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OFFICE OF THE CITY CLERK
OAKLAND

2015 FEB 20 AM 9:52

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: KIRAN BAWA

SUBJECT: Five Year Financial Forecast

DATE: February 19, 2015

City Administrator
Approval

Date

2/19/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Receive an informational report presenting the Five Year Financial Forecast (Forecast) for FY 2015-16 through FY 2019-20 in accordance with the Consolidated Fiscal Policy (Ordinance 13279 C.M.S.) as part of the FY 2015-2017 budget development

OUTCOME

This is an informational report providing Five-Year Financial Forecast analysis to help make informed budgetary and operational decisions by anticipating future revenues and expenditures and highlighting anticipated challenges and opportunities as part of the FY 2015-17 budget development.

BACKGROUND/LEGISLATIVE HISTORY

On December 9, 2014, the City Council approved the Consolidated Fiscal Policy (Ordinance 13279 CMS) which directs staff to produce a Five-Year Financial as part of the biennial budget development process. The purpose of the Forecast is to help make informed budgetary and operational decisions by anticipating future revenues and expenditures, and highlighting anticipated fiscal risks and opportunities. The Forecast surfaces major known fiscal conditions and projected future conditions to support informed long-term planning and decision making regarding operational and capital improvement resources. The Forecast is not only a necessary strategic planning tool for financial sustainability, but also ensures the City's compliance with current best practices across other local governmental entities.

As a result of biennial forecasts, the City continues to implement sound financial policies to weather any unforeseen economic downturns. The City's Charter requires adoption of a balanced budget each fiscal year. For the development of the next biennial budget for FY 2015-17, the City will need to develop strategies to address shortfalls projected in the Forecast.

Item: _____
Special City Council
March 2, 2015

ANALYSIS

The FY 2014-15 Amended Midcycle Policy Budget was used as the base to forecast revenues and expenditures five years forward. The first two years of the Forecast coincide with the FY 2015-17 Final Baseline Budget assuming expenditures necessary to maintain existing staffing and service levels along with anticipated revenues for the two-year period. The second year (FY 2016-17) of the baseline was used as the starting point for the additional three years of the forecast using appropriate growth rates depending on category. Staff consulted with independent budget and economic experts to validate methodology and assumptions.

Key Findings

The local economy, particularly real estate markets, is recovering from the Great Recession. As City revenues are highly tied to real estate, revenues are growing at a steady rate with over 8,000 housing units planned or under development. The City is benefiting from a strong regional economy driven in part by the technology sector. However, there is risk of contraction in the out years of the forecast based on historical experience with prior business cycles and economic expansions that on average last between five to seven years.

Expenditures are rising faster than revenues, particularly medical and retirement costs. In the forthcoming two-year budget cycle, the Forecast projects a moderate shortfall; in the out years this projected shortfall grows considerably. Notably in FY 2017-18, the resumption of Police and Firemen's Retirement System (PFRS) payment is projected to place great stress on the General Purpose Fund. In addition to service demands on the operating budget, there are significant capital improvement needs that have been deferred for many years and pressures associated with long-term liabilities.

The combined risks of a possible economic contraction, escalating expenditures, long-term liability payments, and immediate capital improvement needs will continue to pressure City finances in the near term. While efforts to reduce departmental spending have seen results, there are pressures outside the control of the City that are putting great strain on the City's finances. As a result, the City should consider an array of strategies to address its financial challenges including strong economic development to enhance revenues and control our costs.

Tables 1 and 2 below provide forecast results for the next five fiscal years for GPF and All Funds respectively. There is a steady growth in revenues, however, the growth in expenditures outpaces the revenues resulting in projected shortfalls. It is important to note that these shortfalls do not incorporate any proposed changes or balancing solutions that will be considered as part of the budget process. Per the City Charter and State law, the City must adopt a balanced budget as it always has in the past.

Table 1 - GPF Revenues, Expenditures, & Shortfall

| General Purpose Fund | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------|------------|------------|------------|------------|------------|
| Expense | \$509.33 | \$521.01 | \$553.07 | \$567.82 | \$583.29 |
| Revenue | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Surplus (Shortfall)* | (17.93) | (18.64) | (36.63) | (36.99) | (40.13) |

Table 2 - All Funds Revenue, Expenditures, & Shortfall

| All Funds | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------|------------|------------|------------|------------|------------|
| Expense | \$1,173.12 | \$1,189.87 | \$1,226.18 | \$1,256.33 | \$1,285.40 |
| Revenue | \$1,133.79 | \$1,149.63 | \$1,174.77 | \$1,202.88 | \$1,227.88 |
| Surplus (Shortfall)* | (39.34) | (40.23) | (51.42) | (53.46) | (57.52) |

PUBLIC OUTREACH/INTEREST

The BAC held three public meeting to discuss the poll and its questions through the fall and winter of 2014. The final polling instrument was approved a public special meeting of the BAC.

COORDINATION

This report was prepared in collaboration with the City Administrator's Office; the Controller, Revenue and Treasury bureaus; and the Department of Human Resources.

COST SUMMARY/IMPLICATIONS

There are no costs or fiscal impacts associated with the acceptance of this report.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified

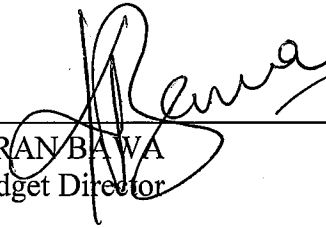
Environmental: No direct environmental opportunities have been identified

Social Equity: No direct social equity opportunities have been identified

Item: _____
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March 2, 2015

For questions regarding this report, please contact Kiran Bawa, Budget Director, at (510) 238-3671.

Respectfully submitted,



A handwritten signature in black ink, appearing to read "Kiran Bawa", is written over a horizontal line.

KIRAN BAWA
Budget Director

Reviewed by:

Donna Hom, Interim Assistant City Administrator

Attachments:

A: Five-Year Financial Forecast for FY 2015-16 to FY 2019-20

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Special City Council
March 2, 2015



FIVE-YEAR FINANCIAL FORECAST

Fiscal Year 2015-16 – Fiscal Year 2019-20



CITY OF OAKLAND

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CITY OF OAKLAND

Five-Year Financial Forecast

Fiscal Year 2015-16 to Fiscal Year 2019-20

Mayor

Libby Schaaf

Members of the City Council

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Council President

Rebecca Kaplan Larry Reid (At-Large)
Vice-Mayor

Larry Reid (District 7)
Council President Pro Tempore

Dan Kalb (District 1)

Abel J. Guillen (District 2)

Annie Campbell Washington (District 4)

Noel Gallo (District 5)

Desley Brooks (District 6)

Elected Officers

Barbara Parker
City Attorney

Brenda Roberts
City Auditor

Administration

John A. Flores
Interim City Administrator

Donna Hom
Interim Assistant City
Administrator

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ACKNOWLEDGEMENTS

Staff wishes to acknowledge Mr. Henry L. Gardner and Mr. John A. Flores for their tireless leadership and wisdom during the development of the Forecast.

We would also like to acknowledge the staff of the City Administrator's Office, the Controller Bureau, the Revenue Management Bureau, the Treasury Bureau, and the Human Resources Department for the input they provided, their oversight and their valued subject matter expertise necessary to the content and creation of this document.

We would also like to acknowledge our external consultants and partners in other jurisdictions for their expertise, assistance, and support. Finally we would like to acknowledge Departmental fiscal staff for their diligent work on behalf of the residents of Oakland and support of their Department's operations.

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EXECUTIVE SUMMARY

Purpose

The Five-Year Financial Forecast (Forecast) for the City of Oakland (City) spans from Fiscal Years (FY) 2015-16 to FY 2019-20. The purpose of the Forecast is to help make informed budgetary and operational decisions by anticipating future revenues and expenditures, and highlighting anticipated fiscal risks and opportunities. The Forecast surfaces major known fiscal conditions and projected future conditions to support informed long-term planning and decision making regarding operational and capital improvement resources. The Forecast is not only a necessary strategic planning tool for financial sustainability, but also ensures the City's compliance with current best practices across other local governmental entities.

As a result of biennial forecasts, the City continues to implement sound financial policies to weather any unforeseen economic downturns. The City's Charter requires adoption of a balanced budget each fiscal year. For the development of the next biennial budget for FY 2015-17, the City will need to develop strategies to address shortfalls projected in the Forecast.

The Forecast is not a budget and does not include any balancing solutions proposing new or changed service levels. Instead it is a planning tool to identify the challenges over a longer time frame and take appropriate measures to address them, which will include enhanced revenue resulting from continued economic growth and cost control initiatives. Of note, Oakland also continues its strong economic growth as detailed in Appendix A: Major Housing Projects FY 2015 to FY 2030. In addition, Army Base project is projected to enhance revenue base significantly starting FY 2018-19.

Methodology and Assumptions

The FY 2014-15 Amended Midcycle Policy Budget was used as the base to forecast revenues and expenditures five-years forward. The first two years of the Forecast coincide with the FY 2015-17 Final Baseline Budget assuming expenditures necessary to maintain existing staffing and service levels along with anticipated revenues for the two-year period. The second year (FY 2016-17) of the baseline was used as the starting point for the additional three years of the forecast using appropriate growth rates depending on category. Staff consulted with independent budget and economic experts to validate methodology and assumptions.

Key Findings

The local economy, particularly real estate markets, is recovering from the Great Recession. As City revenues are highly tied to real estate, revenues are growing at a steady rate with over 8,000 housing units planned or under development. The City is benefiting from a strong regional economy driven in part by the technology sector. However, there is risk of contraction in the out years of the forecast based on historical experience with prior business cycles and economic expansions that on average last between five to seven years.

Revenues

The forecast anticipates modest General Purpose Fund (GPF) revenue growth with an average projected annual growth rate of 2.32% over the course of the forecast period. This projected increase is driven mostly by increases in property tax, sales taxes, and business license tax. Specifically, the City is projected to benefit from increased property values, increased consumer spending, and a growing business sector. Other revenue categories like utility consumption tax are anticipated to remain relatively flat.

The diversity of the City's sales tax base is a positive characteristic. In FY 2013-14, the City's tax base was composed of six different business sectors with no single sector consisting of more than 17 percent of the total. In FY 2015-16, the City will also recognize receipt of a one-time payment of \$3 million due to the sunset of the State Triple Flip (see revenue section for details). Additional details on GPF revenues during the forecast period can be found on the table below:

Table 1 - GPF Revenue by Category

| General Purpose Fund (1010)- Revenue in Millions | FY 2014-15 Midcycle Adopted Budget | FY 2015-16 Forecast | FY 2016-17 Forecast | FY 2017-18 Forecast | FY 2018-19 Forecast | FY 2019-20 Forecast |
|--|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Property Tax | \$148.46 | \$163.66 | \$170.51 | \$177.07 | \$184.18 | \$189.73 |
| Sales Tax | \$50.36 | \$55.43 | \$54.43 | \$56.44 | \$58.34 | \$59.81 |
| Business License Tax | \$60.62 | \$69.55 | \$71.63 | \$73.60 | \$75.63 | \$77.71 |
| Utility Consumption Tax | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 |
| Real Estate Transfer Tax | \$53.00 | \$55.44 | \$57.52 | \$59.41 | \$61.09 | \$62.82 |
| Transient Occupancy Tax | \$14.88 | \$16.40 | \$17.06 | \$17.75 | \$18.46 | \$18.96 |
| Parking Tax | \$8.18 | \$10.21 | \$10.49 | \$10.78 | \$11.08 | \$11.38 |
| Licenses & Permits | \$1.94 | \$1.94 | \$1.94 | \$1.98 | \$2.02 | \$2.06 |
| Fines & Penalties | \$23.27 | \$23.47 | \$23.47 | \$23.48 | \$23.49 | \$23.50 |
| Interest Income | \$0.74 | \$0.74 | \$0.74 | \$0.74 | \$0.74 | \$0.74 |
| Service Charges | \$46.96 | \$44.11 | \$44.11 | \$44.72 | \$45.34 | \$45.98 |
| Grants & Subsidies | \$0.12 | \$0.12 | \$0.12 | \$0.12 | \$0.13 | \$0.13 |
| Miscellaneous Revenue | \$4.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 |
| Subtotal GPF | \$462.87 | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Transfers from Fund Balance | \$30.46 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total | \$493.32 | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Growth rate net of transfer from fund balance | | 6.2% | 2.2% | 2.8% | 2.8% | 2.3% |

In terms of All Funds revenues, forecast period growth is projected to be less than GPF revenues. While increases in property tax, local tax, sales, and business license tax are driving growth, general low to no growth in other revenue categories will dampen the City's projected revenue growth rate for All Funds. Additional details on All Funds revenues during the forecast period can be found on the table below:

Table 2 - All Funds Revenue by Category

| All Funds- Revenue in Millions | FY 2014-15 Midcycle Adopted Budget | FY 2015-16 Forecast | FY 2016-17 Forecast | FY 2017-18 Forecast | FY 2018-19 Forecast | FY 2019-20 Forecast |
|--------------------------------|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Property Tax | \$149.03 | \$167.75 | \$175.10 | \$182.09 | \$189.88 | \$195.73 |
| Local Tax | \$111.28 | \$124.37 | \$127.43 | \$131.03 | \$134.42 | \$137.58 |
| Sales Tax | \$62.11 | \$78.65 | \$77.93 | \$80.58 | \$83.14 | \$85.29 |
| Gas Tax | \$5.92 | \$5.92 | \$5.92 | \$5.92 | \$5.92 | \$5.92 |
| Business License Tax | \$60.62 | \$69.55 | \$71.63 | \$73.60 | \$75.63 | \$77.71 |
| Utility Consumption Tax | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 |
| Real Estate Transfer Tax | \$53.00 | \$55.44 | \$57.52 | \$59.41 | \$61.09 | \$62.82 |
| Transient Occupancy Tax | \$18.87 | \$20.87 | \$21.71 | \$22.59 | \$23.49 | \$24.14 |
| Parking Tax | \$11.81 | \$18.89 | \$19.29 | \$19.82 | \$20.37 | \$20.93 |
| Service Charges | \$164.17 | \$160.44 | \$160.45 | \$163.37 | \$166.38 | \$169.46 |
| Licenses & Permits | \$15.59 | \$15.33 | \$15.33 | \$15.37 | \$15.42 | \$15.46 |
| Fines & Penalties | \$27.99 | \$28.12 | \$28.12 | \$28.14 | \$28.16 | \$28.17 |
| Interest Income | \$0.89 | \$0.89 | \$0.89 | \$0.89 | \$0.89 | \$0.89 |
| Grants & Subsidies | \$66.84 | \$66.61 | \$66.61 | \$68.19 | \$69.81 | \$71.48 |
| Internal Service Funds | \$53.80 | \$73.23 | \$73.35 | \$75.37 | \$77.44 | \$79.57 |
| Miscellaneous Revenue | \$45.03 | \$39.07 | \$38.68 | \$38.68 | \$38.68 | \$38.68 |
| Interfund Transfers | \$149.41 | \$124.16 | \$125.07 | \$125.11 | \$127.56 | \$129.45 |
| Transfers from Fund Balance | \$102.31 | \$34.49 | \$34.61 | \$34.61 | \$34.61 | \$34.61 |
| Total | \$1,148.69 | \$1,133.79 | \$1,149.63 | \$1,174.77 | \$1,202.88 | \$1,227.88 |
| Growth rate * | | -1.3% | 1.4% | 2.2% | 2.4% | 2.1% |

*The negative growth in FY 2015-16 will change based on the year-end carryforward amounts for multi-year capital projects, which will be reflected in the Transfer from Fund Balance category

Expenditures

Expenditures are rising faster than revenues, particularly medical and retirement costs. The forecast assumes an average FTE count of 4,009 and thus does not propose any staffing service level increases. Even with this assumption, increases in fringe benefit rates, California Public Employees Retirement System (CalPERS) rates, and Other Post-Employment Benefits (OPEB) rates will result in a significant financial liability. Notably in FY 2017-18, the resumption of Police and Fire Retirement System (PFRS) payments (as a result of the issuance of Pension Obligation Bonds in 2012 that deferred payments until 2017) is projected to place great stress on the GPF.

Table 3 - Estimated PFRS GPF Contributions

| Estimated PFRS Contributions from the GPF | |
|--|--------------|
| FY 2017-18 | \$19,191,544 |
| FY 2018-19 | \$18,641,082 |
| FY 2019-20 | \$18,678,384 |

There are significant capital improvement needs that have been deferred for many years. The forecast identifies nine critical unfunded capital projects totaling approximately \$1.5 billion. If not funded, these deferred projects can create additional safety/financial/operational liabilities for the City above and beyond the actual cost of the project. While a lack of funding represents a significant hurdle, waiting to fund a project when it becomes a critical need is costly and requires a significant amount of resources to complete due to the time urgency.

In the forthcoming two-year budget cycle, the Forecast projects a moderate shortfall; in the out years this projected shortfall grows considerably.

The combined risks of a possible economic contraction, escalating expenditures, long-term liability payments, and immediate capital improvement needs will continue to pressure City finances in the near term. While efforts to reduce departmental spending have seen results, there are pressures outside the control of the City that are putting great strain on the City's finances. As a result, the City should consider an array of strategies to address its financial challenges.

Forecast Results Summary

Tables 4 and 5 below provide forecast results for the next five fiscal years for GPF and All Funds respectively. There is a steady growth in revenues, however, the growth in expenditures outpaces the revenues resulting in projected shortfalls. It is critical to note that these shortfalls do not incorporate any proposed changes or balancing solutions that will be considered as part of the budget process. Per the City Charter and State law, the City must adopt a balanced budget.

Table 4 - GPF Revenues, Expenditures, & Shortfall

| General Purpose Fund | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------|------------|------------|------------|------------|------------|
| Expense | \$509.33 | \$521.01 | \$553.07 | \$567.82 | \$583.29 |
| Revenue | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Surplus (Shortfall)* | (17.93) | (18.64) | (36.63) | (36.99) | (40.13) |

Table 5 - All Funds Revenue, Expenditures, & Shortfall

| All Funds | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------|------------|------------|------------|------------|------------|
| Expense | \$1,173.12 | \$1,189.87 | \$1,226.18 | \$1,256.33 | \$1,285.40 |
| Revenue | \$1,133.79 | \$1,149.63 | \$1,174.77 | \$1,202.88 | \$1,227.88 |
| Surplus (Shortfall)* | (39.34) | (40.23) | (51.42) | (53.46) | (57.52) |

*The City will take necessary measures to balance the budget where shortfalls are projected.

As background, the City has taken a number of administrative and legislative actions to mitigate projected shortfalls. Some examples of which include:

- Implementation of the City Council’s direction on financial policies to sustain key City services for residents;
- Provided City Council a “policy tradeoff and service buyback list” for informed decision making;
- Closely monitor departmental expenditures and schedule regular meetings with departments to strengthen internal controls, closely monitor hiring processes and ensure vacancies are only filled when positions are authorized and funded;
- Actively pursue revenues and monitor use of one-time vs. on-going revenue;
- Maintain 7.5% General Purpose Fund Emergency Reserve, which increases to up to 10% when funds are made available , and established a new Vital Services Stabilization Fund to mitigate the impact on services and layoffs;
- Repayment of negative fund balances and payment down long-term debt and liabilities, including the establishment of an designated trust fund for Other Post-Employment Benefits (OPEB) in FY 2013-14;
- Make contributions to long-term liabilities by \$534,500 in FY 2013-15 and \$10 million in FY 2015-16 and FY 2016-17;

- Issued a pension bond to reduce/refinance PFRS outstanding debt and increase funding ratio to the amount of \$250 million in 2012;
- Negotiated with Oakland Police Officer's Association to make 9% contribution toward their pension effective July 2011, Local 55, International Association of Firefighters members contribute 13%, Civilian employees contribute 8%; and,
- Adopted and implemented the third tier of the pension benefit level, which further modified for public safety employees from 3% @50 formula to 2.7% @ 57 and for civilian employees from 2.5% @55 to 2.00% @ 62 effective January 2013.

The issues the City is facing relative to unfunded liabilities, increased fringe benefits, and deferred maintenance are not unique to Oakland. Cities, states, and countries around the world are dealing with these same issues. As such, staff will continue to monitor these issues closely and are collaborating with other cities to identify best practices in addressing these issues. It will take longer term solutions and strategies to resolve the long-term obligations including leveraging the economic growth that enhance the revenues and controlling our costs.

INTRODUCTION

Purpose & Development Process

Purpose

The purpose of the Five-Year Forecast is to help the City make informed budgetary and operational decisions by anticipating future revenues and expenditures, and highlighting anticipated fiscal risks and opportunities. The forecast surfaces major known fiscal conditions and projected future conditions to support informed long-term planning and decision making regarding operational and capital improvement resources such as expenditures, labor negotiations, economic development policies, and revenue policies as well as prioritizing competing needs of the City's operations. On December 9, 2014, the City Council approved the Consolidated Fiscal Policy (Ordinance 13279 C.M.S as shown in *Appendix C*), which directs the Administration to create a Five-Year Forecast biennially that projects the City's revenues and expenditures over a five-year period.

With a forecast of revenues and expenditures under the known and foreseeable conditions, the City can plan strategies for providing a consistent, appropriate level of service to its customers and bring its revenues and expenditures into sustainable balance. With the forecast, decision makers and other participants will know whether revenues and expenditures will generally be in balance in future years, or whether significant interventions are necessary to help ensure balance. Such planning provides for greater financial stability, signals a prudent approach to financial management, prioritizes service levels, and brings the City into compliance with current best practices of other governmental entities.

The Consolidated Fiscal Policy notes these key attributes of the Five-Year Forecast:

- Estimates the City's revenues and expenditures over a future period of at least five-years;
- Contains the two-year baseline budget for the forthcoming two-year budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus at least an additional three- year forecast of revenues and expenditures;
- The forecast assumes continuation of expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues without balancing intervention;
- Revenue estimates are based on the most current data available; including projected revenue for the current fiscal year as reflected in the Second Quarter Revenue and Expenditure Report, with explanation of trends into future years;
- Accounts for the known legislations that impact the City's revenue and expenditure level; and
- Takes into account general national, state and local economic conditions to the extent that it is relevant to Oakland.

Development Process

City staff, led by staff in the City Administrator’s Office – Budget Department and Revenue Management Bureau, conducted the data collection and analysis. Staff consulted with independent budget and economic experts to confirm the soundness of the assumptions and analysis. Underlying revenue trends were discussed with a panel of experts and stakeholders including: City consultants, academic experts, staff from other municipalities, and labor leadership.

Technical Methodology

The Five-Year forecast was produced using a data export generated from the Oracle Public Sector Budgeting (PSB) System and sorted in Microsoft Excel. The PSB system is maintained and monitored by the Controller’s Bureau, Budget and Operations Unit. The PSB file used corresponds to the FY 2015-17 Final Baseline Budget reflecting projected expenditures necessary to maintain existing staffing and service levels, plus anticipated revenues for the two-year period. The Final Baseline is produced via the process described below.

The second year (FY 2016-17) of the PSB file was used as the starting point for the additional years of the forecast. In most cases growth rates were applied based upon the account code (type of revenues, e.g., property tax, sales tax, etc.) of each revenue or expenditure item. In some cases the combination of account and org code, or a special manual calculation was required. This method resulted in the production of a forecast data set (in compliance with the Open Data provisions of the Consolidated Fiscal Policy), which was queried via Microsoft Excel Pivot Table to produce the various figures, tables, graphs, and charts used in this document. The full forecast data set was published to the City’s Open Data Portal (<https://data.oaklandnet.com>), in compliance with the Open Data provisions of the Consolidated Fiscal Policy.

The Final Baseline Budget PSB file includes expenditures in Measure BB Fund for streets and sidewalk capital improvements to match the projected revenues as a result of the newly approved ballot measure that will go into effect on April 1, 2015. Due to the timing of the ballot implementation, both the revenue expenditures for Measure BB have been included in the Final Baseline; however, the spending plan will be brought to Council for approval in Spring 2015.

BACKGROUND INFORMATION

General Information

The City is located on the east side of the San Francisco Bay in the County of Alameda. Oakland is bordered by 19 miles of coastline to the west and rolling hills to the east. In between are neighborhoods, a progressive downtown, and superior cultural and recreational amenities. Oakland serves as the administrative hub of the County of Alameda, a regional seat for the federal government, the district location of primary state offices, and the center of commerce and international trade for the Bay Area.

Oakland is the eighth largest city in the State of California, with an estimated population of 404,355 in 2014 according to the State Department of Finance. It is home to the Port of Oakland, which is the fifth busiest maritime port in the U.S. and among the top 25 in the world. Oakland International Airport has undergone a \$300 million Terminal Improvement program including construction of a new concourse with seven boarding gates/waiting areas, centralized food/beverage and retail shopping areas, as well as expanded ticketing, security, and baggage claim facilities.

Three major projects are either underway, funded or in planning. At the site of the former Oakland Army Base there is the “Oakland Global” project, a revitalization and redevelopment project that will further enhance the Port of Oakland’s competitiveness, which is projected to be completed in phases. The Brooklyn Basin project will transform 65 acres of waterfront property along the Oakland Estuary with 3,100 residential units and approximately 200,000 square feet of retail and commercial space, which is scheduled to be completed in phases with the first 400 units entering into the market in 2018, 300 units in 2019, and the balance completed between 2020-2030. The Coliseum City project is the largest transit-oriented development project in California and will transform an entire area of Oakland, creating thousands of new jobs and a regional destination. This project is still in a very preliminary stage and therefore there is no scheduled completion date yet.

The City continues to improve the environment for its residents and business investors. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones.

Oakland is a mature city that has been able to preserve its abundant natural beauty and resources. The City has 106 parks (totaling over 2,500 acres) within its borders, as well as several recreational areas along its perimeter. Lake Merritt, the largest saltwater lake within a U.S. city, borders the downtown area. Its shoreline is a favorite retreat for joggers, office workers and picnickers. Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

In concert with ongoing economic development efforts, the City strives to maintain a balance between old and new structures. Historic structures continue to be renovated, preserved and revitalized while new buildings are constructed. Major corporate headquarters include Clorox and Kaiser Permanente, which are in close proximity to many new businesses and various small retail shops that have sprung up in the downtown area.

Form of Government

The City of Oakland was chartered as a city in 1852. It was a Council-City Manager form of government until 1998. In 1998, the citizens of Oakland passed Measure X changing the government structure to a Mayor-Council form of government through a City Charter amendment. The Mayor-Council form of government remains in place. The Mayor is elected at-large for a four-year term, and can be re-elected only once. The Mayor is not a member of the City Council; however, he or she has the right to vote only if the Council members are evenly divided for decisions requiring simple majority passage.

