2013, the Finance and Management Committee received an informational report on the City's Five-Year Financial Plan. The presentation and discussion that followed provided a good opportunity to clarify the scope and intent of the report, which presents a forecast of the revenues, expenditures, and financial issues facing the City over a five-year horizon. The Committee accepted the report, forwarded it to the City Council, and asked staff to provide some limited additional information to be presented at the Special City Council meeting scheduled for April 2, 2013. The information requested by the Committee, as well as some additional information advanced by staff, is provided below.

ADDITIONAL INFORMATION REQUESTED BY COMMITTEE

Explain the difference between the General Fund revenue figures presented in the Comprehensive Annual Financial Report (CAFR) and the General Purpose Fund revenue figures presented in the five-year financial forecast.

The City's Comprehensive Annual Financial Report (CAFR) follows specific professional accounting rules that result in a presentation of different figures in some cases compared to the five-year financial forecast. The forecast, revenue and expenditure reports, and budget are usually reporting on the General Purpose Fund, an individual fund within a group of funds referred to as the general fund group. The CAFR is reporting on the general fund group of funds as a whole when it refers to "General." The difference in the property tax amount observed in the CAFR compared to the forecast is that the property tax figure in the CAFR includes all property taxes that flow to all general fund group funds, including for the pension override tax that flows directly into the Pension Override Tax Revenue fund, one of the general fund group funds

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reported in the CAFR, but separate from the General Purpose Fund reported in the forecast. The pension override tax is a property tax passed by Oakland voters specifically to provide a funding source to fund the City's closed Police and Fire Retirement System (PFRS) obligations. It is referred to as "override" because it overrides the property tax limit of 1% of assessed value imposed by Proposition 13, which included an exception for overrides to pay for indebtedness approved by voters prior to July 1, 1978. The difference between the figures in the CAFR and forecast is illustrated in the table below using FY 2007-08 data, the specific year about which a City employee labor group raised this reconciliation question.

Comparison of CAFR General Fund to Five-Year Financial Forecast General Purpose Fund Property Tax

Revenue Type	General Purpose Fund FY 2007-08 Property Tax	General Fund FY 2007-08 Property Tax (Rounded)	Difference Between Five-Year Financial Forecast Figure and CAFR Figure	Actual Pension Override Tax Revenue FY 2007-08
Value	\$131,744,660	\$201,765,000	\$70,020,340	\$70,020,948
Source	Five-year financial forecast, Table 8	Comprehensive Annual Financial Report (CAFR), FY 2007-08, Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds		City's Oracle financial system report of FY 2007-08 year end revenues for Pension Override Tax Revenue fund (1200)

Present a chart that illustrates the budgetary and service level impacts of different scenarios regarding the possible extension of local ballot measures, the Violence Prevention and Public Safety Act (Measure Y, 2004) and the Wildfire Prevention Assessment District.

The agenda report issued on November 15, 2012 regarding the five-year financial forecast included, as Attachment 2, a number of tables that illustrate the budgetary and service level impacts of different scenarios regarding the extension of Measure Y. Those tables are shown below. Measure Y raises approximately \$20 million of revenue per year through a combination of parking and parcel taxes. Of that, approximately \$14.5 million goes to police (63 officers) and fire services (two fire engine companies), and \$5.5 million goes to community grants. The five-year financial forecast assumed, conservatively, that Measure Y was not extended, but that the City continued to fund police and fire services out of the General Purpose Fund (GPF) based on current contract obligations. This assumption was made because it is completely subject to voter approval and not within the purview of the Council's authority to effectuate this revenue. As such, the loss of Measure Y funding but continuation of the related police and fire services paid for by the GPF creates a \$14.5 million annual shortfall in the GPF in future years relative to the continuation of Measure Y. If Measure Y is extended and the police and fire services and community grants are funded at current levels, there will be no net impact on the GPF. Note that as the forecasted surplus/ (shortfall) has been revised since the publication of the five-year

financial forecast, the budgetary impact shown below is relative to the revised “baseline” budget shortfall. The complete five-year revenue and expenditure forecast will be updated and published in the forthcoming budget proposal.

