

2010 FEB 25 PM 2: 14

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency and Budget Office
DATE: March 9, 2010

RE: **Status Report On Citywide Efforts to Research and Correct Negative Fund Balances**

SUMMARY

This report provides the status of staff efforts to clear the City's negative fund balances. It follows the September 15, 2009 report to the Finance and Management Committee, and the Mayor's September 2008 report to Council on the City's financial condition, which discussed in detail the negative fund balances and recommended actions.

The City's FY2009-11 Policy budget included strategies for addressing negative balances in a number of funds (reference pages D-135 through D-146 of the Financial Summaries section). This report discusses progress made since July 2009 in clearing negative fund balances. *Attachment A* compares FY 2008-09 audited ending fund balances with the projected fund balance at the end of FY2009-10, and provides a status of the fund managers' clean-up efforts.

FISCAL IMPACT

This is an informational report with no direct fiscal impact. However, negative balances continue to draw resources from other funds, and ultimately become the responsibility of the General Purpose Fund. By June 2010, the total of the negative balances is projected to be \$131.0 million, with Internal Service Funds accounting for 40% of this figure. This reflects a \$14.2 million reduction from the FY2008-09 ending cumulative balance of \$145.2 million due mainly to more frequent draw downs of grant funds, and increased oversight and management of expenditures from funds with negative balances.

BACKGROUND

There are various funds in the City with negative balances, categorized as follows:

1. **Negative Internal Services Funds:** Internal Services Funds (ISFs) are funds used to centralize certain services and then allocate the costs of those services within the City. U.S. generally accepted accounting principles permit the use of internal service funds for the reporting of any activity that provides goods or services to the government on a cost reimbursement basis. The goal of an internal service fund should be to

Item: _____
Finance and Management Committee
March 9, 2010

measure the full cost (including cost of capital assets) of providing goods or services for the purpose of fully recovering that cost through fees or charges. A number of the City's ISFs have grown negative fund balances as a result of under collecting reimbursements over a long period of time. Repayment schedules for these negative funds were established originally in FY 2005-07 and further revised in FY 2009-11. The FY2009-11 budget also includes cost reductions for the Equipment and Facilities funds to help reduce the deficit.

2. **Selected General Funds on Existing Repayment Schedules:** These include the Self-Insurance Liability, Henry J. Kaiser Convention Center, Telecommunications Reserve and Contract Administration Fee funds. Repayment schedules for these funds were also established in FY 2005-07. For FY2009-10 only, due to unprecedented fiscal conditions in the City, the City Council approved suspension of repayments to these funds, with resumption scheduled for FY 2010-11.
3. **Negative Funds Not Requiring One-Time Revenues:** These negative balances exist in other funds including the Mandatory Refuse Program, Comprehensive Clean-Up, Multipurpose Reserve, and Grant Clearing funds. The FY 2009-11 Adopted Budget includes rate increases and cost reductions to mitigate negative balances.
4. **Negative Funds Requiring One-time Revenues:** These are funds with historical negatives whose only balancing option is an infusion of one-time revenues, or the write-off of negatives against the General Purpose Fund. Ordinance 12946 C.M.S. requires that one-time revenues be used to repay negative fund balances in Internal Service and Other Funds.
5. **Negative Grant Funds:** These negatives are generally caused by lagging drawdowns, requirements to expend prior to reimbursement and, in rare cases, disallowed expenditures. Departments have been developing plans and timelines to address these negatives, conducting research as necessary with assistance from the Budget Office and the Finance and Management Agency. In FY2009-10 Departments have been working through the backlog of draw downs, and are committed to completing most draw downs on a monthly or quarterly basis.
6. **Other Negative Funds:** These funds are primarily capital, bond and trust/agency funds. They are minor, manageable and require follow-up by the Finance and Management Agency.

Negative fund balances accumulated over time and are largely due to years of operating gaps caused by charging expenses that could not be sustained and /or ongoing expenditures that outpaced ongoing revenues, made worse by no proactive intervention to reduce costs or raise revenues. A second contributing factor to the increasing deficit balances is the accumulation of negative interest.