The City Council is the legislative body of the City and is comprised of eight Council members. One Council member is elected “at large,” while the other seven Council members represent specific districts. All Council members are elected to serve four-year terms. The Council members elect one member as President of the Council and one member to serve as Vice Mayor every two years.

The City Administrator is appointed by the Mayor and is subject to confirmation by the City Council. The City Administrator is responsible for the day-to-day operations of the City.

For duties and responsibilities of the elected and appointed officials, visit the City’s website via the following link: <http://www2.oaklandnet.com/Government/CityGovernment101/index.htm>

The City Of Oakland’s Role in Service Provision

The City of Oakland is one of a number of local government entities serving the residents of Oakland, California. The City is a key provider of important government services to residents; however it is not the only provider. Understanding which services are provided by the City, and which are provided by other entities is helpful before engaging in more in-depth analysis of City services and fiscal position. A detailed exposition of Services provided by the City of Oakland is located in *Appendix B*.

Services Provided to Residents of Oakland by Service Provider

The following tables summarize the services provided by the various local government entities serving the residents of Oakland, California. In some cases services are provided collaboratively by multiple local governments; in those instances the primary service provider is listed.

Table 6 - Oakland Service Providers & Services

The City of Oakland

- Police Protection
- Fire Suppression
- Recreation Programs
- Oakland Public Libraries
- Violence Prevention Services
- Planning & Building
- Economic Development
- Head Start
- Senior Centers & Services
- KTOP (local government cable channel)
- Housing Development & Referral Services
- Rent Arbitration
- Emergency Medical Response
- Children & Youth Services
- Parking Management
- Sewers & Storm Drains
- Transportation Planning
- Street & Sidewalk Maintenance (local)
- Parks, Trees, & Public Spaces
- Street Lights & Traffic Signals
- Recycling and Solid Waste
- Workforce & Job Training

The Oakland Unified School District

- Public Elementary, Middle, and High Schools
- Adult Education
- Charter Schools

East Bay Municipal Utilities District (EBMUD)

- Provision of Drinking Water
- Treatment of Wastewater
- Public Open Spaces near reservoirs

Alameda-Contra Costa Transit District (AC Transit)

- Bus Transportation

Bay Area Rapid Transit District (BART)

- Commuter Rail

The Port of Oakland

- Oakland International Airport
- Oakland Seaport

Alameda County

- Courts of Law
- Jails & Juvenile Hall
- Coroner & Medical Examiner
- Probation
- Registrar of Voters
- Property Tax Assessment & Collection
- Public Defender
- District Attorney
- MediCal (Medicaid)
- CalFresh (Food Stamps)
- CalWORKs (TANF)
- Health Programs
- Public Health Services
- Child Support & Protection

- Mental Health Services
- Emergency Medical Transport (Ambulance)

The Peralta Community Colleges

- Laney & Merritt Community Colleges

East Bay Regional Park District

- Operations of Regional Parks

A Demographic & Economic Profile of the City Of Oakland

Economic Profile

Oakland has diversified its economic base significantly in the past few decades. The economy offers a healthy mix of trade, government, financial, medical, information technology, publishing and service-oriented occupations. Industries with the largest growth in jobs in the last two years are professional and business services, education and healthcare, leisure and hospitality, and traditional and specialty food production.

Oakland offers abundant resources to its businesses and residents: state-of-the-art transportation services, a vibrant dining and entertainment scene, and utility facilities that keep the City running smoothly. Several new office and mixed-use buildings, public facilities, renovated hotels and convention facilities, park enhancements and outdoor art have created a cosmopolitan environment in the downtown area. Waterfront restaurants and shops at Jack London Square, as well as the burgeoning Old Oakland and Uptown districts provide lively nighttime attractions. The City's neighborhood retail areas continue to grow, as evidenced by Oakland's ten Business Improvement Districts and Community Benefit Districts. While manufacturing remains an important segment of the City's economy, some industrial land has been converted to residential and work/live use.

Oakland plays a pivotal role in the East Bay Trade Area; it is a city of rich history, impressive growth and a promising future. Located within one of the nation's largest metropolitan areas, California's eighth most populous city is the economic heart of the East Bay. Oakland has the infrastructure and economic base to support and attract a diverse mix of advanced industries and value-oriented retail.

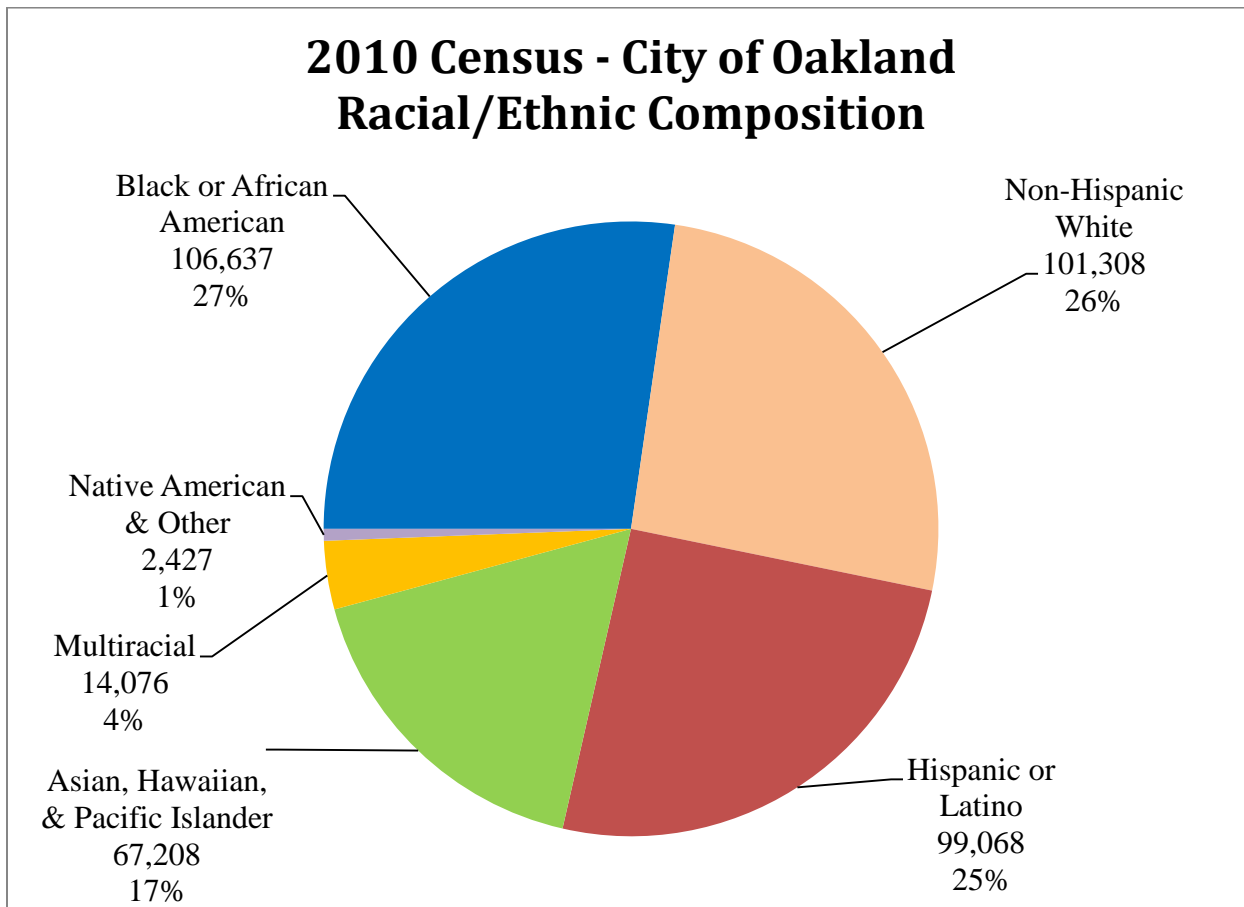
Downtown Oakland offers competitive office space, and the amenities for both traditional and emerging enterprises. The freeways, mass transit systems and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other Bay Area cities are surprisingly short. Located in the geographic center of the Bay Area, Oakland has been recognized as a vital transportation hub for more than 100 years. Oakland is also the headquarters of the Alameda-Contra Costa Transit District (AC Transit), and the Bay Area Rapid Transit (BART) system.

Demographic Profile

Oakland is the eighth largest city in the State of California, with an estimated population of 404,355 residing in approximately 55 square miles in 2014 according to the California Department of Finance. According to the 2010 United States Census, the population of City was 390,724 persons at a density of roughly 5,000 people per square mile. The Census estimated the City's population at 399,484 in 2000.

The racial makeup of Oakland in 2010 was roughly 27.0% African American, 26%, Non-Hispanic White, 25% Hispanic or Latino (of any race), 17% Asian & Pacific Islander, 4% Multiracial and 1% Native American & Other (see figure below):

Figure 1 - 2010 Oakland Census Racial/Ethnic Composition



According to the 2010 United States Census, 21% of the City’s population is below the age of 18, and 11% is over the age of 65. In 2000 the United States Census estimated that 25% of the City’s population was below the age of 18 and 10.5% was over the age of 65.

Table 7 - Oakland Population by Age

| City of Oakland Population by Age | | | | |
|-----------------------------------|----------------|-------------|----------------|-------------|
| Age Range | 2000 Census | | 2010 Census | |
| | Count | % | Count | % |
| 0 to 4 Years | 28,292 | 7% | 26,099 | 7% |
| 5 to 17 Years | 71,467 | 18% | 57,021 | 14% |
| 18 to 64 Years | 257,937 | 65% | 264,045 | 68% |
| 65+ Years | 41,788 | 10% | 43,559 | 11% |
| Total | 399,484 | 100% | 390,724 | 100% |

In 2010 25% of households were families with children compared to 2000 when 29% of households were families with children. In 2010 roughly 59% of housing units were occupied by renters essentially unchanged from the 2000 estimate.

Principles of Government Finance

The following section is intended to familiarize the reader with terms, concepts, and documents important in government finance and budgeting. Understanding these items will allow the reader better comprehension of this Forecast and other similar documents produced by the City.

Budgets & Fiscal Years

Budgets are plans for how organizations intend to use projected resources (revenues) on payments to perform operations or provide services (expenditures), over a defined period of time. Budgets are by definition prospective planning tools and it must be balanced between revenues and expenditures within the defined time period. The City of Oakland has received the Distinguished Budget Presentation Award from Government Finance Officers Association of the United States and Canada (GFOA) for its biennial budgets for at least the last 18 consecutive fiscal years.

The key period of time for the City of Oakland's Budget (and other Financial Reports) is the Fiscal Year (FY). A Fiscal Year begins on the 1st of July and ends on the 30th of June of the following year. Fiscal Years are generally expressed as follows: the Fiscal Year will begin July 1, 2015 and end June 30, 2016 is FY 2015-2016. This same fiscal year can also be expressed as FY 2015-16, FY15-16, or FY16 (This document uses multiple formats depending on context and space requirements). Fiscal Years can be divided into quarters or monthly periods. For instance the Second Quarter of FY 2015-16 will end on December 31, 2015; this would commonly be expressed as Q2 FY 2015-16 or Q2-16. The 9th Period of FY 2015-16 will end on March 31, 2016; this would commonly be expressed as Q3 FY 2015-16 or Q3-16. Grants may or may not synchronize with the City's fiscal year.

The City of Oakland adopts a biennial (two-year) balanced budget by June 30th of the preceding fiscal year. For instance the City of Oakland will adopt the FY 2015-17 Biennial Budget by June 30, 2015.

Operating Budget vs. Capital Improvements Program

In general, the City issues two types of budgets. The first and best known is the Operating Budget. This Budget includes the projected revenues and expenditures for the provision of most City operations and services. For instance the operating budget includes revenues from general taxes and expenditure on police services, fire & emergency medical services, youth & recreation programs, library services, minor repairs, etc. The Capital Improvement Program (CIP), by contrast presents planned expenditures on projects to improve discrete elements of the City's infrastructure, buildings, and environment as well as major purchases such as land, buildings and equipment. For instance, water quality projects around Lake Merritt, complete repaving of streets

and roads, construction of sewer infrastructure, and construction or renovation of City buildings would be included in the CIP. The CIP is summarized in the Operating Budget in accordance with best practices. There are other special budgets such as the Oakland Redevelopment Successor Agency, which is a separate legal entity of the City responsible for the wind down and completion of the activities of the former Oakland Redevelopment Agency.

Financial Reports & Actuals

“Actuals” are recorded revenues and expenditures that have occurred over a defined time period. While budgetary values are projected prior to the close of a fiscal period, actuals are recorded after the fact. A financial report is a statement of actuals and accruals. Actuals can be divided into two categories: unaudited and audited. Unaudited actuals include those reported in the City’s quarterly Revenue & Expenditure (R&E) Reports. They are distinguished from audited actuals in that they have not been evaluated by an independent financial audit. The City has an independent financial audit conducted following the close of each fiscal year to provide an independent opinion of whether the City’s financial statements are stated in accordance with General Accepted Accounting Principles (GAAP). The audited actuals are presented in the Comprehensive Annual Financial Report (CAFR).

Revenues

Revenues can be generally understood as the sources of income for the City and divided into several categories or Fund Types (See Funds and Transfers Section for details). Tax Revenues are largely unrestricted and are attributed to the General Purpose Fund. Grant revenues are restricted by the grant agreement and often require matching contributions from other sources. Special revenues include voter-approved measures, and are restricted for a specific purpose. Fines and Penalties revenues are largely unrestricted and result from enforcement activities. Based on best practices and Council policy, one-time revenues (e.g. land sales) should not be used to support ongoing expenditures. Fee and Service Charge revenues support many City functions. The rate charged for fees and service charges is regulated by state law, notably Proposition 26. Generally fees may not exceed the cost of providing a service (with a few exceptions). Fees are listed in the City’s Master Fee Schedule, which is approved annually, but can be modified at any time with the City Council’s approval. The current Master Fee Schedule can be found at the following link:

<http://www2.oaklandnet.com/oakca1/groups/cityadministrator/documents/report/oak048945.pdf>.

Revenues are budgeted and recorded into specific accounts. These accounts are aggregated for reporting into categories such as: Property Tax, Fines & Penalties, or Service Charges.

Expenditures

Expenditures can be generally understood as the usage of resources by the City. There are two key categories of expenditure: personnel expenditures and operations & maintenance (O&M) expenditures. Personnel expenditures are used to pay for City employees to perform various functions and provide services to the public. They are expended via the City’s payroll and benefits systems and include salaries, overtime, premiums, retirement, and healthcare costs.

O&M expenditures are used to pay for anything other than City employees and are expended through the contracting, purchasing, and payables systems. O&M expenditures include contracts for services, supplies and materials, utilities, equipment purchases and debt payments. Expenditures are budgeted and recorded into specific accounts. These accounts are aggregated for reporting into categories such as: salaries, retirement, debt payments, or capital expenditures.

Assets & Liabilities

Assets are tangible and intangible items that hold value, and include City cash, investments, buildings, and equipment. Assets can be divided into two types: current and long-term/fixed assets. The former includes cash, receivables, and short-term investments. Long-term and fixed assets include things such as long-term investments, property, plant, and equipment that have value, but cannot be quickly converted into cash.

Liabilities are amounts that the City is obligated to pay based upon prior events or transactions. For example, if the City owes money as a result of borrowing or debt issuance, those would be considered liabilities. Liabilities can also be divided into two types: current liabilities and long-term liabilities. Current liabilities are those that the City expects to pay within a year, for instance wages paid to active employees for hours worked or bills for utilities. Long-term liabilities are obligations that the City would payout over time such as pensions, retiree medical obligation, and long-term debt service.

A related term Unfunded Actuarial Accrued Liability (UAAL) often shortened to Unfunded Liability is often mentioned in conjunction with government finances. The UAAL is defined as “the excess of the actuarial accrued liability over the actuarial value of assets” by the State Actuarial Standards Board. The UAAL is the amount that an entity is projected to owe that is not covered by projected future payments under a specific payment methodology, or by assets currently held by the entity.

Funds & Transfers

Funds are groups of revenues and expenditures that must be individually balanced. The City’s Budget contains 112 funds, the largest of which is the General Purpose Fund (GPF). Other Funds normally have restrictions on the types of activities they support; these restrictions could be established by local ordinance, the City Charter, State law, or grant agreements. The General Purpose Fund is unrestricted in its use. The Five-Year Forecast summarizes the City’s 112 budgeted funds into the following groupings:

- General Purpose Fund
- General Fund Group
- Special Revenue – Grants
- Special Revenue - Transportation Funds
- Special Revenue - Local Measures & Districts
- Special Revenue - Programs
- Internal Service Funds
- Enterprise Funds
- Capital Project Funds
- Debt Service Funds
- Fiduciary Funds

In certain cases, monies are transferred between City funds. For instance, there is a requirement that 3% of the City's annual unrestricted GPF revenues are required to be transferred between the GPF and the Kid's First Fund (General Fund Group) in order to meet the requirements of the 2009 Kid's First ballot measure (Measure D). When a transfer occurs between funds the "sending" fund (transfer from) records an expenditure and the "receiving" fund (transfer to) records revenue, the transfer to and transfer from must be balanced. If the total revenues or expenditures across all City funds are summarized and transfers are not removed, the transfers should not be viewed as additional revenues or expenditures.

Department & Organizational Structures

The City of Oakland is organized into various departments as defined in Oakland Municipal Code 2.29. These departments are responsible for delivering the various external and internal services of the City. Departments are generally established by City ordinance approved by the City Council. A few Departments are established by the City Charter itself and generally include the name "Office" in their title; for instance: The Mayor's Office, the City Attorney's Office, and the City Administrator's Office.

In the budget or the financial forecast documents, there are also two quasi-departments within the City namely the Capital Improvements Program and the Non-Departmental group. These two groups are distinguished from traditional Departments in that they do not have operational staff attributed to them. These groups are used to record the costs various citywide costs or inter-departmental projects such as debt service, legally required fund transfers, or major infrastructure projects.

Overhead Rates & Internal Service Funds

There are two key ways that the costs of internal support services are captured in budgets. The City utilizes an outside actuarial consultant to review rates and methodologies for both types of cost recoveries described below.

Overhead rates are used to recover costs of certain administrative functions like accounting, cash management, and information technology, which can be difficult to allocate these functions to specific funds or projects. Overhead rates are recorded as expenditures in the fund using the overhead service and recoveries (offsetting expenditures) in the fund providing the overhead service.

For example, Oakland Public Works (OPW) has centralized fiscal and human resources sections, the expenditures for which are budgeted and charged to its departmental overhead fund (Fund 7760). Rather than budget and directly charge each of the funds that OPW utilizes to recover the monies needed to support such sections, an overhead rate is calculated, budgeted and charged to all of the funds based on the amount of payroll in those funds. The overhead charges in the OPW funds are recovered in Fund 7760, which are in turn equal to the costs of the respective OPW centralized sections. Thus when viewed at a fund level, 7760 has net zero expenditure as

personnel and O&M costs located there are offset by overhead recoveries; and other OPW funds have an overhead charge to reflect their use of central OPW services.

Internal Service Funds (ISF) charge departments for services based upon a formula to allow for centralized support functions. Similar to transfers, ISFs operate by recording an expenditure in the fund for which the operations are performed and recording a revenue in the relevant Internal Service Fund.

For example the Oakland Police Department (OPD) requires vehicles to operate, however, the maintenance of OPD vehicles (along with the Oakland Fire Department (OFD) vehicles and other City departments) is provided centrally by OPW. To reflect these costs an internal service charge expense account is budgeted and charged to OPD in an appropriate fund, in this case likely the General Purpose Fund. This expense is then offset by an internal service revenue account in the Equipment Fund (4100). This revenue in-turn pays for the expenses to maintain a vehicle e.g. mechanics, fuel, parts, etc., within Fund 4100. Each Internal Service Fund apportions costs across departments and funds by a different methodology driven by its nature.

Budget Balancing, Surplus, Projected Surplus, Deficit, & Projected Shortfall

The term ‘balanced’ refers to a budget or forecast document where all projected revenues are equal to all projected expenditures; if they are not equal then there is an imbalance. If projected revenues exceed projected expenditures then the budget or forecast is said to have a projected surplus. If instead expenditures exceed revenues, then there is a projected shortfall. The City must, by policy adopt a balanced budget.

A structural imbalance occurs when there is a difference between ongoing revenues and expenditures. For instance a budget that uses one-time revenue to pay for ongoing expenditures may be balanced over the fiscal period, but suffers from a structural imbalance; in this case a structural shortfall. By contrast if ongoing revenues exceed ongoing expenditures a budget may have a structural surplus.

Deficit is an actual status of financial health in which expenditures exceed revenues, whereas budget shortfall means that projected spending is greater than projected revenues. The terms ‘surplus’ and ‘deficit’ refer to the relative balance of expenditure and revenue actuals. A deficit occurs when actual expenditures exceed actual revenues over a fiscal period. By contrast a surplus occurs when actual revenues exceed actual expenditures.

Fund Balances & Reserves

At the end of each fiscal year, each fund's revenue collections are compared against incurred expenditures. If there were revenues in excess of expenditures, a surplus occurs, which is added to that fund's "fund balance." Alternatively, if there were greater expenditures than revenues, then that difference is reduced from the fund balance. A negative fund balance occurs when cumulative fund expenditures exceeds revenues since the inception of the fund; by contrast a positive fund balance exists when cumulative revenues exceed the expenditures.

If a positive fund balance is restricted or earmarked in its usage, it is often termed a 'reserve,' and is usually achieved by City Council approval. For instance the General Purpose Fund has a 7.5% emergency reserve for unanticipated and insurmountable events. Other funds may have fund balance for future expenditure needs such as equipment replacements.

REVENUES

This section covers the brief historical trends and revenue data of major revenue categories. The major revenue categories are Property Tax, Sales and Use Tax, Business License Tax, Real Estate Transfer Tax (RETT), Transient Occupancy Tax (TOT) and Parking Tax. Relevant State regulations such as Proposition 13 (Property Tax Rate Cap), Proposition 8 (Property Tax Reassessments), Proposition 218 (Property Owner Approval of Tax Assessments) and Proposition 26 (Supermajority Vote to Pass New Taxes and Fees) will also be introduced in the context of revenue projections. Assumptions of projections will be presented, followed by projections and summary by revenue categories, amount and growth rates. The General Purpose Fund and All Funds will be separated summarized.

Citywide revenues are projected using dynamic forecasting, which anticipates changes in revenues benefited by the general economic climate and triggered by new economic development, economic growth, changes in the fee based on the levels of service (in the case of Master Fee Schedule, changes are approved by the City Council), changes in governmental policies at the state or federal level, and various economic and demographic changes. The purpose of this dynamic forecast is to demonstrate the potential impact of various events and actions on the selected revenue sources. Under this scenario:

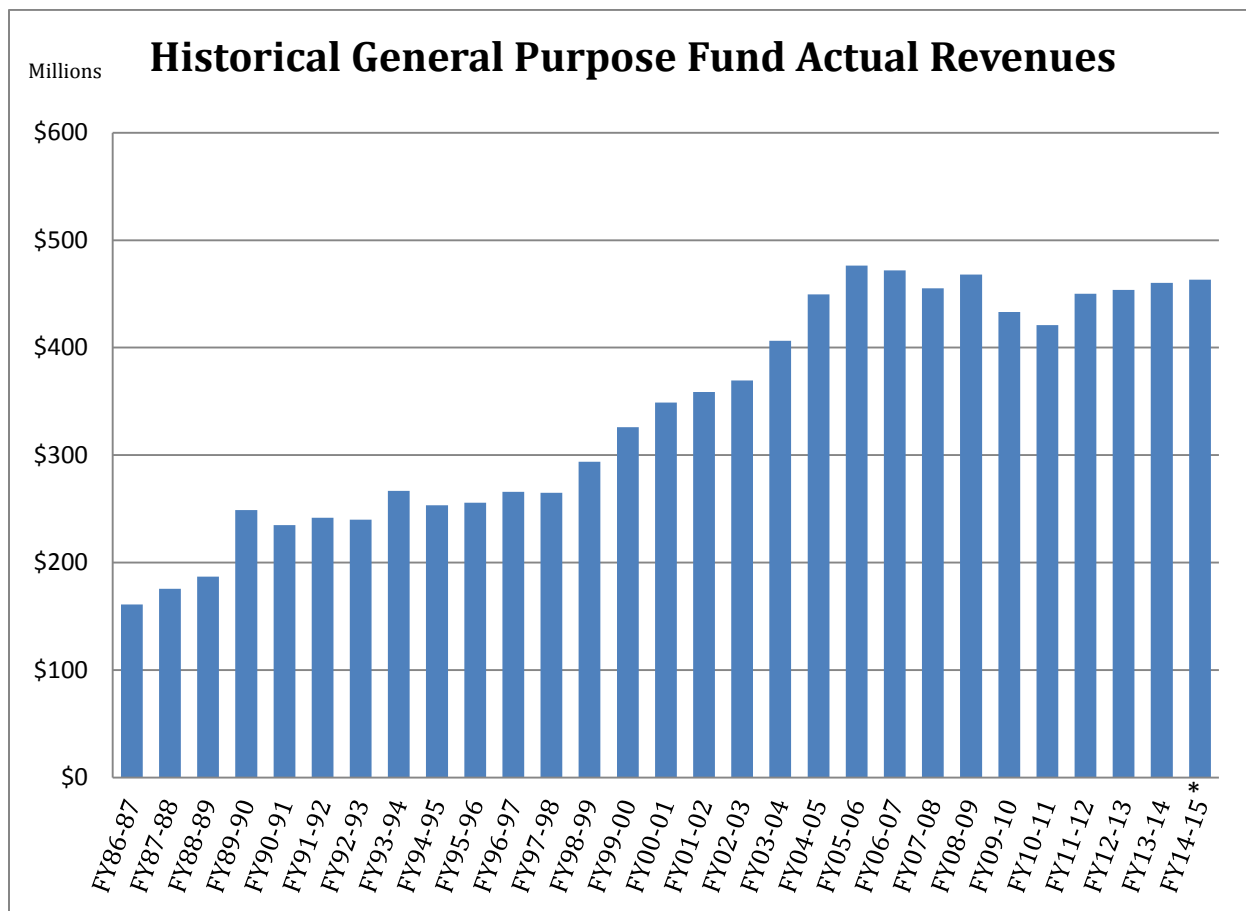
Tax Revenues are projected to grow at rates that are responsive to dynamic forces in the economy. Generally, the assumption is the local economy will be affected by national and state trends, with some deviation expected due to specific characteristics of regional business and labor markets as well as local regulations.