Five-Year Financial Plan, Fiscal Year (FY) 2013-14 to FY 2017-18

Assumptions: Police and fire activities cost \$14.5M; community grants \$5.5M; Measure Y funding totals \$20.0M; funding without extension is \$16.4M in FY 2014-15, \$0 thereafter. Sworn police staffing assumes two police academies per year, netting 32 officers as a result of 80 police academy graduates and attrition of 48.

Scenario 1 - Measure Y sunsets and all activities (police, fire, and community grants) discontinued

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	666*	698	730
Fire engine companies**	30	30	32**	30	30	30
Community programs	\$5.5M	\$5.5M	\$1.9M	\$0	\$0	\$0
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	-\$14.5M	-\$14.5M	-\$14.5M

* Loss of 63 Measure Y-funded officers, addition of 32 net academy graduates

** Two additional fire engine companies come back into service in FY 2014-15 due to the end of brown outs, a labor concession

Scenario 2 (FYFP baseline) - Measure Y sunsets, GPF supports police and fire, not community grants

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$1.9M	\$0	\$0	\$0
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M

Scenario 3 - Measure Y sunsets, GPF supports police, fire, and community grants

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	+\$3.6M	+\$5.5M	+\$5.5M	+\$5.5M

Scenario 4 - Measure Y extended by voters and all activities (police, fire, and community grants) continued

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	-\$14.5M	-\$14.5M	-\$14.5M

Note that there were no tables in the agenda report attachment regarding the Wildfire Prevention Assessment District. The assessment raises approximately \$1.8 million annually to support various fire prevention activities. The five-year financial forecast assumed, conservatively, that the district would not be extended, and assumed that the City would not continue to fund the related services through other means. So, the forecast assumes no revenues and no expenditures for the fire prevention activities. If the district is extended, then the City will have those additional revenues to match the service expenditures, and it will have no net impact on projected GPF or all funds surplus or shortfall.

Provide additional information on the General Purpose Fund revenues forecasted in the five-year financial forecast relative to the forecast presented by International Federation of Professional and Technical Engineers (IFPTE) Local 21 at the February 26, 2013 hearing.

At the February 26, 2013 hearing, Budget Office staff presented the five-year financial forecast. Based on data available when the forecast was constructed in summer 2012, staff estimated that FY 2017-18 General Purpose Fund (GPF) revenues would total \$465.5 million. During public comment at the hearing, representatives of International Federation of Professional and Technical Engineers (IFPTE) Local 21 presented an alternate forecast that projected FY 2017-18 GPF revenues totaling approximately \$495.0 million.

Budget Office staff reviewed Local 21's chart and supporting materials and met with Local 21 to discuss them. Analysis revealed that Local 21 had arrived at a higher forecast because it assumed a higher FY 2011-12 base level of ongoing revenue upon which it forecasted future levels. The FY 2011-12 Fourth Quarter Revenue and Expenditure Report showed that the City ended the fiscal year with GPF revenue of \$449.5 million, \$34.8 million higher than budgeted. The report noted that \$24.4 million of this \$34.8 million surplus was due to one-time payments and early recognition of revenue. Local 21 took the FY 2011-12 ending actual revenue of \$449.5 million, removed \$24.0 million of one-time, and used the resulting figure of \$425.5 million as the ongoing base, to which it applied the same annual growth rates used in the five-year financial forecast. Based on this approach, Local 21 estimated FY 2017-18 GPF revenues of \$494.9 million, considerably higher than the \$465.5 million forecasted in the five-year financial plan.

Although \$24.4 million of the \$34.8 million overage was one time, that was not the total one time in FY 2011-12's revenues. The total amount of one-time was \$48.0 million. When this entire amount is appropriately removed from the \$449.5 million total revenue, it creates a base of \$401.5 million of ongoing revenue. When that is escalated at the growth rates in the five-year financial forecast, it results in a FY 2017-18 forecast almost equal to that in the five-year financial forecast, \$465.5 million.