Repayment schedules were established for a number of the City's negative funds such that negative balances would be eliminated in 10 years or sooner. For General Fund Group funds, repayments were generally based on structured transfers from the General Purpose Fund. For ISFs, repayment schedules were based on reductions in costs and gradually increasing rates charged to other "using" funds over time.

In addition, over the last year, Finance & Management Agency (FMA) and Budget Office staffs, along with departmental fiscal officers, have taken proactive steps to reduce and eliminate negative fund balances. Beginning in December 2008 with the Mayor's directive, the following has occurred:

- Specific departments were assigned as fund managers with responsibilities to monitor revenue collection, spending, and grant draw downs, and alert FMA and the Budget Office of major deviations from the budget;
- Fund managers have undertaken development of repayment plans and timelines to eliminate negative fund balances;
- FMA and Budget Office meet with departments quarterly to review the status of assigned funds and progress toward elimination of negatives, providing up-to-date fund and cash balance status for all funds.
- More recently, FMA and the Budget Office have enacted measures to cease activity in negative funds – including payments and project balance carry forwards – that would increase negative balances. The attached memo distributed to all fund managers reiterated the negative fund balance review process, departmental responsibilities and consequences for noncompliance (*Attachment B*)
- Further, with the adoption of the FY2009-11 budget, the City Council passed the financial policy (Ordinance No. 12946 C.M.S.), which provides the City with additional tools for managing negative fund balances. It requires that half of one-time revenues be used to pay off negative ISF balances and half be used to pay off other negative balances in non-ISF funds (the lone exception to this policy is in the event of Council declaring a fiscal emergency).

KEY ISSUES AND IMPACTS

The following table shows the projected progress of cleaning the negative balances, by comparing FY2008-09 ending (audited) fund balances to FY2009-10 projected fund balance.

Group	Ending Fund Balance FY2008-2009	Projected P12-10 Fund Balance
1. Negative Internal Service Funds (Cash Basis)	(54,204,482)	(52,772,661)
2. Selected General Funds on existing repayment schedules	(31,529,728)	(31,385,826)
3. Negative Funds NOT requiring one-time revenues	(14,987,503)	(12,554,579)
4. Negative Funds requiring one-time revenues	(39,216,169)	(33,240,907)
5. Negative Grant Funds	(5,260,410)	(1,068,240)
6. Other Negative Funds	(2,954)	-
Grand Total	(145,201,246)	(131,022,213)

Attachment A provides a detailed comparison of FY2008-09 ending fund balances and the projected FY 2009-10 ending fund balance, along with the status of the fund manager's clean-up efforts.

Comparison of FY2008-09 year end balances to the projected FY2009-10 year end balances for the negative funds shows an estimated improvement of approximately \$14.2 million. However, these improvements are predicated upon remaining current on draw down/reimbursement requests and continuing diligent monitoring of expenditures. The most significant reasons for the reduction of the deficit are as follows:

- Due to closer review and assigned fund responsibilities, City Staff is making a concerted effort to keep draw downs and reimbursement requests current, and to reduce costs and maximize efficiencies whenever possible.
 - *Group 3* – Negative Funds NOT requiring one-time revenues is projecting a reduction of the deficit of over \$2.4 million (approximately 16 percent).
 - *Group 4* – Negative funds requiring one-time revenues is projecting a reduction of the deficit of over \$5.9 million (approximately 15 percent). See further discussion of this group's funds on the following page.
 - *Group 5* – Negative Grant Funds is projecting a reduction of the deficit of almost \$4.2 million (approximately 80 percent).

- Repayment schedules included in the FY2009-11 Policy budget are being followed.
 - *Group 1* – Negative Internal Service Funds (Cash Basis) is projecting a slight decrease in the deficit (\$1.4 million). The deficit decrease is slightly less than originally budgeted due to a reduction of work order requests in the Reproduction Fund (Fund 4300) which is causing the year end estimate for that fund to result in an increase in the deficit by approximately \$500K.
 - *Group 2* – Selected General Funds on existing repayment schedules is projecting a decrease in the deficit according to the established repayment plan.