Fee increases will likely follow the projected inflation and changes in the local population due to increased service costs and changes in service demand.

Any known or anticipated changes in revenues as a result of potential changes in state revenue streams and/or legislation are reflected in the analysis. The revenue forecast takes into consideration a number of *economic factors and trends*, including changes in economic growth, income, sales and Consumer Price Index.

Our historical data shows that between FY 2000-01 and FY 2013-14 (14 years), General Purpose Fund (GPF) revenues have grown on average 2.27% per fiscal year. The chart below depicts the historical GPF actual revenues since FY 1986-87 (29 years):

Figure 2 - Historical GPF Revenues



*FY14-15 Value is the Midcycle Budget

To provide historical context, each of the major GPF revenue will be discussed by its nature and historical collections. The property tax revenue category discussed below represents approximately 84% of all General Purpose Fund Revenues.

Property Tax

Property tax is the largest single source of revenue for the General Purpose Fund. The property tax is *ad valorem*, which means that the tax paid on a property is proportional to the property’s value. Of note, there are exemptions to certain portion of property values and certain types of properties which are regulated by the State and administered by the County. The exemption that has had the most significant impact to property tax is Proposition 13. Passed in 1978, Proposition 13 introduced two significant changes: 1) the annual tax owed is a maximum of 1% of a property’s assessed value, and 2) the assessed value can only increase a maximum 2% each year, unless ownership changes, in which case the prevailing market value assessment is used as the basis for taxation (see the California Legal Revenue Limits section for additional detail)

The one percent of property tax assessed value (net after exemption) is collected by the County and is distributed to various public entities in accordance with a complex formula. The County's computation results in the City receiving about 26% of total collections.

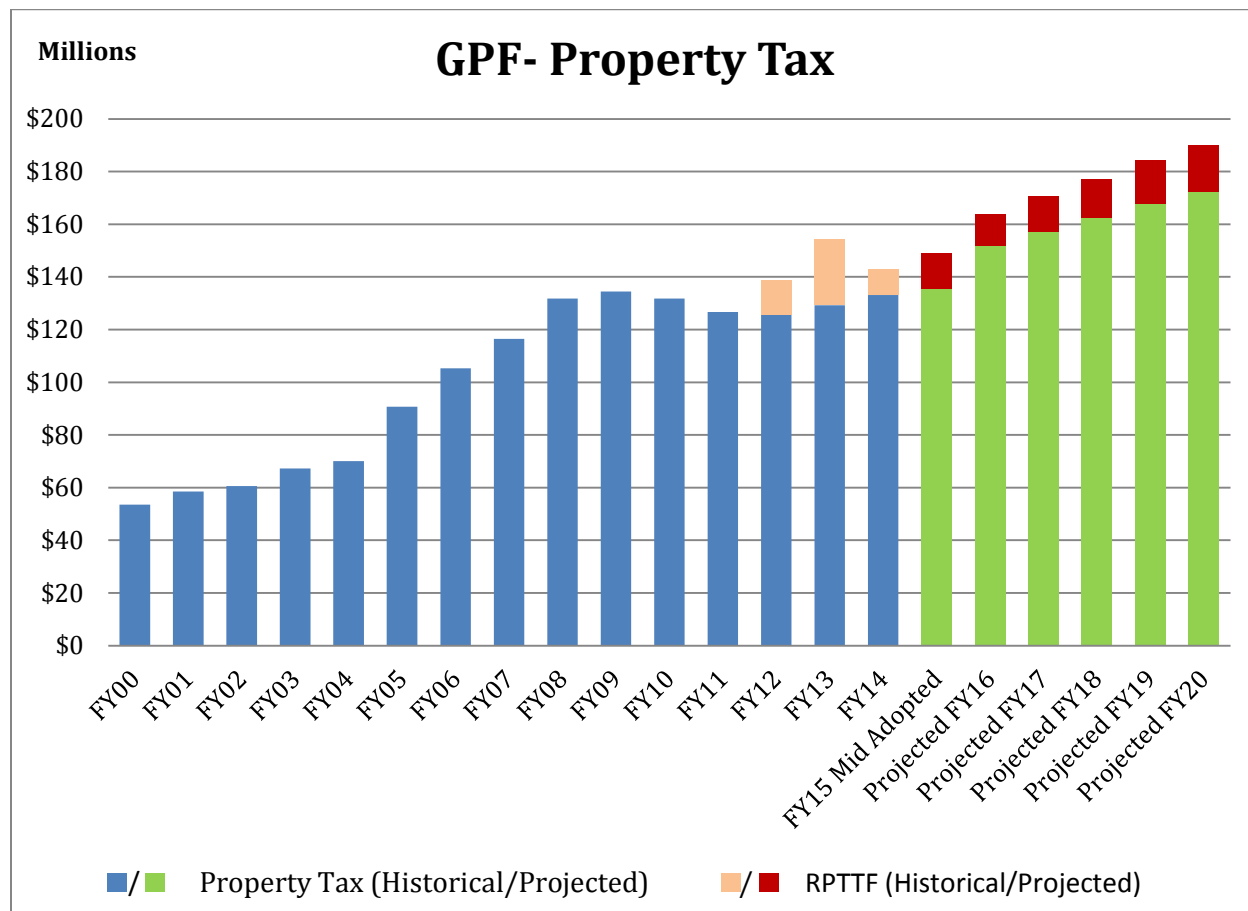


Over the last 14 years, property tax revenue has grown on average, year-over-year, at a steady pace of 7.6%. The growth for that period was accelerated by a rapid run-up of housing demand, new construction, and developments that began in FY 2004-05. The rise in FY 2004-05 property tax revenues was also due to a Vehicle License Fee (VLF) “backfill” payment from the State (the difference between the old VLF of 2.0% and new fee of 0.65%) in the form of property tax. The value of rising property tax, which increased more quickly than VLF revenues, brought Oakland additional revenues. Furthermore, starting in FY 2011-12 with the dissolution of the Redevelopment Agency, unallocated property tax increment is flowing back to the City in the form of additional property tax revenues.

Beginning in FY 2004-05, property assessments rose quickly, propelled by high volume of home sales and rising home prices. Driven by economic growth and aggressive lending practices, the housing market accelerated and finally peaked in 2007 when the median single-family home price reached \$580,000. After this peak, housing demand and prices declined due to an economic downturn, lack of affordability, tightened credit, and increased foreclosures. In the beginning of the Great Recession the median house price fell from \$510,000 in 2007 to \$315,000 in 2008 and further fell to \$192,000 in 2009. The local real estate market bottomed out in FY 2010-11. Starting in FY 2011-12, the City began to see a rebound in housing prices. Currently the median single-family home price is around \$500,000, only \$80,000 from the 2007 median home price peak. Figure 3 below shows property tax revenue since 2000 with a five-year projection. Of note, since 2012, City receives a portion of the residual property tax trust fund (RPTTF) as the result of the dissolution of the Redevelopment Agency, which is regulated by the state law. THE RPTTF is the portion of property tax increment that would have gone to redevelopment agencies if they had not been dissolved less the funding required to wind-down the obligations of that redevelopment agency. Of particular note is FY 2012-13, which realized a one-time spike in RPTTF resulting from the distribution of all unobligated tax increment revenue held in reserve

by the former Redevelopment Agency. The RPTTF should not be viewed as the growth of property tax, but rather as a shift of local resources after losing redevelopment agency funding.

Figure 3 - GPF Property Tax Revenues Over Time



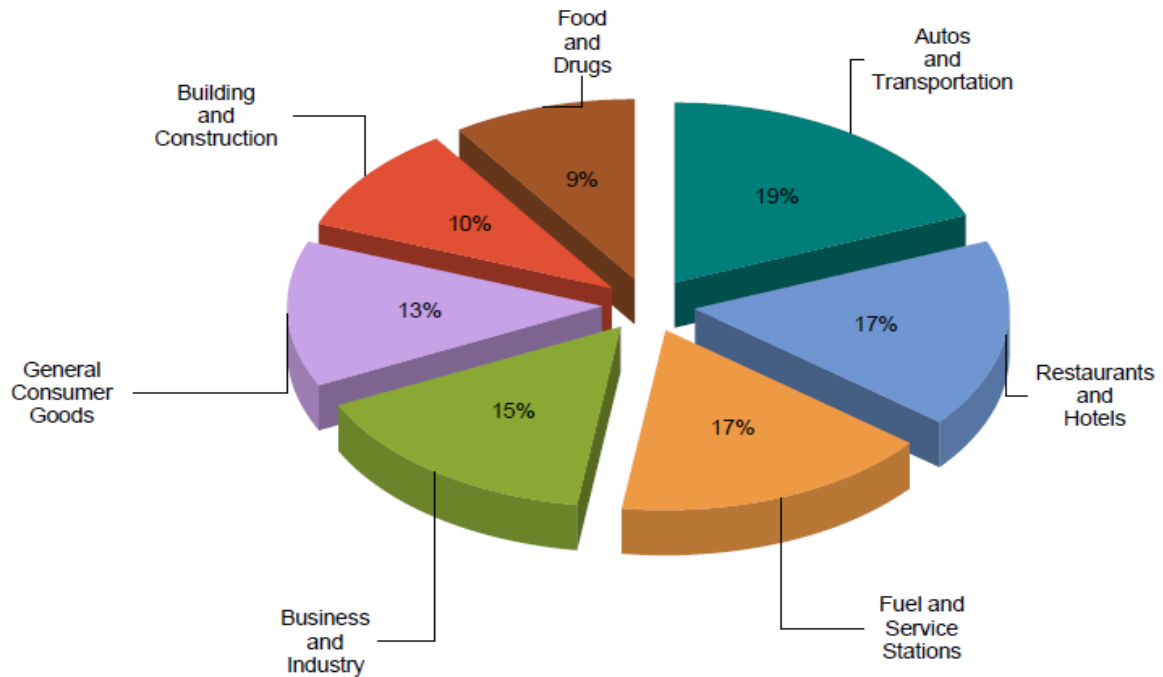
Sales & Use Tax

Sales and Use Tax applies to the retail sale or use of “tangible personal property.” The total sales tax percentage in the City of Oakland is 9%; meaning on a \$1 taxable purchase, the sales tax paid is 9 cents. The City receives 1% of the total sales, meaning the City receives 1 cent on a \$1 purchase. The remaining 8% is allocated to the state and local taxing districts. Sales tax revenue generally coincides with overall strength of the local, regional, and national economy. During the Great Recession, sales tax revenue declined significantly. Recently, sales tax revenues have increased due to the economic recovery, but have not reached the pre-recession level.

One of the strengths of the Oakland Sales Tax base is its diversity, derived from seven major business groups, namely: auto and transportation, restaurants and hotels, fuel and service stations, business and industry, general consumer goods, building and construction, and food and drugs. No single group accounts for more than 25% of the total. The chart below shows the share of revenue generated in each category:

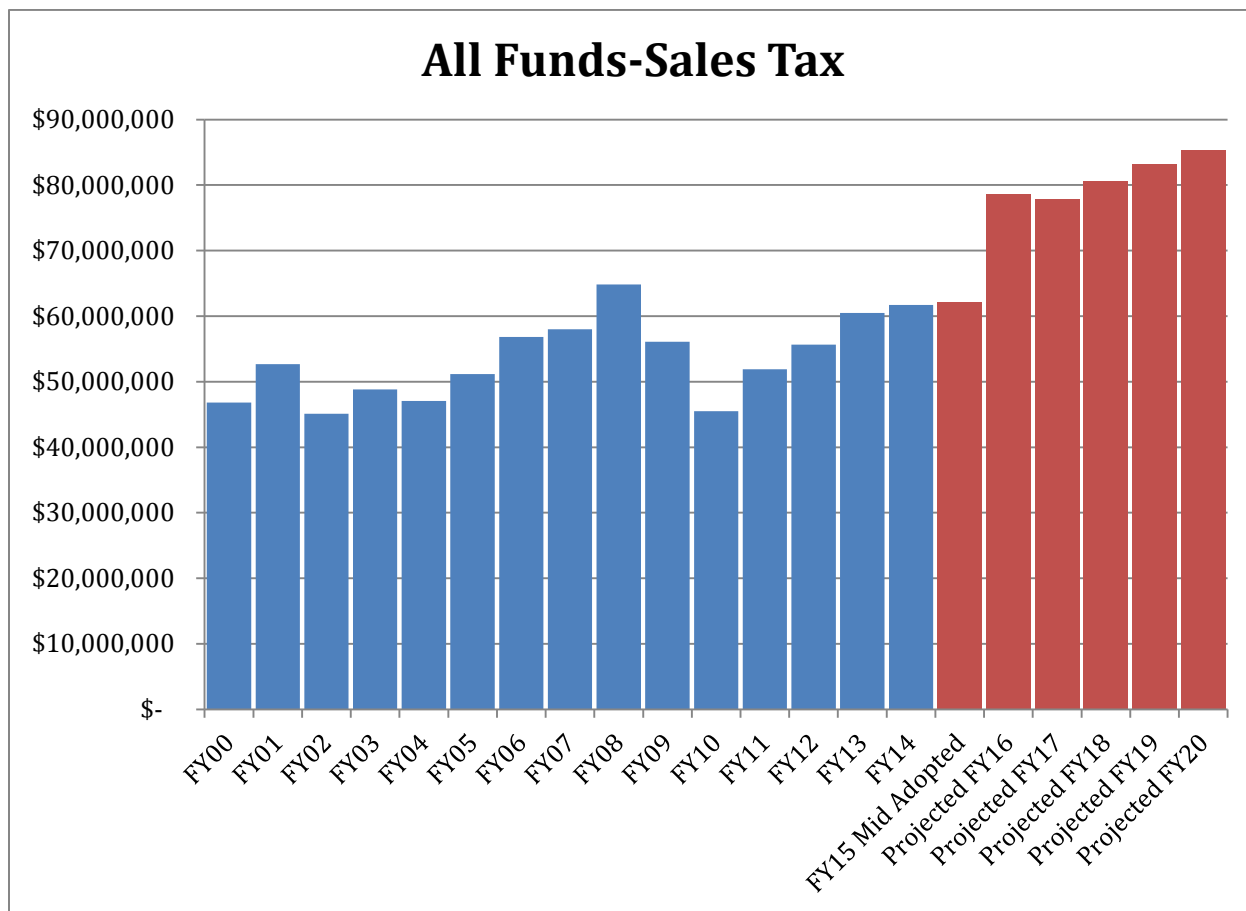
Figure 4 - Sales Tax by Category

FY 2013-14 Actual Percent of Total



The chart below shows the historical all-fund actual sales revenue since 2000 and projects the next five-years sales tax revenue.

Figure 5 - All Funds Sales Tax Over Time

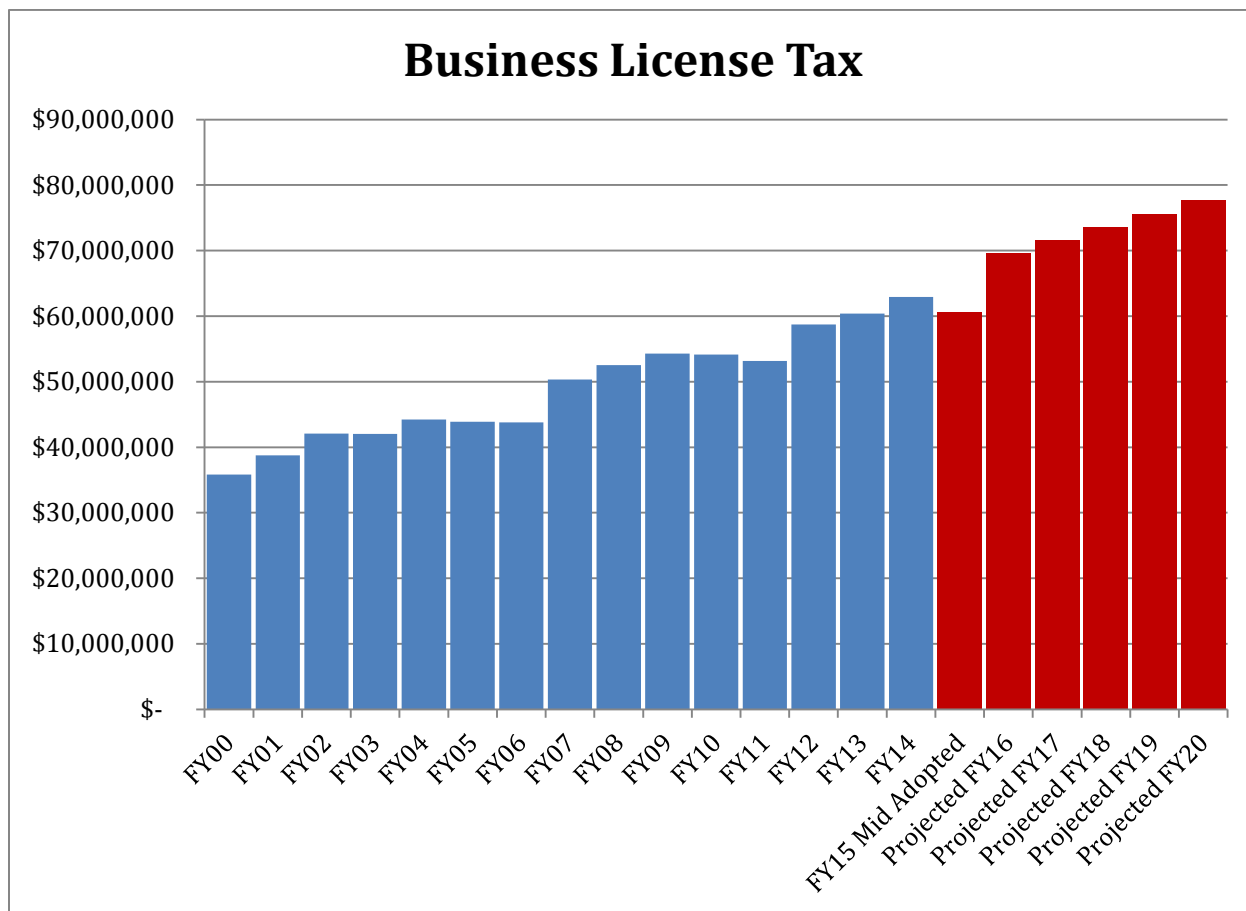


Business License Tax

The Business License Tax (BLT) is charged annually to Oakland businesses based either on gross receipts (accounts for approximately 60% of the business license tax) or rental income (40%). The rate on gross receipts varies by type of business, ranging currently from a low of sixty cents per \$1,000 of receipts for grocers to six dollars per \$1,000 of receipts for public utilities. The rate on rental income is \$13.95 per \$1,000.

BLT has been a relatively steady and reliable revenue source as shown in next chart. However, BLT is impacted by the condition of the economy. Recessions slow down business activities, which in turn slow the number of businesses paying business license taxes and reduces gross receipts. Recovery of the local economy and the implementation of a new business discovery program are expected to help increase revenues in future years. As a result of state legislation (AB63 – Tax Discovery Program), the California State Franchise Tax Board (FTB) is now authorized to disclose certain records related to business activities of residents, corporations and other entities within the City of Oakland. By matching the FTB data to our existing records, we now have an additional, effective tool to identify unregistered businesses within the City.

Figure 6 - Business License Tax over time



Real Estate Transfer Tax

The Real Estate Transfer Tax (RETT) rate is 1.61% of the value of each real estate transaction. Oakland’s share is 1.5 percent - Alameda County gets the remaining .11%. The tax is triggered by the transfer of property ownership and both the buyer and seller are responsible for ensuring the tax is paid.

Until 2006, RETT revenue had been one of the fastest growing major revenue categories, following significant real estate market growth and a high transaction rate. As the real estate market slowed down in 2007, sales volume significantly declined, and home prices decreased. This resulted from the economic downturn, rising new and existing home inventories, and escalating home foreclosures due to falling home prices and growing number of adjustable rate mortgages and subprime loan defaults. Additionally, new and more stringent lending standards, plus reluctance on the part of lenders, applied further downward pressure on the housing market. As demand for ownership housing and sales transactions plummeted, RETT revenue took a major hit during the Great Recession. As mentioned in the property tax section of this Forecast, in FY 2012-13 the local housing market began to experience a substantial recovery in the average sale price of homes. These price increases have resulted in strong increases in RETT

revenues. Also, there is some turnover in the commercial real estate market. By the volatile nature of this tax, RETT are not considered consistent/recurring revenue stream. When certain high value commercial properties are sold they can result in anomalously high revenue. In FY 2013-14, the City experienced approximately \$12 million of RETT revenue derived from the sale of eight major commercial properties. These very large transactions cannot be assumed every year nor can be easily predicted. The below figure shows RETT over time and a five-year projection:

Figure 7 - Real Estate Transfer Tax Over Time



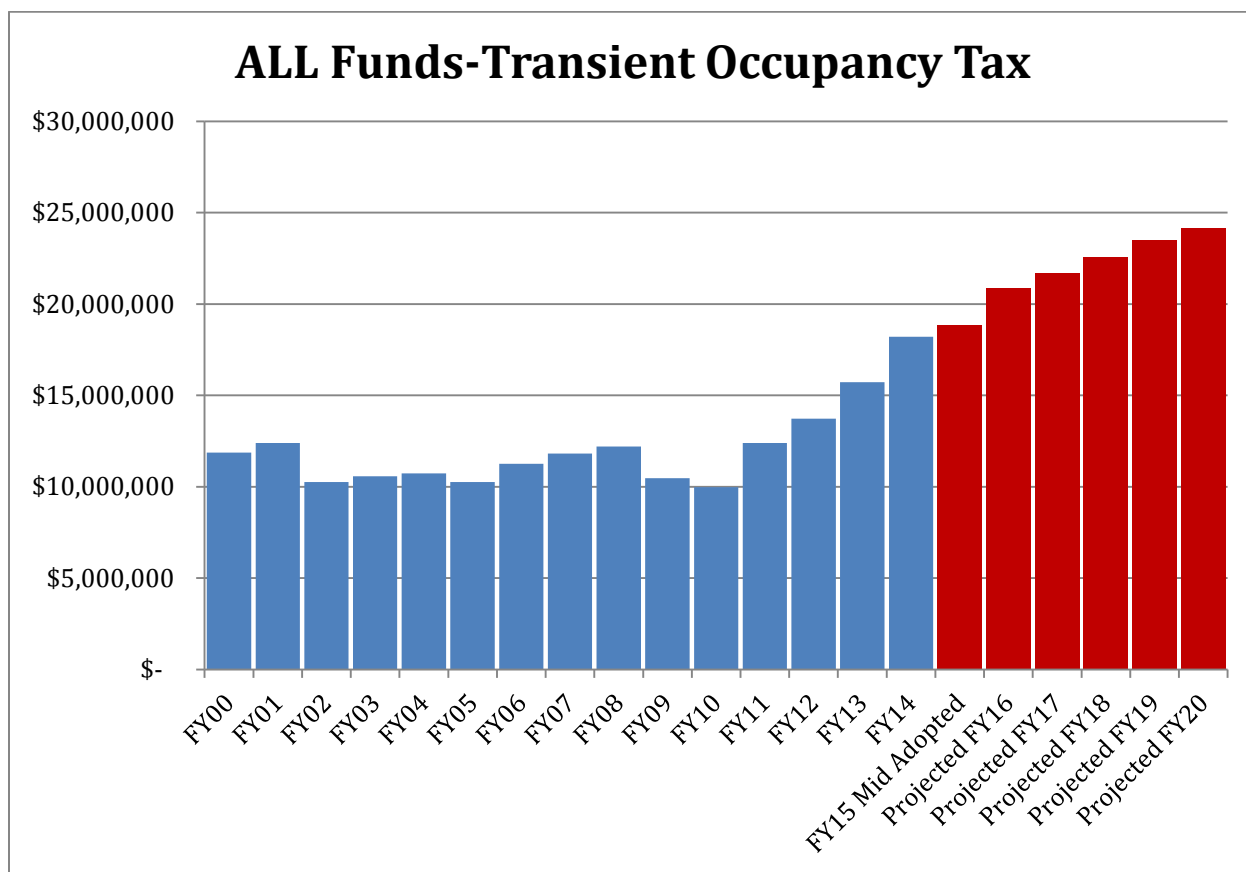
Transient Occupancy Tax (TOT)

The Transient Occupancy Tax (TOT) rate is 14 % of the hotel rate and is paid by individuals who stay thirty days or less in a hotel located within the City of Oakland. This tax is collected and remitted by hotel operators. The rate was increased from 11 to 14% in FY 2008-09 due to the voter-approved Measure C tax surcharge. Measure C allocates 3% of total TOT revenue to support various community-based institutions such as the Oakland Zoo, Oakland Convention and

Visitors Bureau, Chabot Space and Science Center, Oakland Museum, and cultural art and festival activities. The Measure C portion (3%) is booked in a separate fund.

TOT revenue declined by 17% between FY 2008-09 and FY 2009-10 due to the Great Recession’s adverse effects on tourism and travel. This type of decline is consistent with prior periods of economic recession. For example, following the September 11th terrorist attacks and subsequent economic slowdown, TOT revenues declined sharply and remained flat for the next four years. In FY 2005-06, TOT rebounded by 9.7%, and continued positive growth two years afterward, culminating in a near-record high of \$12.2 million in FY 2007-08. In FY 2008-09, TOT was again affected by an unprecedented economic downturn. Starting in FY 2011-12, the City started to experience a rebound and steady growth in TOT revenue. The chart below shows the TOT revenue historical trend since 2000 and provides a five-year projection.