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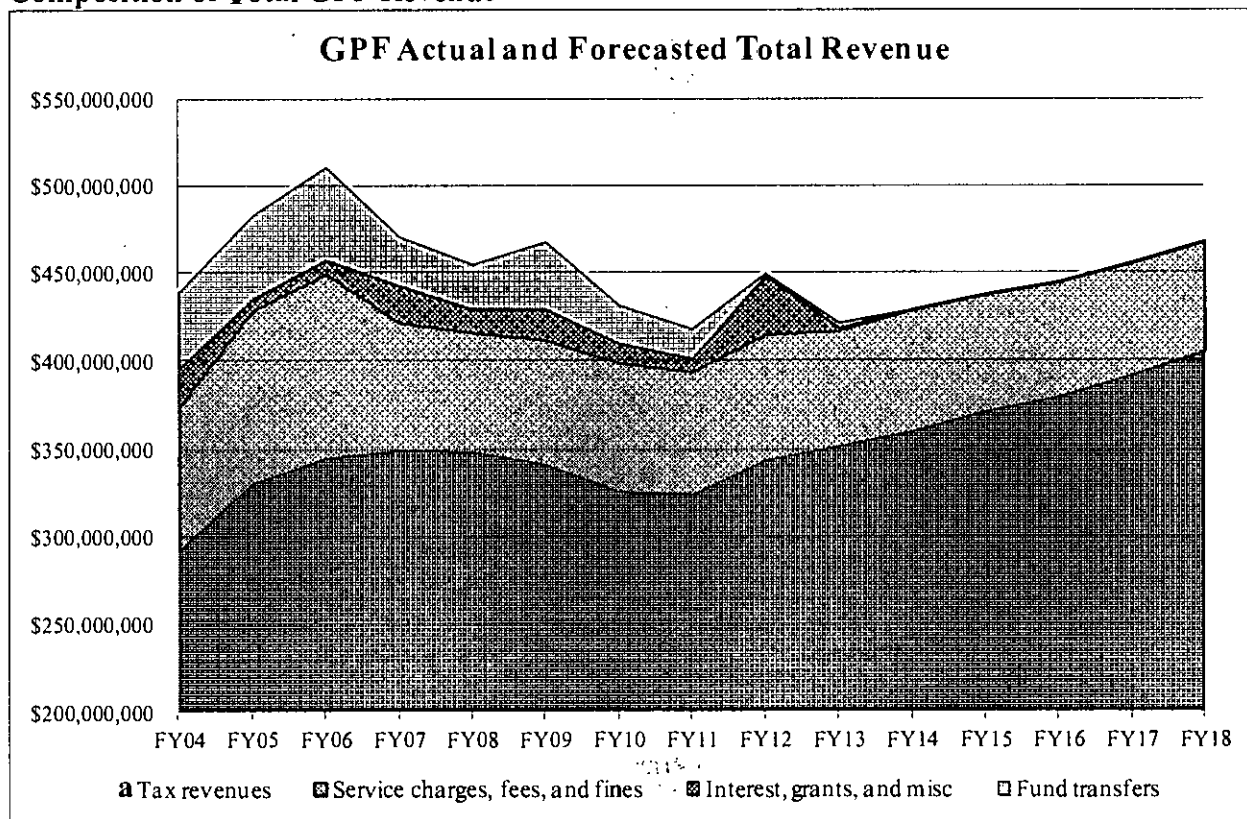
Explain why the total General Purpose Fund (GPF) revenues forecasted in the five-year financial forecast do not grow to match or exceed the levels of past fiscal years, despite the economic recovery.

A revised five-year forecast of GPF revenues and expenditures will be included in the forthcoming budget proposal. Expenditures will be forecasted using the proposed budget as the baseline. Forecasts become outdated as new information becomes available. We already know as a result of preparing the FY 2013-15 baseline budget that the revised expenditure forecast will be higher than that originally presented in the five-year financial forecast. We also expect that there will be changes in the revenue forecast.

