

CITY OF OAKLAND

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 MAY 14 PM 6:40

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Budget Office
DATE: May 19, 2009

RE: **Supplemental Report on FY 2008-09 Third Quarter Revenue and Expenditure Results and Year-End Projections For the General Purpose Fund (1010); and the Status of Implementing the October 2008 and March 2009 Budget Revisions. Revised Resolution Authorizing Balancing Measures to Address the FY 2008-09 Projected Deficit in the General Purpose Fund.**

SUMMARY

At its May 19th meeting, the Finance and Management Committee directed staff to return with the following information:

- A. Revised legislation to authorize the balancing measures for projected deficit in the General Purpose Fund.
- B. Discussion on the transfer of \$2.5 million in City Attorney costs to Self Insurance Liability Fund; and alternative reductions in the current fiscal year.

FISCAL IMPACT

The revised legislation provides \$15.3 million in balancing measures to offset the net \$15.1 million projected year-end deficit in the General Purpose Fund.

DISCUSSION

At its May 12th meeting, the Finance and Management Committee reviewed the third quarter revenue and expenditure report and directed staff to return with additional information as follows:

A. Revised legislation to authorize the balancing measures for projected deficit in the General Purpose Fund.

At the May 19th Finance and Management Committee, the following balancing measures were proposed to address the projected year-end deficit of \$15.1 million in the General Purpose Fund:

- 1) Re-allocation of one-time revenue originally earmarked for the Landscaping and Lighting Assessment District (2310) and Capital Improvement (5500) funds (\$9.2 million).
- 2) Transfer of eligible City Attorney expenses from GPF to Self Insurance Liability fund (\$2.5 million)

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3) Three additional shutdown days in the current fiscal year (\$1.0 million)

After discussion, the Committee members passed a motion excluding the mandatory business shutdown balancing measure (item 3 above).

In addition to the above measures (two of which have been accepted by the Committee), staff proposes the following balancing measures:

- **One-time revenue from Capital Trust Funds (\$3 million)** -The Treasury Division is planning to payoff the 1985 Certificates of Participation. After paying off the debt, there will be an excess of \$12.5 million, instead of \$9.5 million previously expected and included as one-time revenue in the October revised budget. Primarily due to the interest rate fluctuations, the pricing of the payoff of this capital trust debt anticipates additional \$3 million in one-time revenue in June 2009.
- **One-time revenue from sale of T-12 Building (\$0.6 million)** – Remaining funds in escrow from the sale of T-12 building, approximately \$600,000, will be forwarded to the City as part of the sales proceeds for placement into the General Purpose Fund (1010).

The above two sources were verified by staff following the May 12, 2009 Finance Committee meeting. Together with the two measures already accepted by the Committee, these items total \$15.3 million, and are recommended to address the projected \$15.1 million GPF deficit.

B. Discussion on the transfer of \$2.5 million in City Attorney costs to Self Insurance Liability Fund; and alternative reductions in the current fiscal year.

In FY 2008-09, the Self Insurance Liability Fund has an appropriation of \$13.7 million, established through the Phoenix Model. The Phoenix Model includes an appropriation for City Attorney in-house legal costs, although these costs are currently charged to GPF. As of March 31, 2009, the year-to-date expenses in this fund are \$9.2 million. An operational surplus of \$2.5 million is projected by year-end in the Self Insurance Liability Fund, due to not charging appropriate in-house legal costs. Thus, a transfer of eligible attorney staff costs totaling \$2.5 million in the Litigation Program to the Self Insurance Liability Fund is proposed for the current fiscal year.

It should be noted that Self Insurance Liability Fund has a historic negative fund balance, \$22.6 million as of July 1, 2008. A ten-year repayment plan is already in place to address this negative fund balance. In the current fiscal year, eligible attorney staff costs can be transferred from GPF to Self Insurance Liability fund with **no impact to the fund balance and repayment plan.**

As of March 31, 2009, the City Attorney has expended 77 percent of their total GPF adjusted budget of \$8.14 million. Any alternative reductions in City Attorney for the current fiscal year may impact the outside counsel costs. As part of the FY 2009-11 budget development process, in the May 28th Special Budget Meeting report the City Attorney will provide details on possible staff eliminations and their impact on outside counsel costs.

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ACTION REQUESTED OF THE CITY COUNCIL

Accept this supplemental report and adopt attached resolution to authorize revised balancing measures.

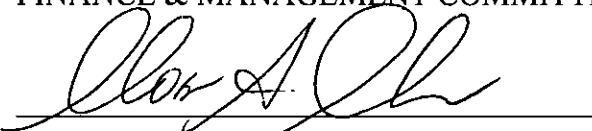
Respectfully submitted,


CHERYL L. TAYLOR
Budget Director

Prepared by:

Kiran Bawa
Budget Office

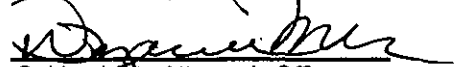
APPROVED FOR FORWARDING TO THE
FINANCE & MANAGEMENT COMMITTEE


Office of the City Administrator

Attachments:

Revised Legislation
Balancing Measures to Address the Year-end Deficit

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Oakland City Attorney's Office

FILED
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL

2009 MAY 14 PM 6:41
Resolution No. _____

C.M.S.

**RESOLUTION AUTHORIZING BALANCING MEASURES TO ADDRESS THE
FY 2008-09 PROJECTED DEFICIT IN THE GENERAL PURPOSE FUND**

WHEREAS, the FY 2008-09 third quarter revenue and expenditure analysis projects a net deficit of \$15.1 million in the General Purpose Fund (GPF); and

WHEREAS, a balancing proposal has been developed to address \$15.3 million of the projected deficit comprising one time and ongoing measures; and

WHEREAS, the City Council finds and determines that the herein referenced balancing options are necessary to bridge the projected shortfall in GPF; now, therefore, be it

RESOLVED: That the City Administrator is hereby authorized to implement the balancing proposal totaling \$15.3 million to address the projected deficit in FY 2008-09, as presented in Exhibit A attached hereto, incorporated as reference and made hereof, and reflecting any and all amendments made by the City Council at the May 19, 2009 meeting.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2009

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND PRESIDENT BRUNNER

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
Of the City of Oakland, California

ADDITIONAL BALANCING MEASURES (\$ in millions)

Item	FY 2008-09 Savings	FTE change	Impact	Effective Date	
TARGET	(15.10)				
BALANCING MEASURES	(15.30)	0.00			
VARIANCE	0.20	0.00			
CITYWIDE					
Re-allocation of one time funds to Landscaping and Lighting Assessment District (LLAD) and Municipal Capital Improvement (CIP) Funds	(9.20)		Negative balances in LLAD (\$4.03M) and CIP (\$4.6M) funds will not be addressed at this time.	June 1, 2009	
Three additional Mandatory Business Shutdown days	(1.00)		Three additional shutdown days on May 29, June 12 and 26 will result in City closure on every Friday effective May 22. These three shutdown days are in addition to the previously announced City shutdown on May 22, June 5 and June 19.	May 29, 2009	
One-time revenue from Capital Trust Debt payoff	(3.00)		No impact.	June 2009	NEW
Remaining proceeds from sale of T-12 building	(0.60)		No impact.	June 2009	NEW
CITY ATTORNEY					
Transfer of personnel costs to Liability Fund	(2.50)		There is no impact from the transfer of personnel cost in City Attorney from GPF to Liability Fund as it is projected to have an operational surplus in the current fiscal year.	June 1, 2009	