One category of negative funds that raises particular concerns is Group 4 (Negative Funds requiring one-time revenues). Significant research has been completed by City Staff for funds in this category, showing that \$32 million of the \$33 million projected year end deficit balance is unrecoverable. The following table summarizes these funds, the amount of the negative balance, the amount of the unrecoverable balance, and a brief description of the negative balance.

FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
1600	Underground District Revolving Fund	PWA	(2,478,269)	(2,477,305)	(2,477,305)	Fund is no longer being used. This fund was originally set up as a pass thru for undergrounding projects. Very little recovery took place in FY 1999-00 and FY2000-01. All remaining charges are considered un-collectable.
2102	Department of Agriculture	DHS	(85,576)	(226,910)	(226,910)	Unrecoverable of \$227K in negative interest charges should have been reversed in FY00-01, and FY01-02. Drawdown's are now occurring quarterly. After reversal of the negative interest, the fund will have a positive balance.
2103	HUD-ESG/SHP/HOPWA	DHS	(5,882,721)	(5,055,109)	(3,839,926)	Historical negative balance (pre FY1999-2000) requires one-time offset of \$3.9M. A portion of this uncollectible amount (approximately \$1.2 M) is due to HUD's modified cost reimbursement methodology; Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be drawing down quarterly for all current activity.
2114	Department of Labor	DHS/CEDA	(173,990)	(57,761)	(57,761)	Historical negative balance (pre FY1999-2000) requires one-time offset (\$58K). Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2118	National Foundation of the Arts & Humanities	OPR	(83,928)	(83,882)	(83,882)	Historical negative balance (pre FY1999-2000) requires one-time offset (\$83K). Negative is related to Alice Arts Center, Korean Folk Arts and negative interest that has not been reversed.
2120	Federal Action Agency	DHS	(93,414)	(93,414)	(93,414)	Historical negative balance requires one-time offset (\$83K). Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2123	US Dept of Homeland Security	Fire	(921,636)	(244,857)	(244,857)	Historical negative is predominately OPD support of the Federal Equitable Sharing Agreement. Reimbursement requests for the current activity been submitted.
2124	Federal Emergency Management	Fire	(3,563,429)	(1,163,732)	(1,163,732)	The historical negative balance is related to negative interest that has not been reversed, and requires a one-time offset. Reimbursement requests for the first half of FY2009-2010 have been submitted.
2126	Department of Education	Library	(155,302)	(155,216)	(155,216)	\$82K of negative interest that was not reversed. Remaining related Library/Museum projects (most notably Greene Library, AAMLO)
2128	Department of Health and Human Services	DHS	(968,955)	(968,955)	(968,955)	Historical negative balance (pre FY1999-2000) requires one-time offset. \$245K is related to negative interest that was not reversed. Reimbursement requests for the first half of FY2009-10 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2134	California Parks and Recreation	CEDA	(854,165)	(215,802)	(215,802)	Historical negative balance (pre FY1999-2000) requires one-time offset. \$107K is related to SB174 Park Grant Activities, and \$109K is related to non-project related charges. CEDA and FMA will coordinate to ensure draw downs for this fund occur quarterly.