One of the major reasons that recent GPF revenues and those forecasted for FY 2013-14 through FY 2017-18 have not achieved the same totals as those of FY 2004-05 and FY 2005-06, recent highs, is that a large share of budgeted GPF revenue in those years came from “fund transfers,” which are transfers from the positive balance of non-GPF funds into the GPF. For example, when GPF actual revenues totaled \$511 million in FY 2005-06, nearly \$54 million was from fund transfers. Similarly, when GPF revenues totaled \$468 million in FY 2008-09, nearly \$39 million of that revenue was from fund transfers. These transfers were in part comprised of transfers of fund balance from funds with positive balances, such as the internal service funds. This practice, borrowing from positive funds, was one of the causes of the negative fund balances the City now has. The City has stopped this practice of transferring resources from positive non-GPF funds into the GPF, and the five-year financial forecast projects \$0 in revenues from fund transfers during the forecast period, an appropriate budget practice. The chart below illustrates the role that fund transfers have historically played in supporting GPF expenditures.

The chart also illustrates that the five-year financial forecast is projecting steady growth in tax revenues (property tax, sales tax, business license tax, utility consumption tax, real estate transfer tax, transient occupancy tax, and parking tax), which are projected to be at their highest levels ever in FY 2012-13 and are projected to grow in subsequent years.

Composition of Total GPF Revenue



Present information on the timing and budgetary impact of achieving different Oakland Police Department staffing levels during the five-year forecast period (FY 2013-14 through FY 2017-18), including the following options:

1. Conduct no additional academies following the completion of the 168th in March 2014;
2. Maintain sworn staffing at the FY 2012-13 level;
3. Conduct one academy per year;
4. Conduct two academies per year;
5. Achieve 830 sworn (recent historical high), restore critical civilian staff, and implement civilianization to the maximum extent feasible; and
6. Reach 925 sworn (required to increase staffing of the patrol function to the level recommended in the department's Strategic Plan), restore critical civilian staff, and implement civilianization to the maximum extent feasible.

Given the critical importance of police staffing, the City Administrator's Budget Office and Controller's Office recently worked with the Police Department, Human Resources, Department

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of Information Technology, and Public Works Agency to jointly develop updated, thorough estimates of the cost of police academies and the one-time and ongoing costs of new officers. This information will be detailed in the soon forthcoming information memorandum entitled Police Officer Academy Costs.

Note that in addition to the costs presented in the Police Officer Academy Costs memorandum, the Police Department has also identified, based on a needs assessment associated with the development of the Five-Year Financial Plan, that it currently has staffing shortages in a number of civilian positions to support the current number of sworn staff and current service demands, totaling 56.00 FTE positions. This includes 15 Police Evidence Technicians; five Police Records Specialists; one Police Records Supervisor; two Criminalist IIs; two Criminalist IIIs; one Latent Fingerprint Examiner II; 17 Police Communications Dispatchers; three Police Communications Supervisors; and 10 Administrative Analyst IIs for business intelligence and crime analysis. The annual cost for these 56 staff will total approximately \$5.6 million in FY 2013-14. The department will fine tune these figures following the conclusion of the organizational assessment currently underway. In addition, if the number of officers is increased, new sworn supervisory and support staff would be needed to support the new officers, as shown below.

The costs presented below are relative to the expenditures in the FY 2013-15 baseline budget, which includes just the 168th police academy, which will begin in September 2013, and the ongoing costs of its graduates.

No Additional Academies Beyond 168th

The FY 2013-15 baseline budget includes just the 168th academy and the ongoing costs of its graduates. As such, the staffing and budgetary impacts of this scenario, no academies beyond the 168th, are the same as those presented in the baseline two-year budget, and shown below.

POLICE SWORN STAFF (ONE ACADEMY IN FY 2013-14, COSTS ABOVE BASELINE BUDGET)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	0	-48	-48	-48	-48	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	665	617	569	521	473	
Pre-Academy, Academy, and Field Training	\$0	\$0	\$0	\$0	\$0	\$0
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$0	\$0	\$0	\$0	\$0	\$0
GRAND TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

Maintain Sworn Staffing at the FY 2012-13 Level; Conduct One Academy Per Year

At a general, planning level, conducting one academy per year roughly offsets attrition, as the 40 graduates of a single academy roughly equates in the short run to the average annual attrition of about 48. As such, these two scenarios, maintaining current staffing levels and one academy per

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year, are combined for costing purposes. The resulting staffing levels and costs, above baseline, of a single academy per year, are shown in the table below. Note that there are no additional supervisory or support staff needed in future years, beyond the initial 56.00 FTE, as the size of the sworn staff is not increasing in this scenario.

