

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

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.

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:

- The budget must be balanced at an individual fund level.
- City policies on reserve requirements for individual funds must be considered. The appropriated expenditures included in the balanced budget equation must include the appropriations necessary to achieve or maintain reserve targets.
- 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.)
- 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.

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 XIII B 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.

4) 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 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 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.

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.

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

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) 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.

10) 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. Assessment of Stakeholder Needs, Concerns and Priorities

i) Timeline

Budget Advisory Committee review prior to survey release. Survey completion in November and December of even-numbered years.

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 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.
- (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 published on the City's Budget website. 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.

B. Council Budget Briefing and 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 meeting that includes briefings on estimated baseline expenditures, revenue projections and an overview of the City's budgeting process. The 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.

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**: 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.

(b) **Requirements**:

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

(ii) 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.

(iii) 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.

(iv) 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.

*C. Council Priorities Workshop and Statements of Councilmember Priorities*i) Timeline

Held in Late March 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, 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. Councilmember priority statements must be submitted as part of 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.

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

Published by April 15th.

ii) Requirements

The City Administrator shall 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. Release of Mayor & Administrator's Proposed Budget & Fact Sheet*i) Timeline

Published and publicly available by May 1st. Heard by City Council by May 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 addition or deletion. The Council shall hold a public meeting to present the Proposed Budget no later than May 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 17th. Every effort should be made to thoroughly

respond to any public request for departmental budget 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 17th or the presentation to the Council, whichever is sooner.

F. *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. *Ongoing Public Education*

i) Timeline

During the 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.

H. *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. *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. *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 the publication of that

amendment.

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:

- the informational quality of the Proposed Budget;
- the City Administration's and City Council's attention to engaging the public and its impacts on the budget process and product;
- the level of transparency and open dialogue in all public meetings dedicated to the budget; and
- 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

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, when during a time of Extreme Fiscal Necessity, 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 of staff 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