CONTINUED						
FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
2154	California Integrated Waste	PWA	(344,388)	(115,852)	(115,852)	The historical negative is related to negative interest that has not been reversed. Current activity in this fund is comprised of the Used Oil Recycling Grant managed by Environmental Services. These grants are billed at fiscal year end. Staff is researching to determine if reimbursements are able to be made more frequently.
2190	Private Grants	DHS	(272,809)	(270,765)	(270,765)	Historical negative balance due to Neighborhood law project (City Attorney's Office). This project requires a one-time offset.
2230	State Gas Tax	CEDA	(962,609)	(481,305)	(481,305)	Historical negative caused by expenditures exceeding State Gas Tax receipts. Staff is searching for other funding sources to offset negative. The current assumption is that 50% of the historical negative will need to be offset by a one-time offset.
2310	Lighting and Landscape Assessment District	PWA / CEDA	(5,982,803)	(6,560,000)	(6,560,000)	The LLAD fund balance was to be covered by the sale of land/property, however Council re-directed that funding to cover the General Fund gap last fiscal year. The projected increase in the deficit is related to personnel expenditures in the Tree section during the emergency storm response -- PWA is working diligently to reduce current FY spending.
2511	Local Law Enforce Block Grant (LLEBG) 2001	OPD	(17,134)	(17,125)	(17,125)	The negative was created in 2004-2005 (Police Department). Staff is researching if any of these expenditures may be reimbursable, or if they will have to be covered by OPD GPF funding.
2513	Local Law Enforce Block Grant (LLEBG) 2003	OPD	(239,813)	(239,681)	(239,681)	The negative was created in 2005-2007 (Police Department). Staff is researching if any of these expenditures may be reimbursable, or if they will have to be covered by OPD GPF funding.
2990	Public Works Grants	PWA	(1,164,841)	(886,397)	(886,397)	PWA staff will be continuing efforts to coordinate with responsible departments to move ineligible grant charges to other matching fund sources. The \$886K estimate of unrecoverable costs is made up of historical expenditures (\$656K) and negative interest that has not been reversed (\$33K).
2992	Parks and Recreation Grants	OPR	(2,599,559)	(2,555,822)	(2,555,822)	Historical negative balance (FY 1993-1994) requires one-time offset. \$119K is related to negative interest that was not reversed. OPR has confirmed current activity will be reimbursed on a quarterly basis.
5012	JPFA Admin Building Series 1996	CEDA	(1,601,366)	(1,601,366)	(1,601,366)	Historical negative balance (FY 2001-2002) is related to negative interest that has not been reversed, and requires a one-time offset.
5500	Municipal Capital Improvement	CEDA / CIP	(5,415,838)	(4,427,769)	(4,427,769)	Historical negative balance caused by expenditures exceeding revenues. This fund requires a one-time offset.
5999	Miscellaneous Capital Projects	CEDA / CIP	(3,978,308)	(3,966,997)	(3,966,997)	Historical negative balance related to \$1.3 million in negative interest that has not been reversed, and \$2.6 million in various project expenditures (e.g. Y2K conversion).
6570	JPFA Pooled Assessment: 1996 Revenue Bonds	Non Dept / Debt Service	(142,717)	(142,717)	(142,717)	Negative balance related to negative interest that should have been reversed.
6999	Miscellaneous Debt Service	FMA	(49,487)	(49,487)	(49,487)	\$17K in negative interest that should have been reversed. Balance of negative related to payment in Jun, 2002 to Koch financial. Requires one-time offset.
7660	Museum Preservation Trust	Museum	(140,454)	(140,386)	(140,386)	Historical negative balance requires one-time offset. Staff is working with the Museum to ensure reimbursement of current charges will occur quarterly.
7752	Rehabilitation Trust: City Funded	FMA	(1,042,869)	(1,042,294)	(1,042,294)	Historical negative (including \$274K in negative interest that should have been reversed) requires one-time offset. FMA Staff is working with the old loan files to ensure correct classification of any valid receivables.
			(39,216,169)	(33,240,907)	(32,025,724)	

Consistent with Ordinance No. 12946 C.M.S. as one-time revenues are received by the City (e.g. sales of property or proceeds from the refinancing of debt), 50 percent of these revenues (unless legally restricted to other purposes) will be used to pay off negatives in the Internal Service Fund, and 50 percent will be used to pay off negatives in all other funds.

SUSTAINABLE OPPORTUNITIES

No environmental, economic, or social equity opportunities have been identified.

DISABILITY AND SENIOR CITIZEN ACCESS

There are no ADA or senior access issues contained in this report.

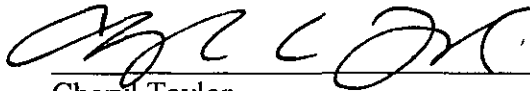
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council accept this report.