POLICE SWORN STAFF (ONE ACADEMY PER YEAR, COSTS ABOVE BASELINE BUDGET)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	0	-8	-8	-8	-8	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	665	657	649	641	633	
Pre-Academy, Academy, and Field Training	\$1,119,983	\$3,937,238	\$5,368,351	\$4,218,814	\$3,869,003	\$18,513,388
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$0	\$4,532,906	\$3,358,900	\$11,656,901	\$20,391,972	\$39,940,678
GRAND TOTAL	\$1,119,983	\$8,470,144	\$8,727,250	\$15,875,714	\$24,260,975	\$58,454,066

56 ADDITIONAL SUPPORT STAFF

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

Conduct Two Academies Per Year; Achieve 830 Sworn

Conducting two academies per year is forecasted to result in 833 sworn staff by the end of the fifth year, plus 22 additional sworn supervisory staff. As such, these two scenarios, conducting two academies per year and achieving sworn staffing of 830, are combined for costing purposes. The associated staffing and costs above baseline are presented in the table below. Note that as the department adds sworn staff, it will need to add 22 sworn supervisory staff and 12 non-sworn support staff beyond the 56.00 FTE support staff needed to support FY 2013-14 staffing and service demand levels.

POLICE SWORN STAFF INCREASE TO 833 TOTAL (TWO ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	32	32	32	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	705	737	769	801	833	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$8,285,010	\$9,443,517	\$9,795,470	\$7,524,576	\$39,973,332
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$2,190,583	\$15,044,155	\$22,163,013	\$38,849,633	\$59,942,451	\$138,189,836
GRAND TOTAL	\$7,115,342	\$23,329,164	\$31,606,531	\$48,645,104	\$67,467,027	\$178,163,168

56 ADDITIONAL SUPPORT STAFF

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

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ADDITIONAL SWORN SUPERVISORY AND CIVILIAN STAFF TO SUPPORT NEW OFFICERS

Sworn Supervisory Staff (Sergeants and Lieutenants) to Maintain Span of Control	5.00	4.00	5.00	4.00	4.00	22.00
Non-Sworn Support Staff (Records, Evidence, Criminalist)	2.00	3.00	2.00	1.00	4.00	12.00
Supervisory and Support FTE Total	7.00	7.00	7.00	5.00	8.00	34.00
Cumulative Cost of Additional Supervisory and Support Staff	\$1,175,897	\$2,402,333	\$3,886,816	\$5,368,481	\$7,072,218	\$19,905,745

Reaching 925 Sworn

To achieve approximately 925 sworn staff would require holding two academies per year of 55 in/40 out in each of the first two years, four academies per year of 40 in/30 out in the following two years, and three academies of 40 in/30 out in the fifth year. The associated costs and staffing levels are illustrated in the table below. Note that as the department adds sworn staff, it will need to add 34 sworn supervisory staff and 18 non-sworn support staff beyond the 56.00 FTE support staff needed to support FY 2013-14 staffing and service demand levels.