Figure 8 - Transient Occupancy Tax Over Time

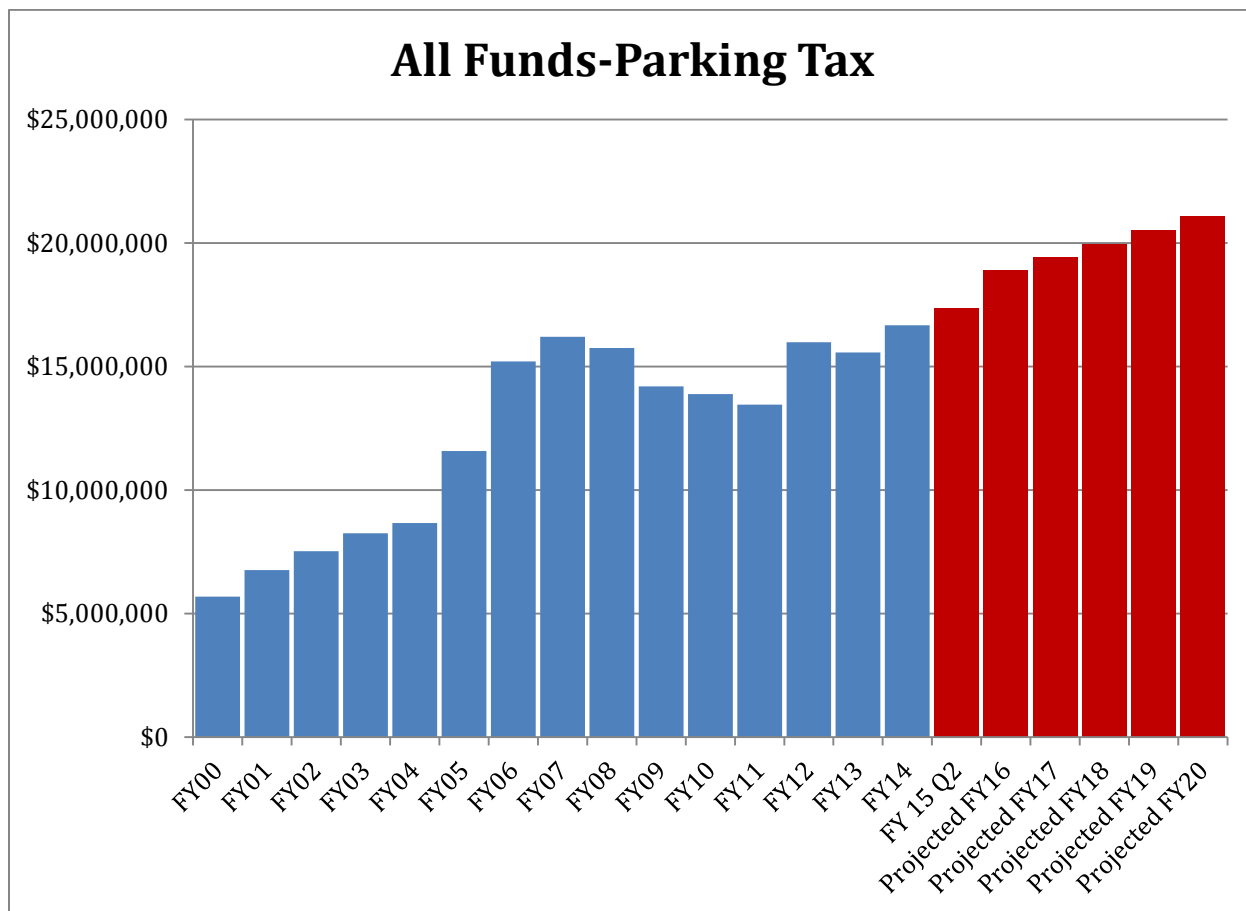


Parking Tax

The Parking Tax is a tax imposed on the occupant of an off-street parking space. The tax rate is 18.5 % (8.5% supports voter-approved Measure Y / Measure Z activities [public safety] and is allocated to a separate fund), and is collected by parking operators. Approximately half of the City’s Parking Tax revenue is generated from parking at the Oakland International Airport. As

such, the Parking Tax revenues are strongly correlated with passenger volume at the Oakland International Airport. Parking revenue declined sharply in FY 2008-09, due to aggressive price competition, the economic downturn, and reduced airline travel. The chart below shows the historical parking tax revenue trend and five-year projection.

Figure 9 - Parking Tax over time



Background on California Legal Revenue Limitations

Public funds are highly regulated and as such, some of the major regulations impact that local revenue generation will be discussed in this section. This information serves as the background to gain understanding of how tax revenue is generated and restricted.

Propositions 13

Proposition 13, approved by voters in 1978, amended the state constitution and imposed restrictions on the collection of revenue by California's local governments. Proposition 13 declared that the maximum amount of any ad valorem tax on real property shall not exceed 1% of the full cash value of such property. That 1% tax is collected by the counties and apportioned to the Cities and Special Districts within each County.

The only exception to the 1% limitation is for bonded indebtedness for the acquisition or improvement of real property, which must be approved by a two-thirds vote of the electorate.

Proposition 13 also requires a two-thirds vote of the qualified electors for a City to impose special taxes. Special taxes are restricted for a specific purpose rather than a general purpose such as a tax designated for public safety or libraries. Parcel taxes are also considered special taxes regardless of the use.

Proposition 8

Proposition 8, approved by voter in 1978, strengthened Proposition 13 and established that when property values decline because of the real estate market, property tax assessors are obliged to conduct "decline in value reviews" so that the tax assessed is set at a lower rate if the value of the property has declined. A lower assigned value resulting from such a review is known as a "Proposition 8 reduction."

Proposition 218

Proposition 218, approved by voter in 1996, further restricted local government's abilities to raise revenue. It requires a majority vote of the public to raise general purpose taxes in Charter cities such as Oakland.

It requires any new or increased property assessments may only be levied on properties that receive special benefit from the project rather than convey a general benefit to the public, and that an engineer's report is required to ascertain the value of the special benefit. Such assessment must be approved by a weighted majority of property owners.

Proposition 218 restricts the use of property related fees such that they cannot be used to pay for a general governmental service or a service not immediately available to the property owner.

Proposition 26

Proposition 26, approved by voter in 2010 defined and restricted governments abilities to raise revenues through fees and charges for service by defining revenues as taxes unless they met one of the following criteria.

- A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
- A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
- A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
- A charge imposed as a condition of property development.
- Assessments and property-related fees imposed in accordance with the provisions of Article XIII D of the California Constitution (see Proposition 218).

Under Proposition 26, the local government bears the burden of showing that the amount charged is no more than necessary to cover the reasonable costs of the activity, and allocation of the costs to the payer bears a reasonable relationship to the payer's burdens on, or benefits received from, the activity.

Revenue Forecast Assumptions

Various assumptions were applied to the revenue projection. The major ones include:

- In FY 2015-16, the City will receive one-time revenues totaling approximately \$3 million due to the sunset of the State Triple Flip local funding allocation (see Sales Tax section).
- In FY 2016-17, no new revenue from the Wildfire Prevention Assessment District is included.
- Starting FY 2015-16, no new revenue from the Certified Unified Program Agency (CUPA) (A Hazardous Management Program) as this program will be transferred from the Oakland Fire Department to Alameda County.
- Revenues are anticipated to grow from 6.16% in FY 2015-16 to 2.32% in 2019-2020 in the General Purpose Fund.
- The one-time use of fund balance will not occur during the five-year projection period.
- Consumer Price Index (CPI) is projected to be increased at the rate of 2.75% annually, consistent with the State Department of Finance methodology.
- Property tax is projected to have a sharp growth in FY 2015-16 due to state Proposition 8 reassessments and thereafter stabilize.
- Due to the passage of Measure Z on November 4, 2014, parking tax in FY 2015-16 is projected to grow 59.9% over the FY 2014-15 Midcycle Adopted Budget. This assumption is detailed in the parking tax section below.

City staff consulted with a number of independent experts, including Beacon Economics, HdL, Colliers International, and DTZ to develop the revenue forecast. Staff included its best analysis of revenue growth rates. In some cases, staff was slightly more conservative than independent experts were, based upon staff's knowledge of Oakland's revenue dynamics.

Inflation:

According to the California Department of Finance (DOF), 2.75% is projected to be the change in the Consumer Price Index (CPI) over the forecast period. The City/County of San Francisco is utilizing the DOF projected CPI rate, as are the actuaries who project the CalPERS and PFERS assumptions.

Local (Parcel) Taxes:

Local parcel tax revenues consist of revenues approved by the voters. Parcel taxes appear as an assessment on the local property tax bills of real property owners whose property falls within the boundary of the assessment district. Some of these local parcel taxes, such as the pension override tax (see expenditure section for additional detail), increase with assessed property values; some local parcel taxes, such as the landscape and lighting district, do not adjust; and some local parcel taxes, such as paramedic emergency services parcel tax (Measure N) adjust with the CPI. These various assessments fund important public services, such as libraries

(Measure Q) and violence prevention and public safety (Measure Z). These revenues are projected to grow an average of 2.3% annually, over the forecast period.

Property Tax:

General Purpose Fund property taxes, inclusive of real property tax trust funds (RPTTF), are expected to grow from a budgeted \$149 million in FY 2014-15 to \$196 million in FY 2019-20. This is an average annual increase of 3.93% in years 2-5 of the forecast period. In FY 2015-16, the growth, inclusive of RPTTF, is projected to be 12.56% over the FY 2014-15 Midcycle Adopted Budget. The large FY 2015-16 variance is due to greater than anticipated growth in property values due to strong growth of resale property values, Proposition 8 restoration and movement in the commercial real estate markets. Real estate revenues derived from new construction such as Brooklyn Basin and Oak Knoll, are accounted for in the forecast and further discussed projects.

Starting in FY 2011-12, due to the dissolution of the Oakland Redevelopment Agency (ABX 1 26), the property tax increment that would have been allocated to the Agency is now put into a property tax trust fund administered by Alameda County. Every six months the City (and other affected taxing agencies) receives a distribution of those revenues net of payments for existing encumbrances for which the Agency is still responsible. As the work of the Agency continues to wind down, the City will experience a fluctuation in the amount of revenues received. For purposes of forecasting, RPTTF revenues are forecasted separately from other property tax revenues and the aggregate value of all property tax revenues are presented in the forecast.

It is important to note that, it takes approximately \$283.1 million in new property value to add 1% in revenue to the General Purpose Fund. The locally assessed secured roll typically grows based on an annual statewide inflation factor capped at 2% and new property value assessments triggered by changes in ownership or new construction are forecasted to add another 2%. Furthermore, the County Assessor is still in the process of restoring pre-recession property values as allowable under Proposition 8. There are still 11,176 single family homes in Oakland awaiting restoration to pre-recession values. It is assumed that those values will be restored in FY2015-16 and FY2016-17. General Purpose fund property tax, net of RPTTF, is projected to grow 5.99% in FY 2015-16; 3.53% in FY 2016-17; 3.44% in FY 2017-18; 3.11% in FY 2018-19; and 2.78% in FY 2019-20.

Sales Tax:

On average, local sales tax is projected to grow slightly faster than inflation, with the exception of the one-time increase of \$3 million in FY 2015-16 due to the end of the Triple Flip. The triple flip refers to a funding shift beginning in FY 2004-05 under which the State withheld 0.25% of the local 1% portion of sales tax to pay debt service on \$15.0 billion in bonds authorized under Proposition 57, the California Economic Recovery Bond Act. The withheld 0.25% was backfilled with an equivalent amount of property tax revenue that would have otherwise been given to schools. According to the California Department of Finance, it is anticipated that the

bonds will be retired in FY 2015-16. As previously stated, when the bonds are retired, the City will realize a one-time true-up sales tax remittance of \$3 million. These are one-time revenues and are not assumed to continue. Staff assumes sales tax, net of triple flip revenues which provides for a large growth in first year of the forecast, will grow an average of 3% in years 2-5 of the forecast period.

Business License Tax:

The business tax is composed of three primary components: normal business gross receipts; gross receipts from construction activity; and business tax from the rental of residential and commercial property. The City is seeing a benefit from an increase in the rental real estate market. Office space in the downtown realized a drop in the vacancy rate to 8.4% at the end of 2014. This is down more than a percentage point since 2013. Continuing growth activity is largely centered in the BART served business districts, particularly Lake Merritt and Oakland City Center areas. Research shows that this is the first time these areas have seen single digit vacancy rates since 2008. The increasing demand and low supply is pushing rents upward, which will result in an increase in business taxes received from commercial landlords. Furthermore, increased demand in the residential rental market causing residential rents to rise faster than inflation will also drive up business tax revenues.

In FY 2015-16, the assumed growth over the FY 2014-15 Adopted Midcycle Budget is 14.73%. This growth is due to a FY 2014-15 forecast value that was too low due to a revenue receipt posting error in FY 2013-14 that lead to under projected revenue in FY 2014-15 and continuing economic recovery. Thereafter, the forecast calls for 3.0% growth in FY 2016-17 and 2.75% in the remaining years of the forecast period.

Utility Consumption Tax:

Utility consumption tax (UCT) is projected to remain at the current level throughout the forecast. Increases in cable and energy usage are offset by energy efficiency projects and “green” buildings.

However, staff is closely monitoring the development of a supplemental UCT revenue stream. Assembly Bill 1717 (AB 1717) passed by the legislature in 2014, established the Prepaid Mobile Telephony Services Surcharge Collection Act and Local Prepaid Mobile Telephone Services Collection Act. AB 1717 effectively closed a loophole whereby the sale of prepaid calling cards, cell phones and the like were not subject to the City’s local UCT. The California State Board of Equalization (BOE) has been charged with establishing a surcharge rate that will be charged on the sales of all prepaid mobile telephony services, collected by the retailer, remitted to the BOE quarterly, and then remitted to the appropriate local taxing jurisdiction less an administrative fee. To date, there is no estimate for this value or the impact on UCT revenues. The majority of the UCT generated in the City is due to energy consumption not telephone or data services. As such, staff does not expect the impact on UCT revenues to be significant.

Real Estate Transfer Tax:

As mentioned earlier in this report, the Real Estate Transfer Tax (RETT) is one of the City's most volatile revenue streams and highly sensitive to economic cycles. RETT is assessed whenever there is a change in ownership of real property. Oakland's transfer tax is assessed at the rate 1.5% of recorded transaction value. The recent growth in RETT has been largely due to the sale of large commercial buildings as post-recession commercial real estate, once again, becomes an attractive investment. Also, the City has seen double digit year-over-year growth in home prices. Furthermore, while the sale value of real estate has continued to increase, the sale of both residential and commercial real estate is slowing down. Staff assumes growth of 4.61% FY 2015-16, 3.75% in FY 2016-17, 3.29% in FY 2017-18, and 2.82% in the remaining years as the market cools.

Transient Occupancy Tax:

Transient occupancy tax is projected to grow at a modest, but slower pace over the next 5 years. Hotel revenue is measured by 3 factors: occupancy; average daily room rate; and revenue per occupied room (REVPAR). REVPAR is a performance metric in the hotel industry, which is calculated by multiplying a hotel's average daily room rate by its occupancy rate.) Due to an increase in demand, the City has seen its hotel occupancy increase to 77.7%. The average daily room rate is hovering around \$119.58 and REVPAR is approximately \$92.87. However, the City is limited by a static supply of hotel rooms and what the market can bear regarding pricing. Staff is assuming growth of 10.59% in FY 2015-16, 4% growth in FYs 2017-19 and 2.75% growth in FY 2019-20.

Parking Tax:

The City of Oakland imposes a parking tax at a rate of 18.5% (10% GPF and 8.5% Measure Z) on the rental of every parking space in a parking station in the City. In FY 2015-16, the City is projected to experience a 59.9% growth in parking tax over the FY 2014-15 Midcycle Adopted Budget. This growth is largely due to the passage of Measure Z and its associated parking tax revenues. Parking tax revenues associated with Measure Y (Measure Z's predecessor) expired on December 31, 2014. Thus, the FY 2014-15 Midcycle Adopted Budgeted (adopted July 1, 2014) assumed the loss of revenue due to the expiration of Measure Y but did not reflect new revenues from the passage of Measure Z on November 4, 2014. After an initial increase in FY 2015-16, parking tax is projected to grow at the rate of inflation, 2.75% in FYs 2017-20. Growth in the FY 2014-15 is assumed to continue as a part of the parking tax base. Under a negotiated agreement with the Coliseum Authority, the City only receives the Measure Z portion of parking tax revenues generated at the Coliseum. The forecast assumes no changes in the usage of the Coliseum site. However, if one of the City's three sports teams were to leave the City during the forecast period, Measure Z parking tax revenues would be negatively impacted. Furthermore, threats exist from peer-to-peer Transportation Network Companies, such as Uber, which are cheaper than taxis and may reduce individual reliance on personal autos, thus impacting parking tax.

Licenses, Permits, and Service Charges, Including Parking Meter Collections

Service charges and other similar revenues are projected to remain flat in the first two years and increase at the rate of inflation in FYs 2018-20. Many of these revenues are considered cost recovery and thus, tied to staff costs. Historically, the City Council has approved fee increases based upon growth in the CPI. Each department has prepared a comprehensive analysis of the Master Fee Schedule and will be brought to the City Council as part of the FY 2015-17 budget process and Council direction will be incorporated into the FY 2015-17 Budget. The City is in the process of preparing an impact fee nexus study and implementation strategy. The nexus study and associated economic feasibility analysis will support the City Council's consideration of a fair and equitable set of development impact fees that will require private development to fund its fair share of potential transportation, infrastructure, and affordable housing projects in a manner that does not hamper new development. The complete study is estimated to be brought to Council for consideration in late 2015 and is not included in the forecast assumptions.

Parking meter collections are assumed constant over the forecast period. This assumes no policy changes to increase meter rates or economic circumstances that significantly increase meter usage. In FY 2014-15, the City completed installation of 975 new single-space parking meters. The revenue realized from these new meters was already included in FY 2014-15 Adopted Midcycle Budget.

Parking Citations, Fines and Penalties

Revenues from the City's fines and penalties (largely parking citations) are expected to remain constant over the forecast period. The forecast anticipates no dramatic changes in behavior nor increases in the amount charged for fines.

Interest Income, Miscellaneous Revenue

Miscellaneous revenue is primarily comprised of property sales, bond sales, equipment financing, litigation recoveries, and billboard revenues. Most of these revenues are infrequent. Staff assumes revenues to be constant over the forecast period.

Internal Service Revenue

Internal service funds (ISF) are used to report and recoup the cost for one department to provide services to other departments. FY 2015-16 is the first year the Information Technology ISF will be incorporated into the forecast. Establishment of this new ISF will cause an initial spike in the growth rate for FY 2015-16. Thereafter, with the new revenues absorbed into baseline, these revenues are projected to remain constant in FY 2016-17 and grow with inflation in the remaining forecast periods.

Grants & Subsidies

In the first two years of the forecast period, re-occurring grants are forecasted to be renewed at the current levels, such as U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG). It is important to note that grant levels may be impacted by

various budget-balancing measures at the State and Federal level. Grants are assumed to increase at the rate of inflation in years 3-5 of the forecast period.

Interfund Transfers

Interfund transfers are transfers between funds to recover costs associated with providing services or paying debt service. These revenues are projected to grow at the rate of inflation or based on prescribed schedules, such as transfers for debt service payments.

Transfers from Fund Balance

Transfers from fund balance are one-time transfers necessary when expenses out pace revenues in a given year. These transfers are implemented on an as-needed basis and are only an option when unallocated fund balance is available. This projection does not assume any transfers from the fund balance.

Revenue Forecast Summary

As shown in the tables below, GPF revenues, net of transfers from fund balance are projected to grow from \$491.40 million to \$543.16 million from FY 2015-16 to FY 2019-20, averaging a 2.33% growth in years 2-5 of the forecast period. All funds are projected to grow from \$1.13 billion to \$1.23 billion over the forecast period. The tables below present the forecast revenues by category.

Table 8 - GPF Revenues by Category (in millions)

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Property Tax | \$163.66 | \$170.51 | \$177.07 | \$184.18 | \$189.73 |
| Sales Tax | \$55.43 | \$54.43 | \$56.44 | \$58.34 | \$59.81 |
| Business License Tax | \$69.55 | \$71.63 | \$73.60 | \$75.63 | \$77.71 |
| Utility Consumption Tax | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 |
| Real Estate Transfer Tax | \$55.44 | \$57.52 | \$59.41 | \$61.09 | \$62.82 |
| Transient Occupancy Tax | \$16.40 | \$17.06 | \$17.75 | \$18.46 | \$18.96 |
| Parking Tax | \$10.21 | \$10.49 | \$10.78 | \$11.08 | \$11.38 |
| Licenses & Permits | \$1.94 | \$1.94 | \$1.98 | \$2.02 | \$2.06 |
| Fines & Penalties | \$23.47 | \$23.47 | \$23.48 | \$23.49 | \$23.50 |
| Interest Income | \$0.74 | \$0.74 | \$0.74 | \$0.74 | \$0.74 |
| Service Charges | \$44.11 | \$44.11 | \$44.72 | \$45.34 | \$45.98 |
| Grants & Subsidies | \$0.12 | \$0.12 | \$0.12 | \$0.13 | \$0.13 |
| Miscellaneous Revenue | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 |
| Total | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |

Table 9 - All Fund Revenues by Category (in millions)

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property Tax | \$167.75 | \$175.10 | \$182.09 | \$189.88 | \$195.73 |
| Sales Tax | \$78.65 | \$77.93 | \$80.58 | \$83.14 | \$85.29 |
| Gas Tax | \$5.92 | \$5.92 | \$5.92 | \$5.92 | \$5.92 |
| Business License Tax | \$69.55 | \$71.63 | \$73.60 | \$75.63 | \$77.71 |
| Utility Consumption Tax | \$50.00 | \$50.00 | \$50.00 | \$50.00 | \$50.00 |
| Real Estate Transfer Tax | \$55.44 | \$57.52 | \$59.41 | \$61.09 | \$62.82 |
| Transient Occupancy Tax | \$20.87 | \$21.71 | \$22.59 | \$23.49 | \$24.14 |
| Parking Tax | \$18.89 | \$19.29 | \$19.82 | \$20.37 | \$20.93 |
| Local Tax | \$124.37 | \$127.43 | \$131.03 | \$134.42 | \$137.58 |
| Licenses & Permits | \$15.33 | \$15.33 | \$15.37 | \$15.42 | \$15.46 |
| Fines & Penalties | \$28.12 | \$28.12 | \$28.14 | \$28.16 | \$28.17 |
| Interest Income | \$0.89 | \$0.89 | \$0.89 | \$0.89 | \$0.89 |
| Service Charges | \$160.44 | \$160.45 | \$163.37 | \$166.38 | \$169.46 |
| Internal Service Funds | \$73.23 | \$73.35 | \$75.37 | \$77.44 | \$79.57 |
| Grants & Subsidies | \$66.61 | \$66.61 | \$68.19 | \$69.81 | \$71.48 |
| Miscellaneous Revenue | \$39.07 | \$38.68 | \$38.68 | \$38.68 | \$38.68 |
| Interfund Transfers | \$124.16 | \$125.07 | \$125.11 | \$127.56 | \$129.45 |
| Transfers from Fund Balance | \$34.49 | \$34.61 | \$34.61 | \$34.61 | \$34.61 |
| Total | \$1,133.79 | \$1,149.63 | \$1,174.77 | \$1,202.88 | \$1,227.88 |

Outcomes by Category of Revenue and Growth Rate by Fund

On a percentage basis, GPF revenues are forecasted to grow as shown below. Note that the rates below may vary in some cases from the general revenue growth rate assumptions due to specific one-time incidents. Also, note that the FY 2015-16 forecasted growth rate is the difference between the FY 2014-15 budgeted revenue and the forecasted FY 2015-16 revenue. The growth rates for this year are particularly variable due to the FY 2014-15 forecast incorporating more recent and accurate information about revenue trends than was available when the FY 2014-15 Midcycle Budget was adopted, particularly from FY 2013-14 year-end actuals and data from Q2 FY 2014-15.

EXPENDITURES

In this section, expenditure background information is discussed, followed by expenditure historical trends, assumptions for projections and summary of the projection. Key expenditure categories include salary, pension, healthcare, post-employment benefit, and unfunded needs. Finally, a summary of the expenditures is presented by category.

Background Information

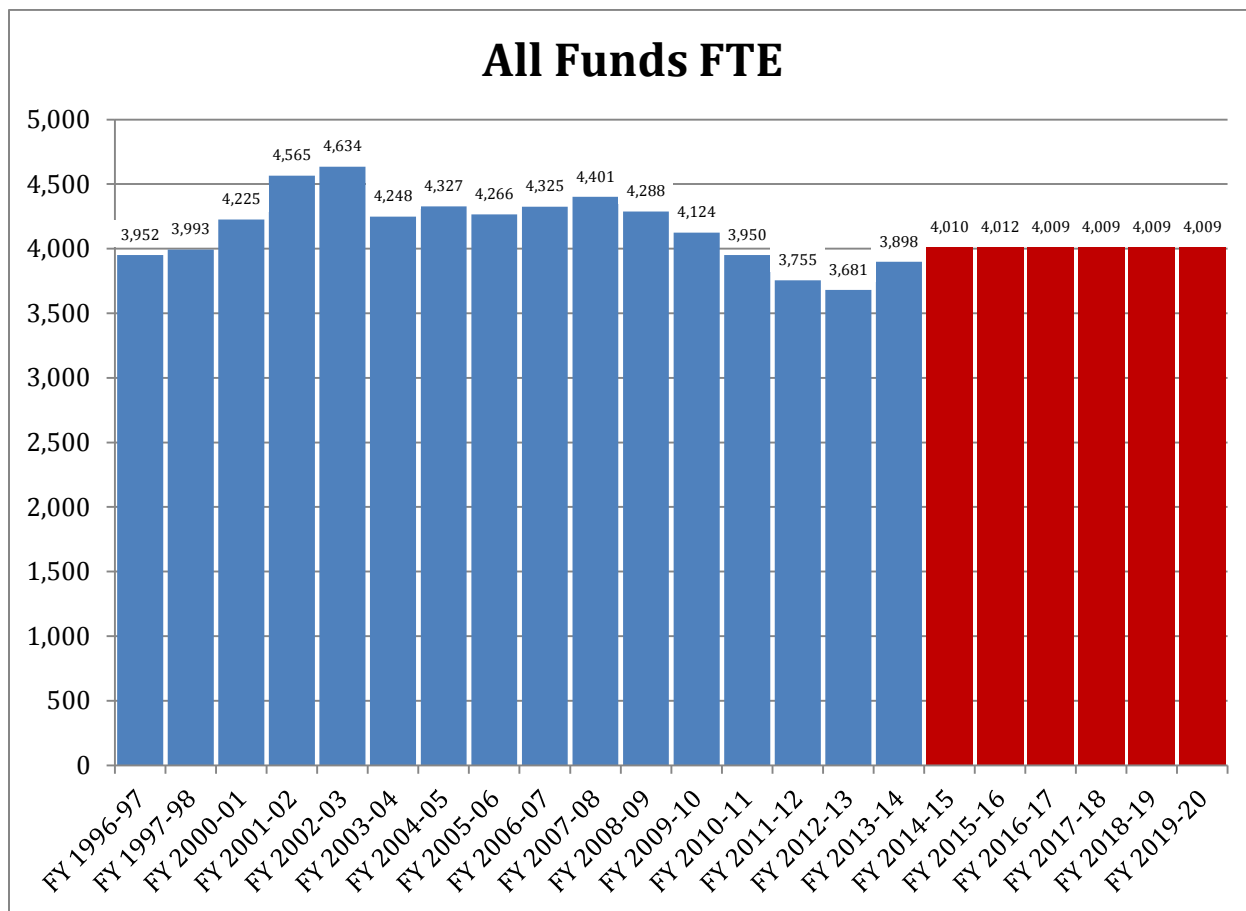
The expenditure forecast follows the guidance of Government Finance Officer Association (GFOA), which recommends that expenditures be grouped into meaningful units of analysis, such as departments and standard budget categories of expenditures. It also directs that operating, capital, and non-current liability expenditures be addressed.