Respectfully submitted,



Joseph T. Yew, Jr.
Finance Director/City Treasurer



Cheryl Taylor
Budget Director

Prepared by:
Osborn Solitei, Acting Controller
Finance and Management Agency

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:



Office of the City Administrator

Attachments: Attachment A: Status of Negative Fund Balances
Attachment B: Negative funds memo from the Finance and Management Agency

SUMMARY OF NEGATIVE FUNDS BY CATEGORY

FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
1. Negative Internal Service Funds						
4100	Equipment	PWA	(15,539,243)	(15,440,000)		This fund is currently on repayment plan - Planned FY09/10 deficit reduction of \$100,000
4200	Radio / Telecommunications	DIT	(356,163)	-		Addressed prior years non-payments or underpayments from participating agencies during FY09-11 budget development. Appropriations have been increased to cover negative fund balance. Fund balance is estimated to be restored by the end of FY2010-2011 (50% deficit in FY2009-10; remaining balance in FY2010-2011)
4300	Reproduction	DIT	(124,514)	(624,514)		Estimated revenue was overstated by approximately \$500K, creating a negative fund balance. Reproduction jobs have decreased due to budget constraints. Staff is developing a plan to eliminate the negative balance within the next two years.
4400	City Facilities	PWA	(31,401,156)	(30,580,000)		On repayment plan - however no planned reduction of deficit in FY09/10. Fund is anticipated to reduce the deficit by approximately \$821K in FY2009-2010 due to cost cutting measures and sale of surplus equipment.
4500	Central Stores	FMA	(5,334,274)	(4,934,274)		Repayment included in setting Materials Handling and Mail Processing / Distribution fees. Estimated FY09-10 deficit reduction of \$400K
4550	Purchasing	DCP	(1,449,133)	(1,193,873)		On repayment plan - Planned FY09/10 deficit reduction of \$255,260
Group 1 Totals			(54,204,482)	(52,772,661)		
2. Selected General Funds on existing repayment schedules						
1100	Self Insurance Liability	Budget Office	(21,510,420)	(21,384,318)		On repayment plan (funds collected through established repayment schedule and recovery of legal costs) - Planned FY09/10 deficit reduction of \$126,102.
1730	Henry J Kaiser Convention Center	Budget Office	(4,695,495)	(4,695,495)		On repayment plan - however no planned reduction of deficit in FY09/10.
1760	Telecommunications Reserve	Budget Office	(1,204,826)	(1,187,026)		On repayment plan - Planned FY09/10 deficit reduction of \$17,800
1790	Contract Administration Fee	DCP	(4,118,987)	(4,118,987)		On repayment plan - however no planned reduction of deficit in FY09/10.
Group 2 Totals			(31,529,728)	(31,385,826)		
3. Negative Funds NOT requiring one-time revenues						
1700	Mandatory Refuse Program	FMA	(7,869,154)	(7,500,000)		Rising lien receivables due to non-payments of garbage fees, and previous multiple transfer to GPF. Negative Funds should be eliminated over time as liens are collected through sale of properties. Additionally the recent increase of surcharge rate will have a positive effect on this fund balance.
1720	Comprehensive Clean-up	PWA	(517,670)	-		PWA has been diligently monitoring the spending in fund 1720. FY2009-10 projected revenue and expenditures are anticipated to net a positive impact on the fund balance of close to \$900K. This should result in a positive ending fund balance for FY2009-2010.
1750	Multipurpose Reserve	CEDA	(3,833,732)	(3,333,732)		Garage rate increases and expenditure reductions were adopted for FY09-11. Additionally transportation staff will charge a percentage of their time directly to capital projects in other funds where possible, which will reduce personnel costs. The projection for year end will result in a reduction of the deficit of approximately \$500K
7760	Grant Clearing	CEDA / PWA	(2,081,694)	(1,040,847)		A repayment plan has been developed with PWA and CEDA to fully restore the fund balance by the end of FY2010-2011.

SUMMARY OF NEGATIVE FUNDS BY CATEGORY

FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
7780	Oakland Redevelopment Agency	CEDA	(685,254)	(680,000)		Drawdown completed in Jan 2010 -- Drawdown's to occur monthly to reimburse the City for personnel support, etc. provided to ORA. The remaining negative balance is the result of accumulated negative interest over the years. To offset this negative, an agreement has been reached with ORA that 50% of the estimated reimbursable expenditures will be advanced to the City at the beginning of each budget year. The positive interest from this advance will be used to offset the historical negative interest.
Group 3 Totals			(14,987,503)	(12,554,579)		