POLICE SWORN STAFF INCREASE TO 923 TOTAL (TWO TO FOUR ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	72	72	42	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	705	737	809	881	923	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$7,874,475	\$15,695,018	\$16,239,323	\$11,392,221	\$56,125,796
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$2,190,583	\$15,044,155	\$25,927,067	\$50,618,388	\$75,749,119	\$169,529,312
GRAND TOTAL	\$7,115,342	\$22,918,630	\$41,622,084	\$66,857,711	\$87,141,340	\$225,655,107

56 ADDITIONAL SUPPORT STAFF

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

ADDITIONAL SWORN SUPERVISORY AND CIVILIAN STAFF TO SUPPORT NEW OFFICERS

Sworn Supervisory Staff (Sergeants and Lieutenants) to Maintain Span of Control	5.00	4.00	10.00	9.00	6.00	34.00
Non-Sworn Support Staff (Records, Evidence, Criminalist)	2.00	4.00	5.00	2.00	5.00	18.00
Supervisory and Support FTE Total	7.00	8.00	15.00	11.00	11.00	52.00
Cumulative Cost of Additional Supervisory and Support Staff	\$1,175,897	\$2,474,569	\$5,417,633	\$8,011,337	\$10,510,569	\$27,590,004

Note that these costing figures might be revised as additional analysis is conducted regarding the cost impacts of attrition.

ADDITIONAL INFORMATION ADVANCED BY THE ADMINISTRATION

The five-year financial forecast estimated General Purpose Fund (GPF) revenues over the forecast period. Based on information at a single point in time, forecasts become outdated as new information becomes available. Since the forecast was issued in October 2012, the City has received additional information about revenue trends that enable an update to the forecast for the upcoming two-year budget period. Presented below is a comparison of GPF revenue for FY 2013-14 and FY 2014-15 as forecasted in the five-year financial forecast and an updated, revised forecast as of March 2013, with explanation.

Note that the expenditure forecast for the upcoming two-year budget period has also been revised since the five-year financial forecast was issued in October 2012, such that the two-year baseline budget for FY 2013-14 and FY 2014-15 shows significantly higher expenditures.

The five-year financial forecast projected total GPF revenue of approximately \$418.0 million in FY 2013-14 and approximately \$430.1 million in FY 2014-15. Based on more recent information on revenue trends, as of March 2013 those estimates have been revised to \$429.5 million and \$438.1 million respectively, as shown below.

General Purpose Fund Revenue Forecast, Five-Year Financial Forecast (FYFF) and March 2013 Updated Revised Forecast, FY 2013-14 and FY 2014-15

Revenue Sources	FYFF FY 2013-14	Revised Forecast FY 2013-14	Variance	FYFF FY 2014-15	Revised Forecast FY 2014-15	Variance
Property Tax	5141,792,163	\$ 144,048,853	\$ 2,256,690	\$ 148,226,953	\$ 150,528,777	\$ 2,301,824
Sales Tax	\$ 45,178,542	\$ 47,208,326	\$ 2,029,784	\$ 46,533,898	\$ 48,624,576	\$ 2,090,677
Business License Tax	\$ 56,940,686	\$ 58,486,270	\$ 1,545,584	\$ 59,194,313	\$ 60,240,858	\$ 1,046,545
Utility Consumption Tax	\$ 51,434,031	\$ 50,588,732	\$(845,299)	\$ 51,691,201	\$ 50,588,732	\$(1,102,469)
Real Estate Transfer Tax	\$ 31,429,501	\$ 39,453,990	\$ 8,024,489	\$ 32,372,386	\$ 40,637,610	\$ 8,265,224
Transient Occupancy Tax	\$ 10,949,655	\$ 12,006,316	\$ 1,056,661	\$ 11,190,547	\$ 12,246,442	\$ 1,055,895
Parking Tax	\$ 8,364,124	\$ 8,531,028	\$ 166,904	\$ 8,548,135	\$ 8,701,649	\$ 153,514
Licenses & Permits	\$ 1,184,140	\$ 1,386,725	\$ 202,584	\$ 1,210,191	\$ 1,414,459	\$ 204,268
Fines & Penalties	\$ 24,387,799	\$ 23,488,994	\$(898,805)	\$ 24,387,799	\$ 20,558,805	\$(3,828,994)
Interest Income	\$ 731,942	\$ 740,482	\$ 8,540	\$ 731,942	\$ 740,482	\$ 8,540
Service Charges	\$ 42,870,838	\$ 43,363,300	\$ 492,461	\$ 43,254,298	\$ 43,635,681	\$ 381,383
Grants & Subsidies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Internal Service Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue	\$ 1,715,986	\$ 199,320	\$(1,516,666)	\$ 1,715,986	\$ 199,320	\$(1,516,666)
Inter-Fund Transfers	\$ 1,008,000	\$ 0	\$(1,008,000)	\$ 1,008,000	\$ 0	\$(1,008,000)
Sub-Total	\$ 417,987,408	\$ 429,502,335	\$ 11,514,927	\$ 430,065,651	\$ 438,117,391	\$ 8,051,740
Transfers from Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grand Total	\$ 417,987,408	\$ 429,502,335	\$ 11,514,927	\$ 430,065,651	\$ 438,117,391	\$ 8,051,740