Expenditure data are presented by major expenditure category – civilian personnel, police personnel, fire personnel, operations & maintenance (O&M); capital acquisitions; debt service; transfers & other. The personnel expenditure can be further divided into salaries & payroll expenditures (which include overtime & premiums), retirement, and fringe benefits.

Expenditure data are also presented by Department and by Fund Group (please see the Principles of Government Finance section for additional information). The expenditures in the first two years of the five-year forecast are identical to those in the FY 2015-17 Final Baseline Budget as directed by the Consolidated Fiscal Policy (*Appendix C*).

The forecast assumes that staffing and services will continue at existing levels; thus changes in personnel and O&M expenditures reflect increases to the costs that drive those expenditures rather than additional positions or services. The exceptions to this are when additional expenditures are legally required. For instance, the passage of voter-approved Measure CC in 2014 provided additional staffing to the Public Ethics Commission to increase independence, enforcement authority and responsibilities. The below figure shows historical FTE count across all City Funds and the forecast FTE assuming staffing and services will continue at existing levels.

Figure 10- All Funds Historical FTE Summary



Expenditure Categories & Forecast Assumptions

Summary of Assumptions

The following tables summarize the assumptions used in the forecast by category of expenditure. In the subsequent sections each forecast category is discussed in detail. The forecast assumed a constant level of staffing and services thus the FTE count for the City remain constant in years 2 through 5 of the forecast. The small variance in FTE between years 1 and 2 is due to a small number of limited duration positions (see Figure 10).

Table 10 - Expenditure Assumption Summary

| Salary & Payroll Expenditure Assumptions % Growth | | | | | |
|---|------------|------------|------------|------------|------------|
| Employee Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| Civilian | 0.0% | 0.0% | 2.75% | 2.75% | 2.75% |
| Police | 0.0% | 0.0% | 2.75% | 2.75% | 2.75% |
| Fire | 1%-1%-1%* | 2%* | 2.75% | 2.75% | 2.75% |

*COLA - per current MOU

| Assumed PERS Retirement Rates | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|
| Employee Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| Civilian | 32.9% | 35.4% | 37.4% | 39.3% | 41.3% |
| Police | 37.7% | 40.4% | 42.3% | 44.2% | 46.0% |
| Fire | 37.7% | 40.4% | 42.3% | 44.2% | 46.0% |

| Assumed Fringe Benefit Rates - Base Case - Pay-As-You-Go | | | | | |
|--|------------|------------|------------|------------|------------|
| Employee Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| Civilian | 38.9% | 38.9% | 40.9% | 43.4% | 46.0% |
| Police | 36.5% | 36.5% | 38.8% | 41.3% | 43.9% |
| Fire | 40.2% | 40.2% | 42.6% | 45.3% | 48.0% |

| Assumed Fringe Benefit Rates with Full OPEB Accrual | | | | | |
|---|------------|------------|------------|------------|------------|
| Employee Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| Civilian | 44.3% | 44.1% | 46.0% | 48.7% | 51.4% |
| Police | 46.4% | 46.0% | 48.7% | 51.5% | 54.4% |
| Fire | 50.2% | 49.9% | 52.7% | 55.7% | 58.8% |

| Operations & Maintenance Assumed % Growth | | | | | |
|---|------------|------------|------------|------------|--|
| FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | |
| 0.0% | 0.0% | 2.75% | 2.75% | 2.75% | |

Salaries & Payroll Expenditures

The base values of salaries and premiums used in the Forecast reflect actual values from the City's payroll system as of November 2014. This payroll snap shot captures salaries and premiums paid and are used as the base for the FY 2015-16 and onward. The snap shot is then adjusted to incorporate any known issues that occur afterward. Overtime values are based upon the prior years' ongoing approved overtime budget. The base values from the payroll snap shot were adjusted to incorporate the impact of voter approved Measure FF for Minimum Wage and Sick Leave, effective March 2, 2015. Compliance with Measure FF required increases to the salary amount to reflect higher expected wages (\$12.25 per hour) and additional paid leave accruals for impacted City employees (1 hour for every 30 hours worked). No cost was estimated for enforcement and complaint resolution although staff anticipates that additional resources may be required to perform such tasks.

Consistent with the City's established baseline methodology, no changes due to cost of living adjustments (COLA) were assumed unless there are existing approved labor contract(s) that covered the relevant period of time. At this time the only approved labor contract that covered the two year baseline budget is for the International Association of Fire Fighters, Local 55.

The Forecast also covers a time period of three years beyond the baseline budget (FY 2017-18 through FY 2019-20) reflecting increases to salaries at the projected rate of inflation in California (2.75%) for all classes of personnel. Because the Forecast assumes increasing salaries & payroll expenditures at the rate of inflation in the out-years, additional adjustments are not required to meet the terms of Measure FF which indexes the City's minimum wage to the same measure of inflation.

Retirement & Pensions including PFRS

Projected future pension rates for active employees are based upon estimates provided by the California Public Employees Retirement System (CalPERS). CalPERS rates are calculated as a percentage of covered payroll and therefore any increases to salary and payroll expenditures will proportionately impact retirement costs. The chart below shows the City's pension obligation – FY 2010-11 to FY 2014-15, which reflect actual contribution rates and projections from FY 2015-16 through FY 2020-21. The projected rates are provided by CalPERS.

Table 11 - CalPERS Retirement Rates

| CalPERS - Actuarial Valuation June 30th 2013 | | | | |
|---|-----------------------------------|----------|--------------------------------|----------|
| Retirement - Total Employer Contribution Rate | | | | |
| Fiscal Year | Miscellaneous Plan (Civilians) | % Growth | Safety Plan (Police & Fire) | % Growth |
| 2010-11 | 19.90% | NA | 28.10% | NA |
| 2011-12 | 23.60% | 18.70% | 30.40% | 8.10% |
| 2012-13 | 25.10% | 6.40% | 30.90% | 1.70% |
| 2013-14 | 27.30% | 8.70% | 33.30% | 7.90% |
| 2014-15 | 30.20% | 10.50% | 35.10% | 5.40% |
| 2015-16 | 32.90% | 9.20% | 37.70% | 7.20% |
| 2016-17 | 35.40% | 7.50% | 40.40% | 7.20% |
| 2017-18 | 37.40% | 5.60% | 42.30% | 4.70% |
| 2018-19 | 39.30% | 5.10% | 44.20% | 4.50% |
| 2019-20 | 41.30% | 5.10% | 46.00% | 4.10% |
| 2020-21 | 41.40% | 0.20% | 46.00% | 0.00% |

Table 12 - City Pension Funded Ratios and Unfunded Amounts

| Funded Ratios and Unfunded Amounts for City Pension Plans | | |
|--|------------------------|-------------------------------------|
| Plan | Unfunded Amount | Funded Ratio |
| CalPERS – Public Safety | \$478 million | 67.9% |
| CalPERS – Miscellaneous | \$657 million | 69.5% |
| Police and Fire Retirement System (PFRS), | \$215 million | 100% required by 2026 see narrative |

Although the funded ratios of the safety and miscellaneous (civilian) plan with CalPERS are below 100%, the City will continue to maintain these funded ratios through increases in CalPERS' required contributions from the City.

Also, per City Council's action, the City will appropriate \$10 million in FY 2015-16 and an additional \$10 million in FY 2016-17 to a reserve for unfunded pension and OPEB liabilities. In addition, after the dissolution of former Redevelopment Agency, the City has requested payments for pension unfunded obligations through the Recognized Obligation Payment Schedule (ROPS) to fund pension obligations derived from former Redevelopment Agency employees. To date, the City has received approximately \$4,681,958 which was deposited to CalPERS to pre-fund the unfunded liabilities. The City will receive approximately \$1.3 million annually until June 30, 2022 to allocate towards unfunded liabilities, thus over this period the City has secured approximately \$27 million pay retirement liabilities.

The City has two closed defined benefit retirement plans: the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS). The OMERS system was recently annuitized by the City through the passage of Measure EE by the voters in November of 2014 and thus does not present an ongoing financial challenge to the City.

On July 30, 2012, the City issued Taxable Pension Obligation Bonds, Series 2012 ("2012 POBs") of approximately \$212.5 million. The proceeds of the bonds were deposited into the closed Police and Fire Retirement System (PFRS) to fund the Unfunded Actuarial Accrued Liability (UAAL) or beneficiary retirement benefits. As a result, the City will not be required to make any further periodic payments to the Retirement System through June 30, 2017, thereby providing temporary relief to the City's general fund. Most importantly, the bonds are secured and payable from any legally available source of funds of the City as well as and including the pledge of Tax Override Revenues (TOR) received by the City from a levy of a .1575% tax on property within the City of Oakland.

The City will resume paying the Actuarial Required Contribution (ARC) starting in FY 2017-18, a pre-payment schedule is shown in the table below. These payments have been assumed in the Forecast and are a primary driver of the increases in General Purpose Fund expenditures. Since

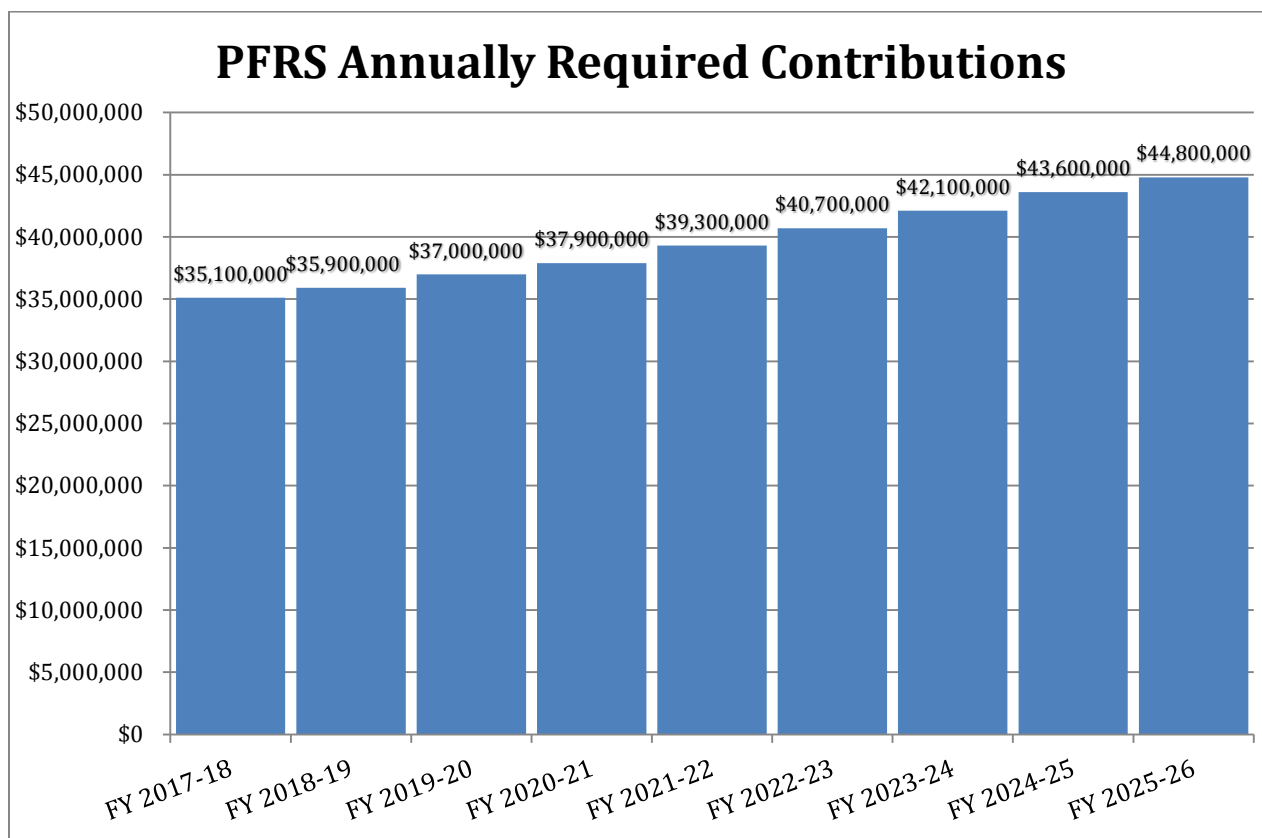
there are no other dedicated revenues to fund PFRS besides the TOR, payments in excess of the available revenues (TOR) will be payable from the General Fund.

Table 13 - GPF Contributions to PFRS

General Purpose Fund Impact - Assumes Forecast Property Tax Growth Rates

| Fiscal Year | Total Funding Available for PFRS | Outstanding Debt Service Obligations | Net of PFRS Obligations | Actuarial Recommended Contributions (ARC) | General Fund Support Required |
|-------------|----------------------------------|--------------------------------------|-------------------------|---|-------------------------------|
| 2017-18 | \$82.00 | \$66.09 | \$15.91 | \$35.10 | (19.19) |
| 2018-19 | \$84.25 | \$66.99 | \$17.26 | \$35.90 | (18.64) |
| 2019-20 | \$86.26 | \$67.94 | \$18.32 | \$37.00 | (18.68) |
| 2020-21 | \$87.77 | \$68.93 | \$18.84 | \$37.90 | (19.06) |
| 2021-22 | \$89.33 | \$69.94 | \$19.39 | \$39.30 | (19.91) |
| 2022-23 | \$90.61 | \$71.02 | \$19.58 | \$40.70 | (21.12) |
| 2023-24 | \$91.94 | \$53.27 | \$38.66 | \$42.10 | (3.44) |
| 2024-25 | \$93.33 | \$54.08 | \$39.25 | \$43.60 | (4.35) |
| 2025-26 | \$94.79 | \$54.86 | \$39.93 | \$44.80 | (4.87) |

Figure 11 - PFRS ARC Payments



Fringe Benefits including Other Post-Employment Benefits

Fringe benefits are paid for using an accrual methodology based upon payroll. Each year a rate is established and that rate is used to capture income from the City's various funds to pay the fringe benefits that the City owes its active and retired employees. Fringe benefits rates for the first two years of the five-year forecast are identical to the estimates used in the baseline budget; civilian fringe benefits are accrued at 38.91% of payroll, sworn police fringe benefits are accrued at 40.4% of payroll, and sworn fire fringe benefits are accrued at 36.4% of payroll. Civilian and sworn fringe benefit expenditures are comprised of many components, including health insurance, retiree medical benefits, workers' compensation, dental and vision insurance, disability insurance, unemployment insurance, and others; however health expenses are by far the largest category.

The City's current labor contracts have a provision that the City will pay the full amount required for an employee's medical coverage up to the amount required to provide a Kaiser Foundation Health Plan.

As medical benefits are by far the largest share of active employee fringe benefits; the growth rate of fringe benefits (other than retiree medical) is assumed to grow at the rate of medical inflation. Estimates from the City's benefit broker suggest that medical inflation will be 6% annually for the forecast years beyond the baseline. This is lower than the historic rate of medical inflation as shown in the table below.

Table 14 - Kaiser Health Plan History

| Kaiser Foundation Health Plan HMO | | | | | | |
|-----------------------------------|----------|---------------|------------|---------------|------------|---------------|
| Plan | 1 Party | | 2 Party | | 3+ Party | |
| | Amount | % Increase | Amount | % Increase | Amount | % Increase |
| 2003 | \$259.21 | NA | \$518.42 | NA | \$673.95 | NA |
| 2004 | \$305.42 | 17.80% | \$610.84 | 17.80% | \$794.09 | 17.80% |
| 2005 | \$354.69 | 16.10% | \$709.38 | 16.10% | \$922.19 | 16.10% |
| 2006 | \$354.69 | 0.00% | \$778.76 | 9.80% | \$1,012.39 | 9.80% |
| 2007 | \$389.38 | 9.80% | \$862.34 | 10.70% | \$1,121.04 | 10.70% |
| 2008 | \$470.67 | 20.90% | \$941.34 | 9.20% | \$1,223.74 | 9.20% |
| 2009 | \$508.30 | 8.00% | \$1,016.00 | 7.90% | \$1,321.58 | 8.00% |
| 2010 | \$532.56 | 4.80% | \$1,065.12 | 4.80% | \$1,384.66 | 4.80% |
| 2011 | \$568.99 | 6.80% | \$1,137.98 | 6.80% | \$1,479.37 | 6.80% |
| 2012 | \$610.44 | 7.30% | \$1,220.88 | 7.30% | \$1,587.14 | 7.30% |
| 2013 | \$668.63 | 9.50% | \$1,337.26 | 9.50% | \$1,738.44 | 9.50% |
| Average | | 10.10% | | 10.00% | | 10.00% |

Fringe benefits accounts are also used to accrue payments for retiree medical also known as Other Post-Employment Benefits (OPEB). The City pays the partial costs of health insurance premiums for retirees meeting certain requirements relating to age and years of service. The

OPEB are extended to retirees pursuant to approved labor agreements. Approximately \$20.6 million was paid on behalf of retirees under these programs for FY 2013-14.

The City implemented Governmental Accounting Standard Board Statement No. 45 (“GASB 45”) in fiscal year 2008, which addresses how state and local governments should account for and report the annual Post-Employment Benefits Other than Pensions (“OPEB”) cost. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

As of July 1, 2013, the Actuarial Accrued Liability (which is equal to that portion of the Actuarial Present Value of OPEB Benefits that have been earned to date), was \$463,850,944, a decrease from previous year (\$553,530,074). The reduction was due to a City contribution into California Employer’s Retirement Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. After the dissolution of the former Redevelopment Agency, the City has requested payments for OPEB through the Recognized Obligation Payment Schedule (“ROPS”). To date, the City has received approximately \$2,364,688 and begun investing those funds in the CERBT. The City will receive approximately \$665,000 annually until June 30, 2022, thus over this period the City has secured approximately \$14 million to pay unfunded OPEB liabilities. By partially pre-funding the annual required contribution (ARC) to CERBT, the City has established asset for future liabilities and is able to use a higher discount rate.

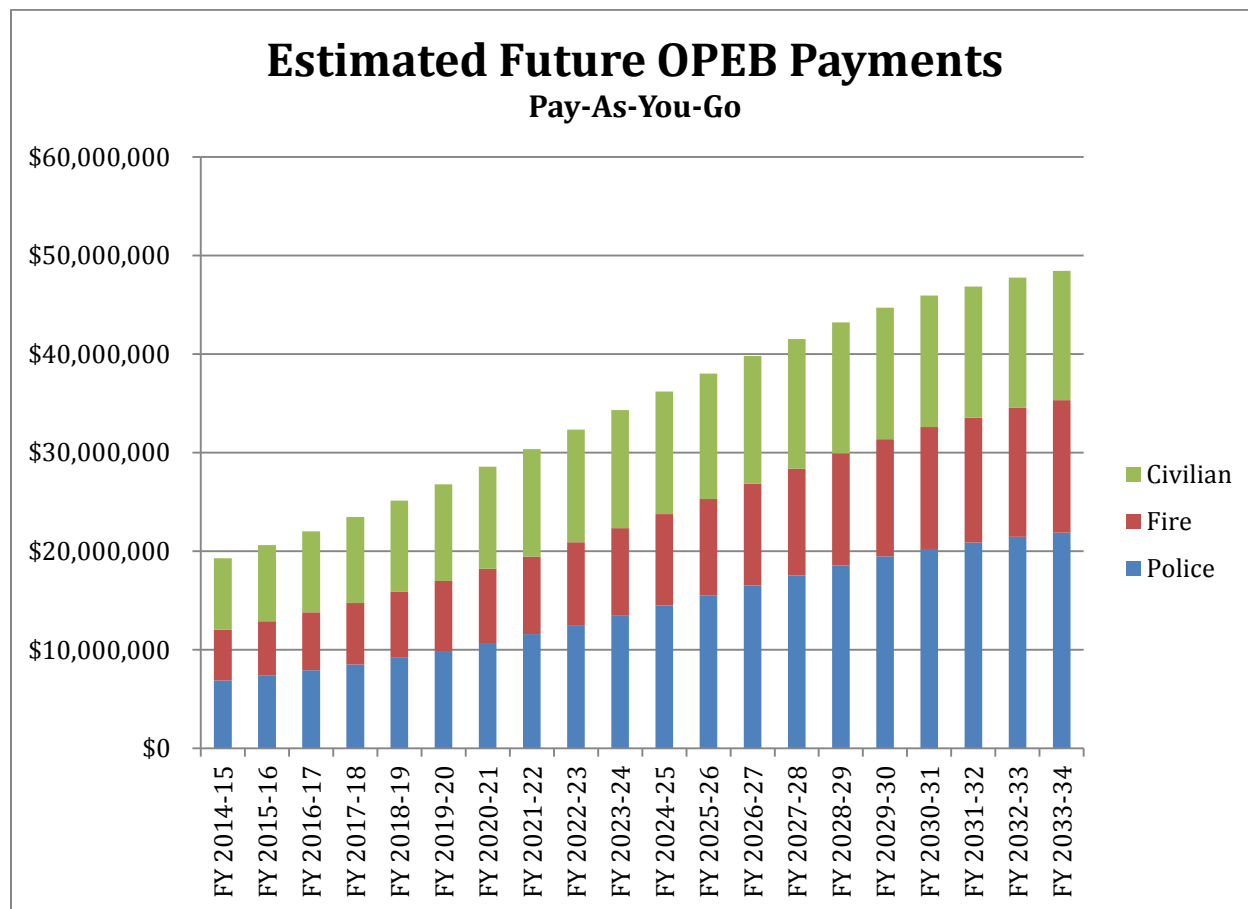
Based on the most recent actuarial report prepared by Aon Hewitt as of July 1, 2013, assuming 5.59% interest earnings, the City’s projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost, on an actuarial basis, and the City’s actual contribution to the OPEB plan since 2008) will be approximately \$235.1 million.

Table 15 - Historic OPEB Contributions

| Historic OPEB Contributions | | | | | |
|-----------------------------|-------------------|--------------------|------------------------------|-----------------------|---------------------|
| Fiscal Year | Accrued Liability | Unfunded Liability | Annual Required Contribution | Employer Contribution | Net OPEB Obligation |
| 2009-10 | \$591,575,250 | \$591,575,250 | \$54,635,348 | \$14,016,359 | \$126,237,306 |
| 2010-11 | \$520,882,498 | \$520,882,498 | \$46,657,350 | \$15,709,758 | \$156,978,541 |
| 2011-12 | \$520,882,498 | \$520,882,498 | \$46,657,350 | \$16,795,999 | \$186,583,282 |
| 2012-13 | \$553,530,074 | \$553,530,074 | \$46,596,504 | \$17,622,496 | \$215,252,287 |
| 2013-14 | \$463,850,944 | \$463,850,944 | \$39,418,149 | \$20,632,950 | \$235,094,821 |

Currently, the City is funding OPEB on a pay-as-you-go basis, therefore the City only pays the amount needed to cover benefits in the current year rather than the full amount required to fund the actuarial accrued liability. In FY 2015-16, the City will pay approximately \$20.6 million toward OPEB.

Figure 12 - Future Estimated Pay-As-You-Go OPEB payments



The forecast also provides an estimate of the required contribution if the City were to begin paying the full actuarial Annual Required Contribution (ARC) for OPEB. This estimate is implemented by producing a revised fringe benefit cost for all five-years of the forecast. All funds with personnel expenditures are impacted by this revised calculation.

The tables below summarize the breakdown of fringe benefit accruals for active employees and for retiree medical. Figure 13 below presents the breakdown under the base case assumption that the City maintains a pay-as-you-go OPEB structure. Figure 14 below presents the breakdown assuming the City fully accrued the ARC payment. These tables show that fully Accruing OPEB fringe benefit rates increase by approximately 6%

Table 16 - Fringe Benefits - Pay-As-You-Go

| Assumed Fringe Benefit Rates - Pay-As-You-Go | | | | | | | | | |
|--|-----------------|-----------------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|-------------------|
| Fiscal Years | Civilian | | | Police | | | Fire | | |
| | Fringe Benefits | Retiree Medical | Total Fringe Rate | Fringe Benefits | Retiree Medical | Total Fringe Rate | Fringe Benefits | Retiree Medical | Total Fringe Rate |
| 2015-16 | 33.4% | 5.5% | 38.9% | 29.1% | 7.4% | 36.5% | 31.6% | 8.6% | 40.2% |
| 2016-17 | 33.4% | 5.5% | 38.9% | 29.1% | 7.4% | 36.5% | 31.6% | 8.6% | 40.2% |
| 2017-18 | 35.4% | 5.5% | 40.9% | 30.9% | 7.9% | 38.8% | 33.5% | 9.1% | 42.6% |
| 2018-19 | 37.6% | 5.8% | 43.4% | 32.7% | 8.6% | 41.3% | 35.6% | 9.7% | 45.3% |
| 2019-20 | 39.8% | 6.2% | 46.0% | 34.7% | 9.2% | 43.9% | 37.7% | 10.4% | 48.0% |

Table 17 - Fringe Benefits - Full OPEB Accrual

| Assumed Fringe Benefit Rates - Full OPEB Accrual | | | | | | | | | |
|--|-----------------|-----------------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|-------------------|
| Fiscal Years | Civilian | | | Police | | | Fire | | |
| | Fringe Benefits | Retiree Medical | Total Fringe Rate | Fringe Benefits | Retiree Medical | Total Fringe Rate | Fringe Benefits | Retiree Medical | Total Fringe Rate |
| 2015-16 | 33.4% | 10.8% | 44.3% | 29.1% | 17.2% | 46.4% | 31.6% | 18.5% | 50.2% |
| 2016-17 | 33.4% | 10.7% | 44.1% | 29.1% | 16.9% | 46.0% | 31.6% | 18.3% | 49.9% |
| 2017-18 | 35.4% | 10.6% | 46.0% | 30.9% | 17.8% | 48.7% | 33.5% | 19.1% | 52.7% |
| 2018-19 | 37.6% | 11.1% | 48.7% | 32.7% | 18.8% | 51.5% | 35.6% | 20.1% | 55.7% |
| 2019-20 | 39.8% | 11.6% | 51.4% | 34.7% | 19.8% | 54.4% | 37.7% | 21.1% | 58.8% |

Operations & Maintenance

Operations & Maintenance expenditures in the two-year baseline are reflected at the same values as in the FY 2014-15 Amended Budget. Any expenditures designated as one-time are removed from the baseline budget. No increases in O&M are assumed for the two year baseline budget unless there are legal requirements (similar manner to salaries & personnel costs). O&M for the three years beyond the two year baseline are adjusted for assumed annual rate of inflation (2.75%).