4. Negative Funds requiring one-time revenues						
FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
1600	Underground District Revolving Fund	PWA	(2,478,269)	(2,477,305)	(2,477,305)	Fund is no longer being used. This fund was originally set up as a pass thru for undergrounding projects. Very little recovery took place in FY 1999-00 and FY2000-01. All remaining charges are considered un-collectable.
2102	Department of Agriculture	DHS	(85,576)	(226,910)	(226,910)	Unrecoverable of \$227K in negative interest charges should have been reversed in FY00 01, and FY01-02. Drawdown's are now occurring quarterly. After reversal of the negative interest, the fund will have a positive balance.
2103	HUD-ESG/SHP/HOPWA	DHS	(5,882,721)	(5,055,109)	(3,839,926)	Historical negative balance (pre FY1999-2000) requires one-time offset of \$3.9M. A portion of this uncollectible amount (approximately \$1.2 M) is due to HUD's modified cost reimbursement methodology; Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be drawing down quarterly for all current activity.
2114	Department of Labor	DHS/CEDA	(173,990)	(57,761)	(57,761)	Historical negative balance (pre FY1999-2000) requires one-time offset (\$58K). Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2118	National Foundation of the Arts & Humanities	OPR	(83,928)	(83,882)	(83,882)	Historical negative balance (pre FY1999-2000) requires one-time offset (\$83K). Negative is related to Alice Arts Center, Korean Folk Arts and negative interest that has not been reversed.
2120	Federal Action Agency	DHS	(93,414)	(93,414)	(93,414)	Historical negative balance requires one-time offset (\$93K). Reimbursement requests for the first half of FY2009-2010 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2123	US Dept of Homeland Security	Fire	(921,636)	(244,857)	(244,857)	Historical negative is predominately OPD support of the Federal Equitable Sharing Agreement. Reimbursement requests for the current activity been submitted.
2124	Federal Emergency Management	Fire	(3,563,429)	(1,163,732)	(1,163,732)	The historical negative balance is related to negative interest that has not been reversed, and requires a one-time offset. Reimbursement requests for the first half of FY2009-2010 have been submitted.
2126	Department of Education	Library	(155,302)	(155,216)	(155,216)	\$82K of negative interest that was not reversed. Remaining related Library/Museum projects (most notably Greene Library, AAMLO)
2128	Department of Health and Human Services	DHS	(968,955)	(968,955)	(968,955)	Historical negative balance (pre FY1999-2000) requires one-time offset. \$246K is related to negative interest that was not reversed. Reimbursement requests for the first half of FY2009-10 have been submitted. DHS has confirmed they will be completing quarterly draw downs of current activity.
2134	California Parks and Recreation	CEDA	(854,165)	(215,802)	(215,802)	Historical negative balance (pre FY1999-2000) requires one-time offset. \$107K is related to SB174 Park Grant Activities, and \$109K is related to non-project related charges. CEDA and FMA will coordinate to ensure draw downs for this fund occur quarterly.