The explanation of the changes in the revenue projection from the five-year financial forecast to the March 2013 revision is as follows.

Property tax revenue is forecasted to be \$2.3 million higher than originally forecasted in both FY 2013-14 and FY 2014-15. This increase is based on higher-than-expected property tax receipts in the first disbursement of 2012-13 property tax in winter 2012, due to lower delinquency rates and other factors.

Sales tax revenue is forecasted to be \$2.0 million higher than originally forecasted. This increase is largely due to higher-than-expected growth of the local economy, particularly regarding auto sales, and higher-than-expected fuel prices. These revised estimates are consistent with similar revisions recommended by the City's economic consultants.

Business license tax (BLT) revenue is forecasted to be \$1.5 million higher than originally forecasted in FY 2013-14 and \$1.0 million higher in FY 2014-15. This increase is largely due to

growth in local gross receipts, increased rental rates for commercial and residential properties, and planned efforts to increase enforcement of tax payments.

Utility consumption tax (UCT) revenue is forecasted to be \$0.8 million lower than originally forecasted FY 2013-14 and \$1.1 million lower in FY 2014-15. This decrease is due to continued erosion in the UCT tax base from changes to communications technology use and the implementation of energy efficiency measures, which reduces energy consumption upon which the tax is partially based.

Real estate transfer tax (RETT) revenue is forecasted to be \$8.0 million higher than originally forecasted in FY 2013-14 and \$8.3 million higher in FY 2014-15. This increase in the forecast is largely due to very robust growth in the prices of sold properties over the past 5 months, although it should be noted that the volume of transactions has not significantly increased over this time period.

Transient occupancy tax (TOT) revenue is forecasted to be \$1.1 million higher than originally forecasted in both FY 2013-14 and FY 2014-15. This increase is largely due to significant increases in the average daily room rates of Oakland's hotels. These rate increases are driven by a recovery in the travel industry and very tight local supply of rooms.

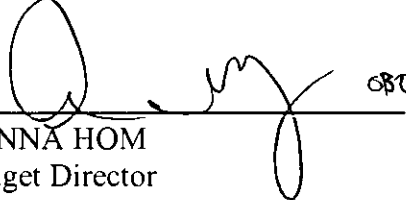
Fines and penalties revenue is forecasted to be \$0.9 million lower than originally forecasted in FY 2013-14 and \$3.8 million lower in FY 2014-15. This decrease in the first year is attributable to falling parking citation revenue due to winter parking holidays, the "parkmobile" pilot program, and the five-minute grace period. The decrease in the second year is due in large part to the planned installation of new debit/credit parking meters, which will lead to higher rates of payment, and has led to significantly lower levels of parking citations in other jurisdictions that have implemented these meters.

Miscellaneous revenue is expected to decline by \$1.5 million from the original forecast in both years as the City is not expecting to achieve billboard revenues that it had earlier assumed.

Inter-fund transfers revenue is expected to decline by \$1.0 million from the original forecast due to the reclassification of one payment to the GPF totaling \$0.6 million from fund transfer to service charge. The City is also forecasting that a historic transfer from another fund totaling \$0.4 million will be discontinued due to updated accounting practices and the challenging fiscal condition of the contributing fund.

For questions regarding this report, please contact me at 510-238-2038.

Respectfully submitted,



DONNA HOM
Budget Director

Prepared by:
Andrew Murray, Assistant to the City Administrator

Item: _____
City Council
April 2, 2013