Debt, Capital Investments, Transfers & Other

Debt service expenditures are based upon the approved payment schedules. Many of the City's Debt obligations are tied to specific dedicated revenue sources and thus do not impose a burden to the City's General Fund. However, most of the City's master leases are being supported by the General Fund (e.g., Parking Meters, Oracle, IBM, Vehicle & Equipment, etc.).

Transfers between funds, capital investments, and other expenditures are assumed to continue at their baseline budgeted values unless there are other legal requirements or prescribed schedules. Examples include transfers related to approved debt obligations, the Kid's First Transfer, and Transfers to the Self Insurance Liability Fund based upon its repayment schedule.

High Priority Unfunded Capital Projects

In addition to the expenditures noted above, the City has significant unfunded capital needs. Through the Capital Improvements Program, the City identifies and prioritizes capital projects from eligible funding sources. The majority of funding sources provide capital for infrastructure projects such as sewers, streets, and sidewalks. The City lacks significant dedicated funding streams for capital improvement of buildings, facilities, parks and open space and as such most funding for these projects is derived from the General Purpose Fund or special one-time grant funds. Regardless of the category, the City's capital needs exceed available funding. Continued deferral of capital needs may result in legal costs associated with accidents and settlements, and impacts to the City's capacity to deliver services. For instance deferral of maintenance of sidewalks may result in settlements for "trip & fall" accidents, deferral of maintenance for streets may result in vehicle related accident settlements, and deferral of maintenance for information technology systems could result in City-wide shut downs of critical applications necessary for service delivery and operations. See the table below for a list of high priority capital projects for which the City has not secured funding at this time.

Table 18 – Key Unfunded Capital Needs

| Key Unfunded Capital Needs | | | |
|------------------------------|--|---|----------------|
| Category | Title | Description | Estimated Cost |
| Infrastructure: Streets | Citywide Backlog of Streets and Roadway Pavement Restoration | Funding required to perform all needed maintenance on the city's 800+ centerline miles of paved roadways on a consistent bases. The City's current average Pavement Condition Index (PCI) is 60 on a scale of 0 - 100. | \$443 million |
| Infrastructure: Sidewalks | Citywide Backlog of Sidewalk, Stairs, Paths, and Curb Ramp Repairs | Funding required to perform all needed maintenance on the city's 1,100 miles of sidewalks, 17,800 curb ramp locations, and 144 stairs and paths. This is needed to remove trip & fall hazards and provide accessibility to all users including those with disabilities. | \$110 million |
| Infrastructure: Storm Drains | Citywide Storm Drainage Improvements & Watershed Program | Funding required for storm drainage capital improvements including: pipe replacement & rehabilitation, capacity enhancements, creek restoration, new storm drainage systems where none currently exist, and new infrastructure to improve water quality. | \$269 million |
| Technology Enhancements | City Data Center Relocation | Move City servers to a Data Center capable of providing a robust facility with redundant power, HVAC, and electrical system. | \$9 million |

| | | | |
|-------------------------|--|---|---------------|
| Technology Enhancements | Integrated Public Safety System, 2nd Generation (IPSS2) | Procure a modern integrated public safety system to replace 13 year old system. Components include: a modern Computer-Aided Dispatch (CAD) system, modern Records Management System (RMS), Automatic Vehicle Location (AVL) system replacement Fire Station Alerting System, and new Crime Data Warehouse system to support state-of-the-art crime analytics in support of data-driven and predictive policing. | \$12 million |
| Technology Enhancements | Public Safety – Desktops Virtualization | Virtualize all desktop computers in the City especially those tied to public safety applications, to increase end-user productivity and minimize downtime associated with hardware/software problems. | \$4 million |
| Buildings & Facilities | Main Library Relocation/ Expansion | Cost to build a new expanded library to keep up with current collection and circulation demands. | \$200 million |
| Buildings & Facilities | New Police Administration Building, including Crime Lab + Property Evidence Room | Cost to build 300,000 square foot facility that meets modern safety standards and includes adequate facilities for property, evidence, records, training, and the crime lab. | \$405 million |
| Buildings & Facilities | Other Critical Buildings & Facilities Needs | Other critical building and facility needs based upon established criteria and Departmental input including: improvements to Fire Stations, Park and Recreation facilities, and Libraries. | \$39 million |

Expenditure Forecast Summary (in Millions)

The below tables present the results of the expenditures forecast in various ways. They show expenditure by Fund Group and by Category of Expenditure for both the pay-as-you-go OPEB practice, and they hypothetical Full Accrual OPEB method.

Outcomes by Fund Group

Table 19 - Expenditure by Fund Group – Pay-As-You-Go-OPEB

| Fund Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Purpose Fund | \$509.33 | \$521.01 | \$553.07 | \$567.82 | \$583.29 |
| General Fund Group | \$151.61 | \$153.67 | \$152.72 | \$157.17 | \$161.79 |
| Special Revenue - Grants | \$66.16 | \$66.25 | \$68.15 | \$70.08 | \$72.09 |
| Special Revenue - Transportation Funds | \$41.75 | \$42.01 | \$42.59 | \$43.17 | \$43.78 |
| Special Revenue - Local Measures & Districts | \$69.58 | \$70.51 | \$72.76 | \$75.08 | \$77.46 |
| Special Revenue - Programs | \$52.43 | \$52.71 | \$54.42 | \$56.17 | \$57.99 |
| Internal Service Funds | \$74.23 | \$74.39 | \$76.27 | \$78.18 | \$80.17 |
| Enterprise Funds | \$59.19 | \$59.40 | \$60.51 | \$61.66 | \$62.83 |
| Capital Projects | \$8.61 | \$8.62 | \$8.86 | \$9.10 | \$9.35 |
| Debt Service Funds | \$135.88 | \$136.91 | \$132.32 | \$133.26 | \$131.88 |
| Fiduciary Funds | \$4.36 | \$4.37 | \$4.51 | \$4.64 | \$4.79 |
| Total | \$1,173.12 | \$1,189.87 | \$1,226.18 | \$1,256.33 | \$1,285.40 |

Table 20 Expenditure by Fund Group – Full Accrual-OPEB

| Fund Group | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Purpose Fund | \$525.20 | \$536.65 | \$570.31 | \$584.46 | \$600.51 |
| General Fund Group | \$153.29 | \$155.30 | \$154.33 | \$158.83 | \$163.51 |
| Special Revenue - Grants | \$67.12 | \$67.09 | \$68.98 | \$70.94 | \$72.98 |
| Special Revenue - Transportation Funds | \$42.04 | \$42.30 | \$42.87 | \$43.47 | \$44.08 |
| Special Revenue - Local Measures & Districts | \$70.82 | \$71.71 | \$73.98 | \$76.34 | \$78.76 |
| Special Revenue - Programs | \$53.29 | \$53.54 | \$55.24 | \$57.02 | \$58.87 |
| Internal Service Funds | \$74.85 | \$74.99 | \$76.86 | \$78.79 | \$80.80 |
| Enterprise Funds | \$59.65 | \$59.85 | \$60.95 | \$62.11 | \$63.29 |
| Capital Projects | \$8.64 | \$8.66 | \$8.89 | \$9.14 | \$9.39 |
| Debt Service Funds | \$135.88 | \$136.91 | \$132.32 | \$133.26 | \$131.88 |
| Fiduciary Funds | \$4.39 | \$4.40 | \$4.54 | \$4.68 | \$4.82 |
| Total | \$1,195.17 | \$1,211.42 | \$1,249.27 | \$1,279.03 | \$1,308.89 |

Expenditure Forecast by Category

Table 21 - Expenditure by Category - GPF Pay-As-You-Go-OPEB

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Civilian Salaries & Payroll | \$73.45 | \$73.53 | \$75.55 | \$77.63 | \$79.77 |
| Civilian Fringe | \$25.94 | \$25.96 | \$27.53 | \$29.19 | \$30.93 |
| Civilian Retirement | \$21.91 | \$23.55 | \$24.92 | \$26.22 | \$27.59 |
| Police Salaries & Payroll | \$87.76 | \$88.52 | \$90.95 | \$93.45 | \$96.02 |
| Police Fringe | \$24.46 | \$24.79 | \$26.36 | \$28.04 | \$29.81 |
| Police Retirement | \$26.49 | \$28.76 | \$30.15 | \$31.54 | \$32.86 |
| Fire Salaries & Payroll | \$62.57 | \$64.45 | \$66.22 | \$68.04 | \$69.91 |
| Fire Fringe | \$23.12 | \$23.82 | \$25.25 | \$26.82 | \$28.45 |
| Fire Retirement | \$21.29 | \$23.69 | \$24.83 | \$25.98 | \$27.07 |
| O&M | \$89.14 | \$89.66 | \$91.77 | \$93.68 | \$95.65 |
| Debt, Capital, Transfers & Other | \$53.19 | \$54.29 | \$69.55 | \$67.22 | \$65.24 |
| Total | \$509.33 | \$521.01 | \$553.07 | \$567.82 | \$583.29 |

Table 22- Expenditure by Category - GPF Full Accrual OPEB

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Civilian Salaries & Payroll | \$73.45 | \$73.53 | \$75.55 | \$77.63 | \$79.77 |
| Civilian Fringe | \$29.52 | \$29.45 | \$30.95 | \$32.74 | \$34.60 |
| Civilian Retirement | \$21.91 | \$23.55 | \$24.92 | \$26.22 | \$27.59 |
| Police Salaries & Payroll | \$87.76 | \$88.52 | \$90.95 | \$93.45 | \$96.02 |
| Police Fringe | \$31.07 | \$31.24 | \$33.04 | \$34.96 | \$36.96 |
| Police Retirement | \$26.49 | \$28.76 | \$30.15 | \$31.54 | \$32.86 |
| Fire Salaries & Payroll | \$62.57 | \$64.45 | \$66.22 | \$68.04 | \$69.91 |
| Fire Fringe | \$28.84 | \$29.55 | \$31.18 | \$32.96 | \$34.80 |
| Fire Retirement | \$21.29 | \$23.69 | \$24.83 | \$25.98 | \$27.07 |
| O&M | \$89.11 | \$89.62 | \$91.77 | \$93.68 | \$95.65 |
| Debt, Capital, Transfers & Other | \$53.19 | \$54.29 | \$70.75 | \$67.26 | \$65.28 |
| Total | \$525.20 | \$536.65 | \$570.31 | \$584.46 | \$600.51 |

Table 23 - Expenditure by Category - All Funds Pay-As-You-Go-OPEB

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Civilian Salaries & Payroll | \$185.16 | \$185.12 | \$190.21 | \$195.44 | \$200.82 |
| Civilian Fringe | \$64.85 | \$64.80 | \$68.70 | \$72.85 | \$77.20 |
| Civilian Retirement | \$54.74 | \$58.74 | \$62.15 | \$65.40 | \$68.82 |
| Police Salaries & Payroll | \$97.25 | \$97.60 | \$100.29 | \$103.05 | \$105.88 |
| Police Fringe | \$27.32 | \$27.32 | \$29.05 | \$30.90 | \$32.85 |
| Police Retirement | \$29.75 | \$31.89 | \$33.43 | \$34.97 | \$36.43 |
| Fire Salaries & Payroll | \$65.00 | \$66.89 | \$68.73 | \$70.62 | \$72.56 |
| Fire Fringe | \$23.29 | \$23.98 | \$25.42 | \$27.01 | \$28.64 |
| Fire Retirement | \$21.43 | \$23.85 | \$25.00 | \$26.16 | \$27.25 |
| O&M | \$283.00 | \$284.29 | \$291.75 | \$299.16 | \$306.78 |
| Debt, Capital, Transfers & Other | \$321.34 | \$325.38 | \$331.45 | \$330.78 | \$328.16 |
| Total | \$1,173.12 | \$1,189.87 | \$1,226.18 | \$1,256.33 | \$1,285.40 |

Table 24 - Expenditure by Category - All Funds Full Accrual OPEB

| Category | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Civilian Salaries & Payroll | \$185.16 | \$185.12 | \$190.21 | \$195.44 | \$200.82 |
| Civilian Fringe | \$73.79 | \$73.50 | \$77.25 | \$81.70 | \$86.36 |
| Civilian Retirement | \$54.74 | \$58.74 | \$62.15 | \$65.40 | \$68.82 |
| Police Salaries & Payroll | \$97.25 | \$97.60 | \$100.29 | \$103.05 | \$105.88 |
| Police Fringe | \$34.70 | \$34.43 | \$36.41 | \$38.53 | \$40.74 |
| Police Retirement | \$29.75 | \$31.89 | \$33.43 | \$34.97 | \$36.43 |
| Fire Salaries & Payroll | \$65.00 | \$66.89 | \$68.73 | \$70.62 | \$72.56 |
| Fire Fringe | \$29.04 | \$29.75 | \$31.40 | \$33.19 | \$35.04 |
| Fire Retirement | \$21.43 | \$23.85 | \$25.00 | \$26.16 | \$27.25 |
| O&M | \$282.96 | \$284.25 | \$291.75 | \$299.16 | \$306.78 |
| Debt, Capital, Transfers & Other | \$321.34 | \$325.38 | \$332.65 | \$330.82 | \$328.21 |
| Total | \$1,195.17 | \$1,211.42 | \$1,249.27 | \$1,279.03 | \$1,308.89 |

Historic Cost Containment & Fiscal Planning

Prior Legislative Action

City leadership have continuously recognized and addressed unfunded needs and plan for future circumstances. The Council has adopted a number of policies to improve the city's financial conditions. The table below lists major relevant legislation.

Table 25 - Past Legislative Actions regarding Fiscal Policies

| Policy | Date of Adoption | Resolution/Ordinance # |
|--|------------------|---------------------------|
| Policy on Balance Budget | July 15, 2003 | Resolution #77922 C.M.S. |
| Policy on Charges for Services | July 15, 2003 | Resolution #77924 C.M.S. |
| Reserve Policy – General Fund and Capital Improvement Fund | October 2, 2012 | Ordinance #13134 C.M.S. |
| Investment Policy for FY 2013-14 | June 18, 2013 | Resolution # 84453 C.M.S. |
| Debt Management Policy and Swap Policy for FY 2012-13 | October 16, 2012 | Resolution #84063 C.M.S. |
| Long-Term Financial Planning | April 2, 2013 | Resolution #84264 C.M.S. |
| Consolidated Fiscal Policy | December 9, 2014 | Ordinance #13279 C.M.S. |

Administrative Actions

The City has also undertaken a series of actions to ensure rigorous expenditure controls and proactive revenue collection. Examples include:

1. Implementation of the City Council's direction on financial policies and adopted budget items;
2. Closely monitor departmental expenditures and schedule regular meetings with departments to strengthen internal controls;
3. Closely monitor hiring processes and ensure vacancies are only filled when positions are authorized and funded;
4. Closely review fund balance to avoid potential increase of negative fund balance;
5. Actively pursue revenue audit and collection;
6. Closely monitor revenue realization and use of one-time vs. on-going revenue;
7. Review and modify service fee charges to cover costs, where feasible;
8. Review and modify internal service rate calculation; and,
9. Provided City Council a "policy tradeoff and service buyback list" for informed decision making.

Long-Term Structural Measures

The City has also taken a number of key actions to structurally manage the City's long-term financial practices, including:

1. Maintaining 7.5% General Purpose Fund reserve, which increases to up to 10% when funds are made available (Ordinance #13134 C.M.S.);
2. Use of one-time revenue for one-time expenditure (Ordinance #13134 C.M.S.);

3. Increase investment in the Capital Improvement Program (Ordinance #13134 C.M.S. and FY 2013-15 Budget, Resolution #86644 C.M.S.);
4. Repayment of negative fund balances and pay down long-term debt and liabilities (Ordinance #13134 C.M.S.);
5. Negotiated with Oakland Police Officer's Association to make 9% contribution toward their pension effective July 2011, Local 55, International Association of Firefighters members contribute 13%, Civilian employees contribute 8%;
6. Negotiated with all labor unions establishing the second tier of the pension benefit level, which modified for public safety employees from 3% @ 50 formula to 3% @ 55 (effective February 2012) and for civilian employees from 2.7% @55 formula to 2.5% @ 55 (effective June 2012);
7. Negotiated with all labor unions establishing the third tier of the pension benefit level, which further modified for public safety employees from 3% @50 formula to 2.7% @ 57 and for civilian employees from 2.5% @55 to 2.00% @ 62 effective January 2013;
8. Make contributions to long-term liabilities by \$534,500 in FY 2013-15 (resolution #86644 C.M.S.) and \$10 million in FY 2015-16 and FY 2016-17;
9. Pay down the negative fund balance with a repayment plan and one-time revenues (Ordinance #13134 C.M.S. and FY 2013-15 Budget, Resolution #86644 C.M.S.); and
10. Issued a pension bond to reduce/refinance Police and Fire Retirement System (PFRS) outstanding debt and increase funding ratio to the amount of \$250 million in 2012 (Resolution #83940).
11. Increase reserve when funds are available (Resolution #85085 C.M.S.). The total reserve in the General Purpose Fund is 8.02% as December 31, 2014.

The implementation of a three-tier pension benefit structure has helped to ease the financial condition in the long-term. Some of the features are within the State Pension Reform regulation (AB340), which is required to be implemented on or before January 1, 2018. Recent pension reform in Oakland is summarized in the table below:

Table 26 - Pension Tiers

| Pension Descriptions | Public Safety Employees | Civilian Employees | Effective Dates |
|-----------------------------------|-------------------------|--------------------|--|
| 1 st tier ¹ | 3% @ 50 | 2.7% @ 55 | Prior to Feb. 2012 |
| 2 nd tier ² | 3% @ 55 | 2.5% @ 55 | Feb. 2012 for public safety employees and June 2012 for civilian employees |
| 3 rd tier ³ | 2.7% @ 57 | 2.0% @ 62 | January 1, 2013 |

¹ 3% of highest 12 consecutive month salary for each year of service at age 50 for public safety employees and 2.7% of highest 12 consecutive salary for civilian employees

² 3% of the 3 years average salary at age 55 for public safety employees and 2.5% highest three consecutive years average at age 55 for civilian employees

³ 2.7% of final 3 years average salary and subject to established cap at age 57 for public safety employees; 2.0% of final 3 years average salary and subject to established cap at age 62 for civilian employees. The third tier was added in accordance with the Public Employees' Pension Reform Act of 2013 (PEPRA)

The City will continue to address its fiscal challenges by growing its sustainable revenue base, reduce costs, improve its operational efficiency, and find innovative ways to operate.

SUMMARY & CONCLUSIONS

Comparison of Revenue & Expenditure Scenarios

The following tables summarize both the expenditure and revenue forecast results.

Table 27 - Forecast Revenues, Expenditure, & Shortfalls by Fund Group

| | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|------------|------------|------------|------------|------------|
| General Purpose Fund | | | | | |
| Expense | \$509.33 | \$521.01 | \$553.07 | \$567.82 | \$583.29 |
| Revenue | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Surplus (Shortfall) | (17.93) | (18.64) | (36.63) | (36.99) | (40.13) |
| General Fund Group | | | | | |
| Expense | \$151.61 | \$153.67 | \$152.72 | \$157.17 | \$161.79 |
| Revenue | \$158.44 | \$160.67 | \$167.73 | \$172.81 | \$176.70 |
| Surplus (Shortfall) | \$6.83 | \$7.00 | \$15.01 | \$15.64 | \$14.91 |
| Special Revenue - Grants | | | | | |
| Expense | \$66.16 | \$66.25 | \$68.15 | \$70.08 | \$72.09 |
| Revenue | \$56.72 | \$56.60 | \$57.99 | \$59.42 | \$60.88 |
| Surplus (Shortfall) | (9.45) | (9.65) | (10.16) | (10.67) | (11.21) |
| Special Revenue - Transportation Funds | | | | | |
| Expense | \$41.75 | \$42.01 | \$42.59 | \$43.17 | \$43.78 |
| Revenue | \$40.05 | \$40.32 | \$41.12 | \$41.94 | \$42.79 |
| Surplus (Shortfall) | (1.70) | (1.70) | (1.47) | (1.23) | (0.99) |
| Special Revenue - Local Measures & Districts | | | | | |
| Expense | \$69.58 | \$70.51 | \$72.76 | \$75.08 | \$77.46 |
| Revenue | \$65.68 | \$66.87 | \$68.21 | \$69.58 | \$70.94 |
| Surplus (Shortfall) | (3.90) | (3.64) | (4.56) | (5.50) | (6.52) |
| Special Revenue - Programs | | | | | |
| Expense | \$52.43 | \$52.71 | \$54.42 | \$56.17 | \$57.99 |
| Revenue | \$50.77 | \$50.94 | \$52.61 | \$53.25 | \$53.83 |
| Surplus (Shortfall) | (1.66) | (1.77) | (1.81) | (2.92) | (4.16) |
| Internal Service Funds | | | | | |
| Expense | \$74.23 | \$74.39 | \$76.27 | \$78.18 | \$80.17 |
| Revenue | \$74.14 | \$74.26 | \$76.28 | \$78.35 | \$80.48 |
| Surplus (Shortfall) | (0.09) | (0.13) | \$0.01 | \$0.17 | \$0.31 |
| Enterprise Funds | | | | | |
| Expense | \$59.19 | \$59.40 | \$60.51 | \$61.66 | \$62.83 |
| Revenue | \$55.97 | \$55.97 | \$57.34 | \$58.75 | \$60.19 |
| Surplus (Shortfall) | (3.22) | (3.43) | (3.17) | (2.91) | (2.63) |
| Capital Projects | | | | | |
| Expense | \$8.61 | \$8.62 | \$8.86 | \$9.10 | \$9.35 |
| Revenue | \$4.41 | \$4.41 | \$4.42 | \$4.42 | \$4.43 |
| Surplus (Shortfall) | (4.19) | (4.21) | (4.44) | (4.68) | (4.93) |
| Debt Service Funds | | | | | |
| Expense | \$135.88 | \$136.91 | \$132.32 | \$133.26 | \$131.88 |
| Revenue | \$135.87 | \$136.90 | \$132.30 | \$133.20 | \$134.15 |
| Surplus (Shortfall) | (0.00) | (0.01) | (0.02) | (0.06) | \$2.27 |
| Fiduciary Funds | | | | | |
| Expense | \$4.36 | \$4.37 | \$4.51 | \$4.64 | \$4.79 |
| Revenue | \$0.33 | \$0.33 | \$0.33 | \$0.33 | \$0.33 |
| Surplus (Shortfall) | (4.03) | (4.04) | (4.18) | (4.31) | (4.45) |

Table 28 - Forecast Revenues, Expenditure, & Shortfalls by Fund Group w/ Full OPEB Accrual

| | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|------------|------------|------------|------------|------------|
| General Purpose Fund | | | | | |
| Expense | \$525.20 | \$536.65 | \$570.31 | \$584.46 | \$600.51 |
| Revenue | \$491.40 | \$502.37 | \$516.44 | \$530.83 | \$543.16 |
| Surplus (Shortfall) | (33.80) | (34.28) | (53.88) | (53.63) | (57.35) |
| General Fund Group | | | | | |
| Expense | \$153.29 | \$155.30 | \$154.33 | \$158.83 | \$163.51 |
| Revenue | \$158.44 | \$160.67 | \$167.73 | \$172.81 | \$176.70 |
| Surplus (Shortfall) | \$5.15 | \$5.37 | \$13.40 | \$13.98 | \$13.19 |
| Special Revenue - Grants | | | | | |
| Expense | \$67.12 | \$67.09 | \$68.98 | \$70.94 | \$72.98 |
| Revenue | \$56.72 | \$56.60 | \$57.99 | \$59.42 | \$60.88 |
| Surplus (Shortfall) | (10.40) | (10.49) | (10.99) | (11.53) | (12.09) |
| Special Revenue - Transportation Funds | | | | | |
| Expense | \$42.04 | \$42.30 | \$42.87 | \$43.47 | \$44.08 |
| Revenue | \$40.05 | \$40.32 | \$41.12 | \$41.94 | \$42.79 |
| Surplus (Shortfall) | (1.99) | (1.99) | (1.75) | (1.52) | (1.29) |
| Special Revenue - Local Measures & Districts | | | | | |
| Expense | \$70.82 | \$71.71 | \$73.98 | \$76.34 | \$78.76 |
| Revenue | \$65.68 | \$66.87 | \$68.21 | \$69.58 | \$70.94 |
| Surplus (Shortfall) | (5.14) | (4.85) | (5.77) | (6.75) | (7.82) |
| Special Revenue - Programs | | | | | |
| Expense | \$53.29 | \$53.54 | \$55.24 | \$57.02 | \$58.87 |
| Revenue | \$50.77 | \$50.94 | \$52.61 | \$53.25 | \$53.83 |
| Surplus (Shortfall) | (2.52) | (2.61) | (2.63) | (3.77) | (5.04) |
| Internal Service Funds | | | | | |
| Expense | \$74.85 | \$74.99 | \$76.86 | \$78.79 | \$80.80 |
| Revenue | \$74.14 | \$74.26 | \$76.28 | \$78.35 | \$80.48 |
| Surplus (Shortfall) | (0.71) | (0.73) | (0.58) | (0.44) | (0.32) |
| Enterprise Funds | | | | | |
| Expense | \$59.65 | \$59.85 | \$60.95 | \$62.11 | \$63.29 |
| Revenue | \$55.97 | \$55.97 | \$57.34 | \$58.75 | \$60.19 |
| Surplus (Shortfall) | (3.68) | (3.88) | (3.61) | (3.36) | (3.10) |
| Capital Projects | | | | | |
| Expense | \$8.64 | \$8.66 | \$8.89 | \$9.14 | \$9.39 |
| Revenue | \$4.41 | \$4.41 | \$4.42 | \$4.42 | \$4.43 |
| Surplus (Shortfall) | (4.23) | (4.25) | (4.48) | (4.72) | (4.96) |
| Debt Service | | | | | |
| Expense | \$135.88 | \$136.91 | \$132.32 | \$133.26 | \$131.88 |
| Revenue | \$135.87 | \$136.90 | \$132.30 | \$133.20 | \$134.15 |
| Surplus (Shortfall) | (0.01) | (0.01) | (0.02) | (0.06) | \$2.27 |
| Fiduciary Funds | | | | | |
| Expense | \$4.39 | \$4.40 | \$4.54 | \$4.68 | \$4.82 |
| Revenue | \$0.33 | \$0.33 | \$0.33 | \$0.33 | \$0.33 |
| Surplus (Shortfall) | (4.06) | (4.07) | (4.21) | (4.34) | (4.49) |

Risks, Opportunities, & Uncertainties

Possibility of economic contraction

Historically, periods of expansion are followed by economic contraction. According to the 2015-16 State of California Governor's Budget Summary, in the post war period (post World War II), the average expansion period lasts for approximately 5-6 years. Since the end of the Great Depression, there have been 13 recessions. This current economic expansion has exceeded 5 years. The longest period of economic expansion in the Post-War War II period was 10 years from 1991 to 2001 during the "Dot Com" boom. Thus, it would be inconsistent with historical patterns not to experience an economic contraction during the forecast period. To address this historical trend, staff assumes slower overall growth in the outer years of the forecast period.

