

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2010 JAN 13 PM 6:09

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Finance and Management Agency  
DATE: January 26, 2010  
RE: **Informational Report on Funding Options for the City's Fleet**

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**SUMMARY**

The Equipment Services Division of the Public Works Agency estimates that \$8.5 million is needed annually to replace vehicles in the City's fleet, but less than 6% of that amount is budgeted for each fiscal year. At the November 10, 2009 Finance and Management Committee, staff was asked to explore potential financing options for the City's fleet; this report provides details on the options considered and the feasibility of each.

**FISCAL IMPACT**

This is an informational report. There is no fiscal impact.

**BACKGROUND**

In the annual fleet report provided to the Finance and Management Committee on November 10, 2009, the Equipment Services Division (ESD) of the Public Works Agency reported that \$8.5 million annually would be required to fully fund the City's fleet replacement needs, but only \$570,710 has been budgeted. Given the City's current fiscal crisis, identifying another source of funding for equipment replacement is a challenging task.

**KEY ISSUES AND IMPACTS**

Staff has explored the following options for fleet financing:

- Leasing
- Grant funding
- General Obligation (GO) Bonds
- Parcel tax

***Leasing***

In 2002, the City used leasing as a way to replace a number of police vehicles. The lease contract was tied to the Equipment Fund (Fund 4100). This means that payments on the lease service had to be made from the fund, requiring appropriate budget allocations. For the most part, such budget allocations necessitate transfers from the General Purpose Fund (the Police and Fire Departments are the main vehicle users in the City). Additional funding transfers from the

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General Fund are simply not feasible in the current fiscal environment without reducing funding for other programs.

Moreover, Fund 4100 has developed a negative fund balance of approximately \$18 million. Should the City consider a leasing program (and identify General Fund resources to support lease payments), creditors are very unlikely to fund a lease contract without a positive fund to back it up. Staff does not recommend borrowing against the General Purpose Fund (GPF) for a fleet replacement lease given the anticipated deficit in the GPF budget.

### ***Grant Funding***

The Equipment Services Division of the Public Works Agency (ESD) explored potential grant funding options. On May 5, 2009, the City Council approved Resolution No. 81972 C.M.S., authorizing the City Administrator to apply for, accept and appropriate up to \$500,000 in grant funds under the Clean Cities FY09 Petroleum Reduction Technologies Projects for Transportation Sector Area Interest #4. The grant solicitation was part of a larger effort headed jointly by the Bay Area Air Quality Management District (AQMD), the San Francisco Clean Cities Coalition, and the East Bay Clean Cities Coalition. Staff was notified in August 2009 that the Bay Area was not awarded grant funding. Staff continue to monitor for AQMD grant opportunities, but at this time, none are available.

Last fiscal year, Council authorized the Police Department (OPD) to use \$700,000 from the annual funding it receives from the State of California's "Citizen's Options for Public Safety" Grant (COPS Program) and from the U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant (JAG Program) to fund the purchase of 19 replacement marked police vehicles. In March 2009, OPD notified ESD staff that it had received significantly less money than projected from both the COPS grant and the JAG grant, necessitating that OPD reduce the number of replacement vehicles it agreed to fund from 19 to 6.

The federal government is in discussions about the possibility of there being a second stimulus package that could include funding for working assets. As the City considers its funding needs, support for fleet replacement could be forwarded to the City's lobbyists for a new stimulus funding request.

Staff continues to research and look for grant funding, but so far have not identified any new grant funding opportunities.

### ***General Obligation (GO) Bonds***

Staff has researched the possibility of issuing GO Bonds to generate funding for the fleet replacement project. There are strict guidelines and requirements governing the issuance of GO Bonds, one of which is that they cannot be used to fund working capital, such as vehicles and equipment. In addition, repayments of any bonds would take resources away from the City's General Fund – as explained under "Leasing" above – and would lead to reductions in programs and services.

***Parcel Tax***

Staff considered the option of putting a parcel tax before the voters to generate \$8.5 million per year. However, given the current economic climate and other pressing needs for which the City may need to raise funds through a parcel tax, the voters may not support an additional tax to fund the City's fleet.

Staff will continue to research the City's options for financing replacement of the City's fleet and will provide Council with an update as part of the mid-cycle budget review process.

**SUSTAINABLE OPPORTUNITIES**

There is no impact to economic, environmental or social equity opportunities following actions under this report.

**DISABILITY AND SENIOR CITIZEN ACCESS**

There is no impact to disability or senior citizen access following actions under this report.

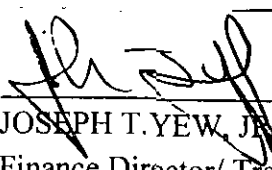
**RECOMMENDATION(S) AND RATIONALE**

*Staff recommends Council's acceptance of this informational report.*

**ACTION REQUESTED OF THE CITY COUNCIL**

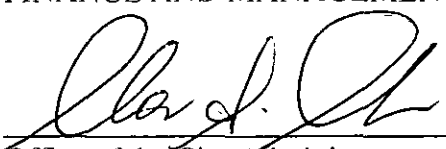
Staff requests that Council accept this informational report.

Respectfully submitted,

  
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JOSEPH T. YEW, JR.  
Finance Director/ Treasurer

Prepared by:  
Kip Walsh, Administrative Services Manager II  
Finance & Management Agency

APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

  
\_\_\_\_\_  
Office of the City Administrator

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