SUMMARY OF NEGATIVE FUNDS BY CATEGORY

FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
2154	California Integrated Waste	PWA	(344,366)	(115,852)	(115,852)	The historical negative is related to negative interest that has not been reversed. Current activity in this fund is comprised of the Used Oil Recycling Grant managed by Environmental Services. These grants are billed at fiscal year end. Staff is researching to determine if reimbursements are able to be made more frequently.
2190	Private Grants	DHS	(272,809)	(270,765)	(270,765)	Historical negative balance due to Neighborhood law project (City Attorney's Office). This project requires a one-time offset.
2230	State Gas Tax	CEDA	(962,609)	(481,305)	(481,305)	Historical negative caused by expenditures exceeding State Gas Tax receipts. Staff is searching for other funding sources to offset negative. The current assumption is that 50% of the historical negative will need to be offset by a one-time offset.
2310	Lighting and Landscape Assessment District	PWA / CEDA	(5,982,803)	(6,560,000)	(6,560,000)	The LLAD fund balance was to be covered by the sale of land/property, however Council re-directed that funding to cover the General Fund gap last fiscal year. The projected increase in the deficit is related to personnel expenditures in the Tree section during the emergency storm response -- PWA is working diligently to reduce current FY spending.
2511	Local Law Enforce Block Grant (LLEBG) 2001	OPD	(17,134)	(17,125)	(17,125)	The negative was created in 2004-2005 (Police Department). Staff is researching if any of these expenditures may be reimburseable, or if they will have to be covered by OPD GPF funding.
2513	Local Law Enforce Block Grant (LLEBG) 2003	OPD	(239,813)	(239,681)	(239,681)	The negative was created in 2005-2007 (Police Department). Staff is researching if any of these expenditures may be reimburseable, or if they will have to be covered by OPD GPF funding.
2990	Public Works Grants	PWA	(1,164,641)	(886,397)	(886,397)	PWA staff will be continuing efforts to coordinate with responsible departments to move ineligible grant charges to other matching fund sources. The \$886K estimate of unrecoverable costs is made up of historical expenditures (\$856K) and negative interest that has not been reversed (\$30K)
2992	Parks and Recreation Grants	OPR	(2,599,559)	(2,555,822)	(2,555,822)	Historical negative balance (FY1993-1994) requires one-time offset. \$119K is related to negative interest that was not reversed. OPR has confirmed current activity will be reimbursed on a quarterly basis.
5012	JPFA Admin Building: Series 1996	CEDA	(1,601,366)	(1,601,366)	(1,601,366)	Historical negative balance (FY2001-2002) is related to negative interest that has not been reversed, and requires a one-time offset.
5500	Municipal Capital Improvement	CEDA / CIP	(5,415,838)	(4,427,769)	(4,427,769)	Historical negative balance caused by expenditures exceeding revenues. This fund requires a one-time offset.
5999	Miscellaneous Capital Projects	CEDA / CIP	(3,978,308)	(3,966,997)	(3,966,997)	Historical negative balance related to \$1.3 million in negative interest that has not been reversed, and \$2.6 million in various project expenditures (e.g. Y2K conversion).
6570	JPFA Pooled Assessment: 1996 Revenue Bonds	Non Dept / Debt Service	(142,717)	(142,717)	(142,717)	Negative balance related to negative interest that should have been reversed.
6999	Miscellaneous Debt Service	FMA	(49,487)	(49,487)	(49,487)	\$17K in negative interest that should have been reversed, Balance of negative related to payment in Jun, 2002 to Koch financial. Requires one-time offset.
7660	Museum Preservation Trust	Museum	(140,464)	(140,386)	(140,386)	Historical negative balance requires one-time offset. Staff is working with the Museum to ensure reimbursement of current charges will occur quarterly.
7752	Rehabilitation Trust: City Funded	FMA	(1,042,869)	(1,042,294)	(1,042,294)	Historical negative (including \$274K in negative interest that should have been reversed) requires one-time offset. FMA Staff is working with the old loan files to ensure correct classification of any valid receivables.
Group 4 Totals			(39,216,169)	(33,240,907)	(32,025,724)	