Future Demographic Trends and Pressures on Service Levels

The City of Oakland's population is dynamic and diverse with many cultures, age groups, and it is growing. Currently the City is experiencing an increase in population in the downtown area, as new housing developments are built and new developments are planned in the near future. The majority of these housing units are aimed at young professionals, both single and beginning families, as Oakland is viewed as an affordable place to live and has established and reliable mass transit. This growing region of the City is spurring growth to other areas of the City. However, as Oakland grows, it will put greater pressures on the aging infrastructure, such as, streets and sewers, and curbs and sidewalks. As the population increases, this will potentially increase the demand for community service programs, parks and recreation, after school programs, and for human services, such as schools, housing needs, family assistance, as well as public safety.

Oakland continues to see increased employment in the professional services industry and technology firms as new businesses are occupying offices complexes and spurring the development of more office space. The City is in the process of developing a citywide "Nexus Study" that will look at the City holistically. The study will analyze the City's future needs for public facilities, park and recreation, service levels, development impacts and to plan for Oakland's future.

Protest Activity, NSA, & Police Services (Overtime)

Police costs remain one of the largest expenditures of the City of Oakland. Public safety is a top priority and to increase safety requires greater funding and puts strain on the General Purpose Fund to cover unexpected events, such as protest and civil unrest. Since these events are unplanned, when events such as these happen, extra police officers are required to protect the safety of Oakland's citizens as well as help to facilitate acts of free speech. These events result in a greater share of the General Purpose Fund to cover the overtime costs for extra officers needed to protect human safety and property.

Baby Boomer Retirements

Government employees are able to retire as early as age 55. As the population of employees who have reach or surpass this age, many retire and start collecting retirement benefits. Currently, the largest demographic age group able to retire are the “Baby Boomers,” those born during 1946-1964 and now between the ages of 50 and 68. The Baby Boomers represent the largest one period population increase of the country. As such, this impacts the ability of CalPERS to finance this age group’s retirement, as there is such a large volume in the retirement pool. To balance this financing requirement, CalPERS has increased contribution rates from both the City of Oakland and employees. As the City pays the largest portion, this requires large portions of the General Purpose Fund as retirement rates increase over time.

Negative Fund Balances

Many non-GPF City funds have negative balances. These negative fund balances are the result of historical overspending and/or under-recovery, as well as operational deficits (cost increases outpacing revenue growth). Many of these funds have formal or informal repayments plans by which ongoing sources of revenue will reduce the negative balance. Notably the repayment of the negative balance in the facilities fund will provide an additional \$3.6 million in facilities Capital or savings to other funds beginning in FY 2019-20. Increasing repayments to the Self Insurance Liability Fund will, by contrast, place additional pressure on contributing funds. The negative fund balances of funds that lack sources or reimbursement and a repayment plan total roughly \$14 million, and will require new revenue sources or diversion of existing resources to resolve their negative balances.

Real Estate & Economic Development

Historically in the State of California, Real Estate developments, both residential and commercial, are major drivers of the State’s and local community economic development. The employment rate and interest rate play major role in determining housing demand, when the interest rate decreases and the employment rate increases the result is an increase in construction. There are many subsections of the economy that are linked to the real estate development sector, such as increased demand for professional trade services, in the form of general contractors and architects, the purchase of durable consumer goods, and the construction of commercial structures, such as office complexes, manufacturing and warehousing.

According to data received from the City’s Planning Department, the City has approximately 753+/- residential units and over a million square feet of commercial space under construction that are projected to be completed in the first two years of the forecast period. Furthermore, there are approximately 7,325 new residential units, from projects such as Brooklyn Basin (3,100 units) and Oak Knoll (960 units) in the pipeline. Approximately 98% of the new housing being built are rental units. Ongoing revenues will be derived from property tax and business tax. The fiscal impacts from these projects anticipated to be completed during the forecast period are reflected in the Forecast.

During FY 2015-16 and FY 2016-17, approximately half of the new residential units projected to be complete are considered “affordable” to households of low to moderate income and therefore are exempt from imposition of property taxes and business license taxes derived from rental income. Under state law, real and personal property owned and operated by certain nonprofit organizations can be exempted from local property taxation through a program jointly administered by the Board of Equalization and County Assessors' Offices in California. For additional information, visit: <http://www.boe.ca.gov/proptaxes/proptax.htm>. This exemption, known as the Welfare Exemption, is available to qualifying organizations that have income- tax-exempt status under Internal Revenue Code section 501(c)(3) or 23701(d) of the Revenue and Taxation Code and are organized and operated exclusively for religious, charitable, scientific or hospital purposes. Furthermore, the City exempts registered nonprofits from remitting business tax and RETT when real property is purchased by a nonprofit.

The remaining units are forecasted to increase total GPF revenues \$323,000 in FY 2015-16 and \$52,800 in FY 2016-17. This is an aggregate of projected property tax and business license tax. Table 27 presents the revenue impacts from new residential units. Further detail is noted in *Appendix A*.

Table 29 - Projected Revenue from New Housing Units

| Projected Revenue Increase | |
|----------------------------|---|
| Fiscal Year | Aggregate Property & Business Tax Revenue |
| FY2015-16 | \$ 323,000 |
| FY2016-17 | \$ 52,800 |
| FY2017-18 | \$ 341,700 |
| FY2018-19 | \$ 1,742,700 |
| FY2019-20 | \$ 480,000 |
| Total | \$ 2,940,200 |

Impacts from the loss of redevelopment are still unknown. In the near term, there are still projects in the pipeline and remaining restricted bond funds that will help spur economic growth. However, without a replacement for the tools that redevelopment provided, surviving and recovering from the next economic recession may be even more difficult.

Medical Cost Inflation

While Health Care costs continue to grow, the cost of providing health care to employees remains a large portion of the General Purpose Fund expenditure. If medical costs continue to increase greater than revenues, health care costs will require increased share to the General Purpose Fund. Furthermore, non-general funds that cannot bear the cost increase may put pressure on the General Purpose Fund for a subsidy, such as the Head Start fund. In an effort to

promote the employees' health, thereby reducing costs, the City is emphasizing preventative measures such as health assessments, offering flu shot, and a wellness program.

State & Federal Legislation

State

As part of the Governor's FY 2015-16 Proposed Budget, the State Department of Finance projects FY 2014-15 revenues to be \$2 billion above June 2014 projections and that the State General Fund's three major taxes will collectively increase by over \$5.6 billion in FY 2015-16. These revenues are even seen as conservative by some as evidenced by the State Legislative Analyst's Office, which reported that FY 2014-15 revenue gains "...of a few billion dollars more are possible." This is a dramatic shift from the multibillion dollar deficits the State faced in FY 2010-11 and FY 2011-12.

While Governor Brown has been under pressure by the State Legislature to increase spending on social programs, the FY 2015-16 Proposed Budget has focused on building budget reserves, paying down state debts, and providing funding for strategic initiatives. Governor Brown also successfully lobbied the CalPERS Board to adopt more aggressive actuarial assumptions resulting in higher pension payments for the State, but also for Cities, who are not experiencing the same type of revenues gains as the State. Governor Brown also continues to be in opposition of legislation reinstating redevelopment and even signed legislation to eliminate Enterprise Zones, which generated revenues for the City by supporting economic and job growth.

Still, the increasing State revenues may offer opportunities for local governments. The Cap and Trade program, a program that sets carbon emission limits but allows for the purchase of additional credits about limits, represents a significant funding source for City projects that focus on greenhouse gas emissions. Local governments and/or developers can apply for the Cap and Trade grants to develop the affordable housing and transportation projects. In FY 2014-15, the City received a \$500,000 reimbursement from the State as a partial refunding of the Pre-2004 Local Agency Mandates, which are reimbursements for costs sustained by local governments for State mandated programs. The City should continue to work closely with State elected officials to pursue additional funding, but significant increases in funding from the State to the City are not assumed in the Forecast.

Expiration of Prop 30 and additional State Budget pressures

Proposition 30, the quarter-cent sales tax increase measure, was approved in November 2012 and is set to expire in 2016. The measure has provided the State with increased resources on a short-term basis to give the economy time to recover. Under the measure, the state has been able to restore funding for education and the safety net, expand health care coverage, and pay off its budgetary borrowing. The expiration of Proposition 30 would eliminate a significant funding

source and put additional pressure on the State to find alternative funding for programs currently funded by Proposition 30.

Federal

Recent elections resulted in a greater republican majority in the House of Representative and republican control of the Senate. The Republican leadership has been vocal about their priorities to repeal the Affordable Care Act, conduct an overhaul of Social Security and Medicare, and reduce government spending. At the same time, President Obama has expressed opposition to the majority of these priorities. As a result, the federal government could face an increase in partisan gridlock, which has already dramatically increased in recent years.

Federal gridlock could result in significant financial impacts to the City. The recent sequestration resulted in a dramatic cut in funding for the City's Head Start program, some of which was restored, but not enough to curb the need for General Purpose Fund subsidy. In addition, the transition to a Head Start competitive bid process could result in further funding reductions. The City has also seen declines in the federally funding Community Development Block Grants and Workforce Investment Act grant funds, a trend that is expected to continue in future years. The City has invested resources into ensuring compliance with the Affordable Care Act (ACA), which would be wasted if the ACA is repealed.

Traditional Balancing

Over the next five-years the City will be faced with a number of difficult choices in order to balance the City's budget and it is imperative that decisions be made that focus on the City's long-term financial health. Traditional balancing methods including reducing services, deferring expenditures capital and long-term obligations are limited in their utility. Using these methods, services provided to residents are either reduced or will suffer future reductions due to higher future costs. Many years of operating budget reductions and capital deferment mean there are few critical services or projects that can be reduced without significant impact on the public. A list of services currently provided by the City is provided in *Appendix B*.

Public-Private Partnerships

A number of cities successfully utilize public-private partnerships to off-set/supplement the cost of City services and assist in raising funding for needed capital improvements. In Oakland, the Friends of the Oakland Public Library provided the Oakland Library with \$174,000 in grants for FY 2014-15. In San Francisco, the San Francisco Parks Alliance, an organization established to promote and support open green spaces, contracts with the City to provide services and has annual revenues of over \$1 million. In other cities, public-private partnerships have raised millions of funds for the renovation city facilities and also have alliances with other organizations that increase their advocacy reach.

These types of organizations also have the ability to apply for grants for which city departments are not eligible for and are not subject to the same rules and regulations of city governments. While the City currently has a number of successful public-private partnerships, there are opportunities to strengthen existing partnerships and establish new ones.

Reserves

Reserves help cities weather multi-year economic downturns, provide essential funding during natural disasters, provides for the support of essential City services, and reduces the financing costs through better credit ratings. As evidenced by the State, the City should continue to invest in reserves since economic downturns are inevitable.

New Revenue Sources

With limited financial resources, the City should seek out for additional revenue sources. The recent overwhelming passage of Measure Z, the public safety measure, is an indication that residents are willing to pay additional taxes for services. While there is a saturation point associated with this strategy, it may be an essential tool in improving City services.

Fee Recovery

Fee recovery is a funding source for which the City has substantial control. A number of City fees do not meet full cost recovery, which results in the need for additional funding resources from the GPF to fill the gap or when no additional funds are available, a lack of sufficient funding to meet service needs.

Pre-Funding Unfunded Liabilities

As detailed earlier in this report, unfunded liabilities, specifically pension obligations, represents a significant financial liability. New CalPERS regulations require that Cities to contribute larger amounts towards their pension obligations to account for increased medical costs and longer life expectancy rates. In general, allocating additional funds for paying down pension obligations will reduce the City's long-term liabilities.

Investing in Employee Skills & Wellness

The Harvard Business Review recently reported in 2014 that 39% of employers had difficulty finding employees that have the necessary skills to fill vacancies. To be able to provide services that meet new demands, the City should seek out training opportunities for employees to learn new skills or update existing skills. This is especially true for the highly competitive technology fields that can attract qualified candidates with high salaries and perks with which cities cannot compete. One alternative could be for the city to focus on training internal candidates for these positions.

As part of the FY 2014-15 Midcycle Budget, the City Council approved funding for a training coordinator. The position has been able to organize training opportunities to improve employees' skills but also focus on personal/health development, which could potentially decrease city healthcare costs and other liabilities.

General Obligation Bonds

As noted in the discussion of California Legal Revenue Limitations the only exception to the 1% limitations on property tax is for bonded indebtedness for the acquisition or improvement of real property. Such bond measures must be approved by a two-thirds vote of the electorate. The City and its electorate could utilize a Bond Measure to resolve many of the City's capital needs including those for infrastructure, buildings, facilities, parks and open space. The expiration of property taxes supporting prior bonds or the tax override that supports the Police and Fire Retirement System (PFRS) present opportunities to raise additional revenue for capital without a net increase to property taxes.

Investing in Technology

The upgrade of the City's technology infrastructure and investment in new systems has the ability to increase productivity and ensure that decision makers have sufficient data to make informed decisions. The City's current financial systems require extensive manual manipulation to sort and format data. This process is time consuming and can lead to errors. The City has a large amount of informative data but the lack of tools to be able to sort and analyze these large data sets. This also applies to other aspects of the City's operations where manual processes are present or where inefficient and/or inadequate systems create additional burdens on City staff. For example, in the Fire Department, fire dispatch is required to call a fire station to confirm a request for service due to the lack of a system link between dispatch and the fire station. New Practices & Service Delivery Models

The continued review of our internal processes will help the City identify potential cost savings and the implementation of efficiencies. Critical city resources should be allocated to initiatives that prove to be effective and the disinvestment should be encouraged in initiatives that are failing and/or underperforming. Pilot projects are an effective tool to test projects before citywide implementation. The implementation of large project contains a number of variables that sometimes cannot be defined until it is implemented. Pilot projects allow one or multiple ideas to be tested and the effectiveness can be closely monitored to ensure effectiveness. Since these small scale projects, they require less financial and staff resources to implement.

Key Conclusions

The local economy, particularly real estate markets, is recovering. Given that City revenues are highly tied to real estate, revenues are growing at a healthy rate. New economic development is expected to add sustainable revenue base to the City. However, there is risk of contraction in outer years based on historical experience with prior economic cycles.

Expenditures are rising faster than revenues at current service levels, particularly medical and retirement costs. Notably in FY 2017-18, the resumption of PFRS payment will be a challenge for the General Purpose Fund. In addition to service demands on the operating budget, there are significant capital needs that have been deferred for many years and pressures associated with long-term liabilities.

The combined risks of a possible economic contraction, expenditure growth rates, long-term liability payments, and capital needs will continue to squeeze City finances in the near term. The City should consider an array of strategies to address its financial challenges.

**APPENDIX A-
Major Housing Projects FY 2015 to FY 2030**

| Fiscal Year | Major Housing Projects | Units Available when Complete | Proposed Affordable | Nbr. Market Rate Units | Projected Value | Projected Property Tax | Projected RETT | Year Projected Complete |
|-------------|---|-------------------------------|---------------------|------------------------|---------------------------------------|---|----------------|-------------------------|
| FY2015-16 | MacArthur BART Village- Telegraph & 40th St | 90 | 90 | 0 | N/A | \$0.00 | \$0.00 Rental | June 2015 |
| FY2015-16 | Cathedral Gardens- 628 21st St.@ San Pablo | 100 | 100 | 0 | N/A | \$0.00 | \$0.00 Rental | January 2015 |
| FY2015-16 | 1507 Second Avenue- Oakland Housing Authority | 92 | 92 | 0 | N/A | \$0.00 | \$0.00 Rental | June 2015 |
| FY2015-16 | 460 Grand Avenue | 68 | 68 | 0 | N/A | \$0.00 | \$0.00 Rental | December 2015 |
| FY2016-17 | 1701 MLK Way | 26 | 26 | 0 | N/A | \$0.00 | \$0.00 Rental | September 2015 |
| FY2015-16 | 1601 Clay Street | 20 | 0 | 20 | \$ 7,000,000 | \$ 18,200 | \$0.00 Rental | December 2015 |
| FY2015-16 | The Hive- 2323 Broadway | 105 | 0 | 105 | \$ 52,500,000 | \$ 136,500 | \$0.00 Rental | December 2015 |
| FY2015-16 | Adeline & 39th Street | 100 | 0 | 100 | Property straddles Emeryville/Oakland | Unknown | \$0.00 Rental | December 2015 |
| FY2015-16 | Phoenix Commons- Senior Co-Op Housing | 41 | 0 | 41 | \$ 20,500,000 | Unknown due to possible Age 55 Exemptions | \$ 24,600 | December 2015 |
| FY2015-16 | Single Family House | 30 | 0 | 30 | \$ 15,000,000 | \$ 39,000 | \$ 22,500 | December 2015 |
| FY2015-16 | 459 8th Street | 48 | 0 | 48 | \$ 24,000,000 | \$ 62,400 | \$0.00 Rental | January 2016 |
| FY2016-17 | 5227 Claremont | 33 | 0 | 33 | \$ 16,500,000 | \$ 42,900 | \$0.00 Rental | July 2016 |

Major Housing Project FY 2015- FY 2030 (continued)

| Fiscal Year | Major Housing Projects | Units Available when Complete | Proposed Affordable | Nbr. Market Rate Units | Projected Value | Projected Property Tax | Projected RETT | Year Projected Complete |
|------------------|---|-------------------------------|---------------------|------------------------|------------------------|---|----------------|-------------------------|
| FY2017-18 | MacArthur BART Village Telegraph & 40th | 100 | 18 | 82 | \$ 41,000,000 | \$ 106,600 | \$0.00 Rental | 2017 |
| Unknown | | 434 | 0 | 434 | \$ 217,000,000 | \$ 564,200 | \$0.00 Rental | 2018-2020 |
| FY2017-18 | 1401 Wood St, Town Houses Phase1 | 171 | 0 | 171 | \$ 85,500,000 | \$ 222,300 | \$0.00 Rental | 2017 |
| FY2017-18 | Broadway & 51st Street, Merrill Gardens, Senior Housing | 127 | 0 | 127 | \$ 63,500,000 | Unknown due to possible Age 55 Exemptions | Unknown | 2017 |
| FY2018-19 | 950 W. Grand Avenue | 129 | 0 | 129 | \$ 64,500,000 | \$ 167,700 | \$0.00 Rental | 2018 |
| FY2018-19 | Redwood Hill- 4856 Calaveras Avenue | 28 | 28 | 0 | N/A | \$0.00 | \$0.00 Rental | 2018 |
| FY2018-19 | Brooklyn Basin- Oak to 9th Ave | 400 | 0 | 400 | \$ 200,000,000 | \$ 520,000 | \$0.00 Rental | January 2018 |
| FY2019-20 | | 300 | 0 | 300 | \$ 150,000,000 | \$ 390,000 | \$0.00 Rental | January 2019 |
| Outside forecast | | 2400 | 465 | 1,935 | Not in Forecast Period | | | 2020-2030 |
| FY2018-19 | 1110 Jackson Street | 71 | 71 | 0 | N/A | \$0 | \$0.00 Rental | 2018 |
| FY2018-19 | 1801 Wood Street, | 100 | 0 | 100 | \$ 50,000,000 | \$ 130,000 | \$0.00 Rental | 2018 |
| FY2018-19 | Wood St. Studios- 2001 Wood Street | 100 | 0 | 100 | \$ 50,000,000 | \$ 130,000 | \$0.00 Rental | 2018 |
| FY2018-19 | Broadway & Hawthorne | 425 | 0 | 425 | \$ 212,500,000 | \$ 552,500 | \$0.00 Rental | 2018 |
| FY2018-19 | 4690 Tompkins | 40 | 0 | 40 | \$ 20,000,000 | \$ 52,000 | \$0.00 Rental | 2018 |

Major Housing Project FY 2015-2030 (continued)

| Fiscal Year | Major Housing Projects | Units Available when Complete | Proposed Affordable | Nbr. Market Rate Units | Projected Value | Projected Property Tax | Projected RETT | Year Projected Complete |
|----------------------------|------------------------------|-------------------------------|---------------------|------------------------|--|------------------------|---------------------|-------------------------|
| Outside forecast | MacArthur & High | 115 | 115 | 0 | Not in Forecast Period | | | Unknown |
| Outside forecast | Oak Knoll | 960 | unknown | 960 | Not in Forecast Period | | | 2020-2030 |
| Outside forecast | Jack London Square | 660 | 0 | 600 | Not in Forecast Period | | | 2020-2025 |
| Outside forecast | 1431 Jefferson Street | 65 | 0 | 65 | Not in Forecast Period | | | 2020 |
| Outside forecast | Emerald Views 19th and Alice | 370 | 0 | 370 | Not in Forecast Period | | | 2020 |
| Outside forecast | Broadway & 17th Street | 290 | 0 | 290 | Not in Forecast Period | | | 2020 |
| Outside forecast | 632 14th Street | 40 | 40 | 0 | Not in Forecast Period | | | 2020 |
| Total Planned Units | | 8,078 | | Total | \$ 1,289,500,000 | | | |
| | | | | | Total Projected Prop. Tax Revenue | | \$ 3,134,300 | |

APPENDIX B-

Service Exposition by Department/Division

Oakland Police Department (OPD)

The Background and Recruiting Unit attended 40 job fairs/career events in 2013. The unit conducted 802 sworn and 371 civilian background investigations in 2013. The unit assisted the Department of Human Resources Management in the testing of over 3,900 applicants for Police Officer Trainee in 2013.

The Ceasefire Unit provides community outreach and engagement training to its community partners to develop expertise and capacity to resolve conflicts, promote alternatives to violence, exercise informal social control and to mobilize forces. The Ceasefire Unit also provides training to enhance its ability to investigate and prepare gun violence and / or gang cases for federal prosecution.

The Communications Section is staffed 24 / 7. The section receives and processes over 600,000 phone calls annually. The section also dispatches an average of 245,000 calls annually.

In 2013, the Homicide Section investigated 92 homicides, conducted 280 assault with deadly weapon investigations, and investigated 417 other shooting-related cases. The Robbery Section investigated 1,446 robbery and 567 burglary cases. The Misdemeanor Crimes and Task Forces Section reviewed over 37,000 crime reports. The Felony Assault and Gang Section conducted 87 search warrants, made 97 felony arrests, recovered 93 firearms, and charged 35 defendants with gang enhancements. The Youth and Family Services and Special Victims Sections investigated 921 missing persons / runaway cases, 507 child abduction cases, 1,400 sexual assault/ child molest / child abuse cases, 330 vice / child exploitation cases, and 4,647 domestic violence cases and processed 485 juveniles.

Each year, the Criminalistics Division receives latent fingerprints from over 800 offenses and over 2,000 drug cases. In 2013, the division received 1,219 major cases, which consist of firearms examinations, biological material identification, and genetic typing using DNA directed methods, trace evidence recovery, and field investigations.

Through community relationship building and working with key community, faith, and other public safety partners, the Problem Solving Officers (PSOs) and Crime Reduction Teams (CRTs) serve as a critical component of the District Commanders' internal and external coordination between crime suppression, intervention, enforcement, and investigation activities necessary to reduce crime.

In 2013, the Internal Affairs Division received 1,531 complaints and conducted background research. The division also responded to six 24-hour callouts for certain critical incidents.

In 2013, the Office of Inspector General completed eight (8) internal audits / reviews; tracked progress for Negotiated Settlement Agreement tasks; conducted quality assurance reviews of internal investigations; provided regular compliance updates to senior staff regarding the Negotiated Settlement Agreement; coordinated compliance issues with the Independent Monitoring Team; and prepared and facilitated nine (9) risk management meetings.

The Parking Enforcement Unit issued 312,652 parking citations in 2013.

In 2013, the PAS Administration Unit generated eight (8) threshold reports identifying at-risk behavior, sub-standard performance, and exemplary performance. The unit also evaluated nearly 1,200 records to determine the need for review, reassessment, or notification. The unit performed a great many additional informational and maintenance tasks.

The Bureau of Field Operations is staffed 24 / 7. In 2013, the Bureau of Field Operations (Patrol) made 10,530 arrests. Patrol personnel respond to the vast majority of the 245,000 calls dispatched annually.

Police Information Technology is a newly formalized component in the Oakland Police Department. As such, there is no information available for current level of service or operation for this unit.

In 2013, the Personnel Section processed over 1,100 employee time and record transactions bi-weekly; processed 330 new hires, 104 separations, 230 new injury claims, 36 long-term medical leave claims, and 11 promotions; and made 6,500 payroll adjustments.

In 2013, the Property and Evidence Unit received 27,435 evidence items, 999 firearms, and \$367,137. The unit also processed out 8,317 evidence items, 544 firearms, and \$429,313.

The Records Kiosk is open to the public seven (7) days a week for a total of 43 hours per week. The Records Division is staffed 24 hours a day. In 2013, the Records Division processed 70,891 incident reports, 13,123 online reports, 12,977 public records act requests, 6,220 law enforcement requests, and 3,956 tow releases.

In 2013, the Reserve Program provided over 1,400 hours of volunteer time; the Canine Program responded to 254 requests for service; the Marine Program engaged in 78 assignments; the Tactical Operations Team engaged in 29 operations; the Air Support Unit engaged in 877 assignments; the Alcoholic Beverage Action Team completed 544 store site visits/inspections engaged in 147 alcohol operations; and the Special Events Unit coordinated over 1,000 special events including 150 large events.

In 2013, the Traffic Operations Section investigated 3,538 hit and run collisions, 21 fatal collisions, and 6,655 collisions overall. The section investigated 170 DUI incidents including 28 DUI collisions with injury. The Vehicle Abatement Unit inspected 2,291 sites and removed 595 vehicles. The Commercial Enforcement Unit conducted 358 inspections and issued 250 permits. The Abandoned Auto Unit received 9,242 complaints, marked 3,535 vehicles, and towed 1,229 vehicles. The Scofflaw Unit booted 1,558 vehicles and towed 640 vehicles.