SUMMARY OF NEGATIVE FUNDS BY CATEGORY

FUND	Fund Description	Assigned Agency / Dept	Ending Fund Balance FY2008-2009	Projected P12-10 balance	Unrecoverable	Explanation of unrecoverable balance
5. Negative Grant Funds						
2061	2006 FEMA: 1628 Winter Storm	CEDA	(436,379)	(274,048)	-	Waiting for FEMA to finally close the disaster, receive final reimbursement and release the retention
2062	2006 FEMA: 1646 Spring Storm	CEDA	(548,737)	(318,526)	-	Waiting for FEMA to finally close the disaster, receive final reimbursement and release the retention
2105	HUD-EDI Grants	CEDA	(130,518)	-	-	Reimbursement requests for the first half of FY2009-2010 have been submitted. CEDA has confirmed they will be drawing down quarterly for all current activity.
2116	Department of Transportation	CEDA	(416,697)	-	-	Fund balance has been restored
2144	California Housing and Community	CEDA/DHS	(4,342)	-	-	Reimbursement request for the first half of FY2009-2010 has been submitted. This fund balance is anticipated to be fully restored before the end of the fiscal year.
2148	California Library Services	Library	(1,201,905)	(11,319)	-	Majority of negative is related to the ongoing 81st Avenue Library project. FMA will work with the Library and CEDA to ensure these draw downs are brought up to date.
2152	California Board of Corrections	OPD	(15,527)	-	-	Reimbursement request for the first half of FY2009-2010 has been submitted. This fund balance is anticipated to be fully restored before the end of the fiscal year.
2162	Metro Transportation Com: TDA	CEDA	(64,293)	-	-	Reimbursement request for the first half of FY2009-2010 has been submitted. This fund balance is anticipated to be fully restored before the end of the fiscal year.
2163	Metro Transportation Com: Program Grant	CEDA	(232,793)	-	-	Reimbursement request for the first half of FY2009-2010 has been submitted. This fund balance is anticipated to be fully restored before the end of the fiscal year.
2164	Congestion Mitigation & Air Quality (CMAQ)	CEDA	(841,153)	(53,755)	-	Reimbursement request for the first half of FY2009-2010 has been submitted. The remaining fund balance is from two projects. Staff is continuing to review the ability to receive reimbursement for these projects.
2185	Oakland Redevelopment Agency	CEDA	(803,297)	(218,176)	-	Reimbursement request for the first half of FY2009-2010 has been submitted. The remaining deficit balance is made up of loans made to local businesses, and will be recovered over time.
2213	Measure B: Paratransit - ACT	DHS	(185,089)	-	-	Reimbursement request for the first half of FY2009-2010 has been submitted. This fund balance is anticipated to be fully restored before the end of the fiscal year.
2214	ACTIA Reimbursable Grants	CEDA	(379,679)	(192,416)	-	Reimbursement request for the first half of FY2009-2010 has been submitted. The remaining deficit balance is from several streetscape projects. Staff is continuing to review the ability to receive reimbursement for these projects.
Group 5 Totals			(5,260,410)	(1,068,240)	-	
6. Other Negative Funds						
6015	COP-Oakland Museum 2002 Series A	FMA	(2,954)	-	-	Negative balance will be eliminated in FY09-10
Group 6 Totals			(2,954)			
TOTAL			(145,201,246)	(131,022,213)	(32,025,724)	

CITY OF OAKLAND
Memorandum

DATE: July 29, 2009
TO: Distribution List
FROM: Finance and Management Agency
SUBJECT: Negative Funds

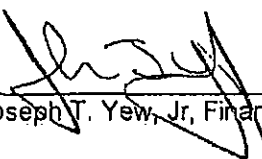
Attached please find the "Negative Fund Balance / Cash Balance Report" for the period ending May 31, 2009. This report will be distributed to all departments on a monthly basis to aid in the monitoring and management of all city funds, especially those with negative balances. Consistent with the Mayoral directive issued December 17, 2008, each city fund has been assigned to a specific department as a manager. These managers are responsible for the following:

- Monitor revenue collection and spending in the assigned fund on a monthly basis;
- Report any deviations from the budget (in revenues or expenditures) to the Budget Director or Finance Director / City Treasurer;
- For negative funds, develop and implement measures to eliminate negatives within a reasonable time period (multi-year repayment schedules will be considered for larger negatives); and
- Meet with the Budget Office and Finance and Management Agency quarterly to review the financial status of the assigned funds (and, for the negative funds, discuss progress on eliminating the deficits).

Please note that effective immediately, activity in these negative funds (payments, journals and payroll) which will increase the negative balance will not be processed AND carry-forward budgets (78811) in these funds will not be allowed to move into spending accounts until the fund's Responsible Department has provided to the Finance and Management Agency, Accounting Division:

- Documentation showing that offsetting revenues will be received (For grants, provide copies of the billing or draw-down requested); and/or
- A detailed plan with a timeline to address negatives

FMA and Budget Office will schedule monthly meetings with relevant City Agencies/Departments to review the negative fund balance report. Please contact Osborn Solitei, Acting Controller, at 510-238-3809 or osolitei@oaklandnet.com if you have any questions.



Joseph T. Yew, Jr, Finance Director/City Treasurer

CC: Dan Lindheim, City Administrator
Marianna Marysheva-Martinez, Assistant City Administrator
Cheryl Taylor, Budget Director