In 2013, the Training Section completed a department-wide training needs assessment, trained all active sergeants and officers in continuous professional training; coordinated and trained departmental personnel in critical thinking, emotional intelligence, and memoranda of understanding. The section also developed and implemented a tracking system to monitor compliance rates for continuous professional training, range qualifications, less than lethal qualifications, and TASER qualifications.

Neighborhood Services Division staffs 45 Neighborhood Crime Prevention Councils (NCPCs) to identify, prioritize, and resolve neighborhood concerns. It facilitates nearly 200 meetings, 105 trainings, and 147 special events.

Neighborhood Watch/Merchant Watch is a partnership between neighbors and the Oakland Police Department to improve safety and prevent crime. Forming a Neighborhood Watch group is the first step to keeping our neighborhoods safe. There are 954 Neighborhood Watch groups citywide with 1,364 captains and co-captains providing leadership in their neighborhoods. Approximately, 15,620 people have been trained on the neighborhood watch concept, personal safety and home security. In 2014, a total of 53 groups were trained with 794 attendees.

National Night Out is the nation's night out against crime. The Neighborhood Services Division organizes this citywide event and encourages the participation of block groups, churches, recreation and senior centers. In 2014, Oaklanders hosted 626 National Night Out parties with 31,623 Oaklanders participating.

Oakland Fire Department (OFD)

The Field Operation Bureau is responsible for fire suppression and all risk mitigation of disasters, and rescue activities; has 25 strategically located citywide fire stations

The Medical Service Division provides voter-mandated emergency medical services to the citizens, business and visitors of Oakland; develops preventive health programs for the community; provide EMT and Paramedic-related classes such as CPR, First Aid and Automatic Emergency Defibrillation for citizens and businesses. It operates 24 Paramedic Engine and 2 Paramedic Truck Companies 24/7.

The Emergency Management Services Division implements and strengthens the City's emergency prevention, mitigation, preparedness, response and recovery efforts in alignment with state and federal emergency management and homeland security legislation, develops and provide community disaster preparedness training and planning.

Fire Prevention manages and directs all fire prevention functions to benefit the overall health & safety of the Oakland Community through public education, inspection and enforcement of the CA Fire Code, supports business and building development through fire engineering plan check and engineering services, and Fire Investigation Services. The Commercial Inspection Program is an annual fire code inspection and familiarization of non-permitted commercial occupancies provided by sworn suppression personnel. The Vegetation Management Program is an annual fire code inspection and familiarization of private properties by sworn personnel and public properties and open space by Fire Prevention personnel located within the Fire District

Special Rescue Teams - Water Rescue Response Team (WRRT) – provides operational and awareness level response to over 19 miles of shoreline and water way for the City of Oakland water way users. The WRRT provides response to maritime related incidents at the Port of Oakland berths, in the Oakland Estuary, San Francisco Bay and various waterways using a mix of vessels and equipment designed for specific emergencies including persons or vessels in distressed, oil spills, land based and shipboard fires, swift water responses, mutual aid response from neighboring jurisdictions and agencies.

Aircraft Rescue Fire Fighting (ARFF) – provides the Oakland International Airport's aircraft, airfield and terminal fixed based operators and fuel tank farm with the most current Aircraft Rescue and Firefighting apparatus and equipment response available in the industry; ARFF team also provides emergency medical response to airport users and employees.

Human Services

The Multipurpose Senior Service Program serves between 350 and 400 unduplicated clients per year. The nurse and Social Work Case Managers conduct over 1,500 home visits to clients per year and purchase and / or refer clients to approximately 35,000 units of service per year (includes case management, meals, transportation, medical goods, etc.). The services are provided in the clients' home.

Senior Companion Program & Foster Grandparent Program (SCP/FGP): Includes 96 trained senior volunteers providing 78,392 hours of annual assistance to frail, isolated and monolingual elderly, children and youth. Volunteers are supervised by 18 public/private community based programs. Senior Companion and Foster Grandparent volunteers assist more than 600 clients annually and each volunteer averages 15 to 20 hours of volunteer service weekly which adds up to a program-wide total of over 78,000 hours of service per year.

Outreach Program (Information and Assistance): More than 1,500 low income Oakland residents who are age 55 or older (and their families) receive information about housing, health care options, transportation, utility discounts, nutrition programs and other services through this program. The information and assistance is provided at Oakland Senior Centers, ensuring that seniors have access to critical support services.

Oakland Paratransit for Elderly and Disabled (OPED) serves over 1,300 clients by providing over 29,000 subsidized one way trips annually. Taxi services are available 24 / 7. Accessible van services operate on a daily basis, 7-days per week, typically, 8am-6pm.

Oakland's four (4) Senior Centers serve more than 4,700 seniors each year. Participants range in age from 55 to more than 100 years old, and come from all economic levels. Information and Assistance services are available to support seniors with housing, transportation, nutrition and other needs. Over 7,000 meals are served at the Senior Centers annually. The senior centers are open each weekday from 9:30am to 5:00pm, and activities are often available during evening and weekend hours.

The Senior Aide Program (ASSETS) serves approximately 160 older adults annually who are placed in community service assignments at nonprofit and government agencies throughout Oakland and Alameda County. Approximately 87,000 hours of community service is provided by participants. The clients receive skills training and case management for transitioning out of community service assignments and into regular employment. ASSETS also operates a jobs resource center that is open Monday through Friday 9am to 4pm and serves approximately 300 people per year.

The Head Start/Early Head Start Program currently provides services to 1,747 children, birth to five (5) years of age, served by the grantee (City), and the delegate (Unity Council). Over 236,900 meals are prepared for children and infants annually. These services are offered through

either center-base, family child care homes, or in a home-base model. Part-day and full day options are available.

Summer Food Service Program (SFSP): Over the summer months, SFSP delivered approximately 1,756 meals daily for a total of 72,044 lunches to 70 sites and monitored site compliance to ensure meals were served to children according to federal regulations. Oakland Parks and Recreation and Libraries sites are active participants in this program along with non-profit and faith-based organizations.

Oakland Fund for Children & Youth serves over 31,300 children annually. OFCY providers deliver over 5,828,100 hours of service to children at over 100 sites across Oakland. The program provides support to the Planning & Oversight Committee for grant-making, management of \$11.2 million in grants and contracting for 129 programs, planning and operations evaluation.

Youth Leadership & Development (YLD) facilitates meetings, special hearings, training and generally provides support to develop the Youth Advisory Commission's policy recommendations. Recent activities include the video presentation development, public hearings and policy recommendations on commercially sexually exploited children (CSEC).

Oakland Community Action Partnership (OCAP) provides anti-poverty programming and services to over 28,000 clients (16,527 in Oakland) annually and includes Bank on Oakland which assisted 15,985 clients open bank accounts and Earned Income Tax Credit (EITC). OCAP processed over 10,000 free tax returns in Oakland alone and over 19,900 countywide. Services are provided in partnership with 15 grant funded community based partners throughout Alameda County.

Eden I & R provides 211 services and serves as a single point of contact that works with 1,000 agencies. Provides over 47,731 Oakland residents with vital information and makes over 93,136 referrals annually for health, housing and human services.

Oakland Unite manages 34 grant agreements among 25 agencies, the majority being non-profit community based organizations. Annually, Oakland Unite engages more than 17,000 people through direct outreach and community events. OU programs provide over 5,000 individuals with direct services including intensive case management, employment training and placement, academic support, housing support, crisis intervention, systems advocacy, mental health services, and street outreach. In addition to funding services and programs, OU staff provide high-level coordination between institutional partners, stakeholders, service providers, and community organizations.

Oakland Permanent Access to Housing (PATH) provides a roadmap for ending homelessness in the City over a period of 15 years. A total of 669 individuals who were homeless or at risk of

homelessness received access to permanent housing or maintained permanent housing; and approximately 6,723 shelter bed nights were provided to 528 clients unable to access the shelter system during the cold and rainy winter months. The City, along with Operation Dignity and Abode services administered the PATH Homeless Mobile Outreach Program, serving the homeless living in encampments. Site assessments for a number of encampments were performed. More than 7,200 persons living in homeless encampments received harm reduction services, outreach, and intensive case management.

Through the Food Distribution Hunger Program brown bag food distributions, more than 31,500 meals were provided to 3,500 clients.

Over 2000 hot meals were provided at the City's Annual Thanksgiving Dinner for the homeless, low-income, and seniors of Oakland.

Helping the Homeless: Approximately 155 people with HIV/AIDS and their families received housing assistance during the fiscal year. A total of 98 people with HIV/AIDS obtained permanent housing. Approximately 700 people with HIV/AIDS and their families received housing resource information and services. Fifteen (15) Housing Opportunities for Persons with AIDS (HOPWA) units were completed for persons with HIV/AIDS.

Alameda County and Contra Costa County have several units in the development which will result in 27 HOPWA units coming on line soon.

The Supportive Housing Program (SHP) assisted 91 families with transitional housing and support services. 59 families exited to some form of permanent housing. Sixty seven (67) youth also received assistance and 40 gained access to permanent housing.

Oakland Parks & Recreation (OPR)

Pools: Temescal Pool operates year-round 86 hours weekly. Lions Pool 60 hours weekly year-round. DeFremery Pool operates seven (7) days, 60 hours weekly during the summer. Fremont Pool operates seven (7) days a week, 60 hours weekly during the summer. DeFremery & Fremont Pools have fall programs that operate five (5) days per week, 17 hours weekly for 10 weeks. And the East Oakland Sports Center operates fall programs seven (7) days a week, 95 hours per week.

Boating: Weekly facility and program hours vary seasonally with 72.5 hours in summer, 67.5 hours in spring and fall, and 62.5 hours in winter. During the 2013-2014 fiscal year, 4,680 people were served in enrolled programs and 15,298 as boat rental customers.

Staff are responsible for maintaining 36 locations with 67 sporting fields city-wide. Fields are also used by OUSD Teams. Field reservations serve over 50,000 youth and over 10,000 adults citywide.

Cultural Arts: The program provides city-wide services, with several events and special events throughout the year. This is approximately 1,000 hours of community engagement yearly.

Malonga Center: Is a 24 hour center (SRO rentals). Activities provided daily from 9:00am until 10:00pm. The theater and conference rooms are rented most weekends. There are 15 anchor arts tenants at Malonga which contributes to hours of operation.

Studio One Centers: Is open Monday through Friday 9:00am to 9:00pm and Saturday 9:00am to 5:00pm (68 hours weekly), not including rentals.

Digital Arts & Culinary Academy: Program is in operation 3:00pm to 7:00pm, 5 days (20 hours) per week during the school year and additional hours during summer months.

Facilities reservations includes eight (8) facilities / sites reserved on request: (1) Lake Merritt Sail Boat House, (2) Lakeside Park Garden Center, (3) Jack London Aquatics Center, (4) Marcom Rose Garden, (5) Joaquin Miller Community Center & Woodminster, (6) Sequoia Lodge, (7) Leona Lodge, (8) Dunsmuir Hellman Historic Estate and Open Park spaces. Reservations include, but not limited to, community meetings, birthdays, anniversaries, wedding receptions, memorials and walk-a-thon at park locations.

-Adult Sports:

- Softball: Offered in spring (March through May), summer (May through July), fall (August through October) and winter October through November. Each league averages 30 to 35 teams a season; serving over 800 adults each season and over 3,200 adults a year.

- Kick Ball: Each team is provided 10 games a season with an extra week for all teams to attend the jamboree. In each season, there are over 200 adults which totals to over 400 adults annually.
- Basketball: Each year over 150 men and 200 women compete in Adult Basketball Leagues.
- Flag Football: Serves an average of six (6) teams a year and over 100 adults a year
- Bowling: 2014 was the first year and over 25 members played in two leagues / seasons.
- Field Reservations: Reservations serve over 50,000 youth and over 10,000 adults a year at 16 different sports complexes city-wide.

Youth Sports: Operates six (6) days a week Monday - Saturday. The program operates at 21 Recreation Centers, 15 middle schools, with Clinics, Leagues, camps, with youth ages 4-15.

Girls' Sports: Operates six (6) days a week Monday - Saturday. San Antonio Recreation Center is the hub for girls' sports, 4 Recreation Centers, 10 middle schools, Camps, Clinic, Training, and a Hangout Day.

Ace Kids Golf: Operates Monday - Friday. Golf classes range from 10-25 kids per class. The program is year-- round.

Youth Sports Coordination: Housed at the San Antonio Recreation Center. It is open Monday - Saturday. The site is the hub for Youth and Girls sports programs.

Tennis: OPR offers 40 outdoor tennis courts throughout the City. Davie Tennis Stadium, the City's premier facility, offers year-round instructional programs for children and adults as well as five (5) USTA sanctioned tennis tournaments annually.

The recreation centers primary hours of operations are between 9am to 8pm Monday – Friday and Saturday hours primarily between 10am-5pm. A total of 21 Recreation Centers provide on average 60 hours of programming per week, OPR offers on average 1,260 hours of weekly programming.

Oakland Public Library (OPL)

The Main Library is open to the public 7 days per week for a total of 48 hours weekly. It has 50 computers available to the public for either internet access or general use. It houses 350,000 volumes of books and media for public use and free WiFi. The Oakland History Room is a significant resource on the history of the East Bay. Adaptive technology is available.

Each of the 16 Branch Libraries is open to the public 5 days per week for a cumulative total of 568 hours weekly. There are specific programs unique to each branch, such as, special cultural events, exhibits, story times, summer reading, summer lunches, gardening projects, afterschool art projects. They have collectively 194 computer workstations for internet access. All have free WiFi. They jointly house over 750,000 volumes of books and media for public use. The Asian Branch and Chavez Branch house special language collections. The popular Oakland Tool Lending Library currently offers over 3,500 tools available for loan. This is a free service to Oakland, Emeryville, and Piedmont residents and property owners.

There are active Friends groups in many branches.

AAMLO has a unique non-circulating reference library. Its collection consists of approximately 12,000 volumes by or about African Americans. Among its many subjects are books on religion, the military, Martin Luther King, Jr., Malcom X, the Black Panther Party, Africa in relationship to the African-American experience, genealogy, and California history. The archival collection includes diaries of prominent families, pioneers, churches, and social and political organizations. The Oral history collection includes interviews of local civil rights activists, educators, writers, and musicians.

Second Start offers confidential setting for adults with low skill levels who are able to get a second start at learning, for free. Adult students meet one-to-one with volunteer tutors or participate in the computer learning lab. Second Start also offers family literacy programming for students who have children in their lives. In FY 2013-14, a total of 258 adult students were served.

Community Relations is responsible for all print publications (promotional as well as informational), signage, public website content and design, and the Annual Report. The department also serves as the Public Information Office (PIO) of the library, the liaison to other city department PIOs, and as the Public Relations and Media division of the library, issuing Information Memos, Press Releases and other internal and external communications. Community Relations is the first point of contact for the press and often for the public and serves as the library spokesperson. Approximately 225,000 people are reached annually by the library's publications.

Computer Services maintains and repairs 194 public access computers, staff computers, library networks, the library catalog system, website and enhanced catalog. There were 303,384 computer sessions in FY 2013-14.

Materials Acquisition develops traditional collections (books, DVDs, CDs, magazines, newspapers etc.), and purchases E-books and electronic databases. They also arrange for Interlibrary Loan and LINK+ delivery and receiving (57 Public and University libraries in California and Nevada).

Services for Children include story times in three sizes for babies, toddlers, and preschoolers. Since 2010, the number of story times has increased by 50 percent. Thirty weekly story times are presented, with at least one at each of the 16 branches and the Main Library. The department also develops and presents programs, including the Summer Reading Program (10,000 children registered this year and over 50 percent completed 20 days of reading), Afterschool Art with MOCHA at eight (8) locations, class visits and school outreach, and services to teachers and parents.

Services for Teens include Teen Services Librarians and specialized collections to entice teens into the library. There are special spaces designed by and for teens at six (6) locations. Teen programs include the Teen Summer Passport Program, writing and poetry workshops, and volunteer and leadership opportunities, including Youth Leadership Council and Teen Advisory Councils. In FY 2013-14, 1,225 teen events were hosted.

Oakland Public Works (OPW)

Equipment Services provides full fleet support to City departments, including equipment service and repair, fuel, acquisition/disposition, regulatory compliance, etc.

OPW provides 24 / 7 emergency response for City vehicles and support for the Police and Fire Departments. They maintains over 1,200 City owned vehicles and 287 pieces of major equipment.

The Facilities Service Division maintains 309 City-owned buildings and facilities and provides custodial services for 86 buildings, citywide security services, and media event setup. The division provides 24 / 7 emergency response for City facilities. Custodial service is regularly provided five (5) days per week Monday - Friday.

The Streets and Sidewalks Division maintains 2,227 miles of asphalt pavement within the public right-of-way (this includes crack sealing, filling potholes, paving trenches, and maintaining asphalt berms). Additionally, it maintains 1,200 miles of curb and gutter, 66 miles of concrete streets, 72 miles of concrete medians, and 1,120 linear miles of sidewalks. There are currently more than 3,000 unresolved requests for potholes and other street repairs.

The Engineering Design Division completes design and construction documents for capital improvements of sanitary sewers, streetscape, paving, sidewalks, curb ramps, stairs and paths totaling annually about \$26 million. In addition, Engineering Design performs inspections annually on approximately 8,000 private sewer lateral replacements and other utility construction work. The Division also oversees the EPA Consent Decree implementation including rehabilitation of 13 miles of sewer mains per year.

The Project Delivery Division manages and completes the construction of 25 capital improvement projects annually and performs 100 field survey assignments and 1,000 materials laboratory tests.

The Electrical Services Division provides design services and electrical engineering review for project development, and construction programs and coordinates utility planning, design and facilitation of assessment engineering for utility undergrounding. The Electrical Services Division provides the maintenance and repair of the City traffic signals for the City streets. The Division also provides 24 / 7 standby crews for emergency response for 671 City-owned traffic signals. In addition, the Electrical Services Division provides maintenance and repair of 36,000 City street lights and provides for proper City street lighting. In the past year, all High Pressure Sodium streetlights were replaced with LED fixtures.

The Sewer Services Division is responsible for the preventive maintenance, closed circuit television inspections, and spot repairs of the City's sewer collection system. The Division provides 24 / 7 emergency response standby crews. It operates and maintains 930 miles of

sewers and seven (7) pump stations collecting sewage from 400,000 people and is responsible for reporting damaged and compromised Private Sewer Laterals (PSL) in the city.

The Storm Drain Management and Maintenance Division maintains and repairs storm drainage, prevents flooding and erosion, maintains water quality, litter in waterways abatement, habitat restoration, and water quality regulatory compliance. The Division also provides 24 / 7 standby crews for emergency response. It operates and maintains 402 miles of storm drains, 7578 storm water inlets, 500 structures, four pump stations, and 80 miles of creeks.

The Transportation Planning and Funding Division reviews 50 or more development proposals and Environmental Impact Reports per year. Reviews and comments on 85 percent of submittals for plans and / or development projects within 10 business days or a later agreed-upon deadline. It also maintains a database of over 100 transportation projects for grant purposes, submits or supports at least 12 high quality applications for transportation or infrastructure funds, and supports the new Bicyclist and Pedestrian Advisory Commission. It also completed 100 percent design of 25 miles of bikeway projects.

The Parking Meter Repair Division provides the maintenance and repair of the City's 3,900 single-space parking meters and 567 multi-space parking kiosks.

Parks, Grounds and Medians maintains 134 parks and over 100 medians, totaling 640 acres and over 1,000 acres of Open Space areas. Routine landscape maintenance is performed at varying service levels, depending on park amenities and need. Athletic field mowing is done on a 3-week cycle or more frequently in heavier growing seasons. Tot lots are inspected and cleaned to ensure the safety of children and park users.

The Tree Management and Maintenance Division performs Priority 1 service on hazardous trees in the city. There are 45,000+ official documented trees and an additional 200,000 + trees in City parks, open space areas, and public right of way. Current staffing levels are inadequate for aesthetic tree pruning and new tree plantings - which are needed to enhance Oakland's tree canopy.

The Transportation and Pedestrian Safety Division completed the design of three (3) Highway Safety Improvement Projects, designed 19 other projects, retimed over 50 traffic signals, synchronized traffic signals along five (5) arterial corridors, and completed the Broadway intelligent transportation integration project. There are currently 1,160 unresolved service requests due to staffing levels.

Keep Oakland Clean and Beautiful Programs: - The illegal dumping program completed 19,000 service requests in FY 2013-14 and 86 percent of those requests were resolved within three (3) business days. .The graffiti abatement program completed 2,000 service requests in FY 2013-14

and the street sweeping program swept 6,700 routes in FY 2013-14. Other services included the cutting and cleaning of 600,000 square feet per year.

The Traffic Maintenance Division provides the installation and replacement of City traffic signs, striping, and legends. It maintains 200,000 traffic signs, 3,600 miles lane striping, 400,000 linear feet crosswalks and 6,000 legends.

The Recycling and Solid Waste Disposal Division manages the City's solid waste disposal contract and the City's recycling program. It oversees two (2) franchise contracts to provide garbage, organic material, and recycling collection services to 165,000 households, approximately 4,000 businesses, and all City facilities. It processes 600 demolition plans and reports annually and is currently overseeing the procurement of \$1 billion dollar franchise for mixed materials, disposal and recycling. Lastly, the division processes construction and demolition plans and reports in relation to debris and trash.

The Energy Group reports monthly energy cost, consumption and greenhouse gas emissions for the 116 largest municipal facilities and evaluates several City facilities per year for cost-effective energy efficiency and renewable opportunities.

The Sustainability Group publishes the Sustainable Oakland Report and provides energy efficiency, electric vehicle and solar power outreach to residents and businesses.

The Protection and Compliance unit manages environmental compliance and remediation activities for the City, including asbestos and lead based paint surveys, pickups of City-generated hazardous waste, air emissions permits, and underground storage tanks. Phases I and II environmental site assessments for City properties and environmental regulatory agency compliance for City projects are also overseen by this unit. The unit manages City property volunteer cleanups/beautifications and related events including Earth Day, Earth Expo, and Creek-To-Bay Day with over 2,500 volunteer hours annually.

The Public Works Call Center annually intakes more than 53,000 service requests from the Oakland community.

The ADA Programs Division implements City policies regarding disability access compliance (excluding employment), administers the citywide ADA Buildings and Facilities Transition Plan and ADA Accommodations capital programs, reviews other City capital improvement and major development projects for access compliance, responds to ADA grievances and facilitates reasonable program modifications for customers with disabilities, administers the Auxiliary Aides and Services Program that provides communications services to employees and customers with disabilities, and facilitates, monitors, and implements ADA litigation settlements.

Housing and Community Development (HCD)

Housing Development Services provides loan funds for the development of affordable family, senior, and special needs housing.

Residential Lending and Rehabilitation Services offers a variety of grants and no and low interest loan programs for home repairs. Programs are designed to benefit income-qualified households (1-4 unit residences only) and are available throughout the City's seven (7) Community Development Districts. It experienced the following outcomes:

- Received 332 new applications for assistance in FY 2013-14.
- The oversight of 218 rehabilitation projects.
- The Home Maintenance and Improvement Program (HMIP) completed rehabilitation of 20 units of owner-occupied housing. An additional 19 units are underway.
- The Weatherization and Energy Retrofit Program (WERP) completed 23 homes with an additional 14 under construction.
- The Lead Safe Hazard Paint Program (LSHP) completed 24 homes. An additional 6 units are underway.
- The Access Improvement Program (AIP) completed work on 14 units. An additional 12 unit are underway.
- Minor Home Repair Program (MHRP) repaired 130 housing units.
- The Emergency Home Repair Program (EHRP) completed repairs on three (3) units with four (4) under construction.
- Loan Servicing anticipates the collection of \$3.5 million in FY 2014-15. The total collected for FY 2013-14 was \$4.7 million.

Community Development Block Grant (CDBG) issues the Annual Action Plan to address the housing and community development priorities identified in the Five Year Strategy. The Consolidated Annual Performance and Evaluation Report provides information on accomplishments for each program year. The unit is currently preparing the City's CDBG Five Year Con Plan for Housing & Community Development which is due in May 2015. The unit also develops annual Grant Agreements and monitors sub-recipients who have been awarded CDBG funds for community public services and capital improvement projects.

Housing Assistance Center (HAC), HCD's Strategic Initiatives Unit, serves as a one-stop center, providing housing services referral and resource information for Oakland residents, including those in severe distress. The HAC operates five (5) days a week. In FY 2013-14 the HAC provided services for over 6,000 residents.

Foreclosed and Defaulted Properties Program, Planning and Building and HCD's Strategic Initiatives program operates five (5) days a week. In FY 2013-14, the blight rate for Oakland's defaulted and foreclosed properties was 3.8% and over 1,200 properties were registered based upon effective program operations.

Strategic Housing and Community Development Initiatives Program staff and community partners provide services five (5) days per week. In FY 2013-14 the program: 1) secured over \$6 million in new community infrastructure grant funds for International Blvd Corridor, 2) secured over \$1.2 million in foreclosure prevention funds for vulnerable residents, 3) reached over 4,000 distressed residents in outreach services and provided 800 families with prevention direct services, 4) secured 34 abandoned properties for transformation into long-term affordable housing, 5) developed a comprehensive set of housing policies to address the current housing crisis utilizing outside funds, and 6) served 50 families in the Healthy Housing pilot program with Alameda County, funded by Kresge Foundation.

The Rent Adjustment Program sets the maximum annual rent increase for approximately 60,000 covered residential units in Oakland. Disputes that arise regarding rent increases may be adjudicated administratively upon petition filing.

Commercial Lending provides small businesses with technical assistance and lending services to Oakland businesses for working capital, real estate acquisition, equipment purchases, and start-ups.

Economic and Workforce Development

The Marketing program produces vital marketing tools to attract business, develop business and revitalize neighborhoods.

The Art & Soul festival attracts 30,000 people to downtown, supports local businesses, generates extensive positive publicity, and offers cultural enrichment for Oakland residents and visitors in addition to providing a forum for Oakland and regional / national artists.

The Cultural Funding Program makes grants to Oakland-based artists and arts organizations providing a broad spectrum of arts and cultural services to the Oakland public. Approximately 60-80 grants are processed per year with an annual grants budget of \$950,000. On average, Cultural Funding grants serve 312,000 participants (80 percent Oakland-based) per year with 34,000 events and services, including 8,500 students receiving hands-on art instruction in 50 Oakland public school schools.

Public Art manages the integration of public art into City capital improvement projects and facilitates community-initiated art projects for public spaces. It also oversees the City's collection of public art. Additionally, staff solicits outside funds for public art initiatives in Oakland, and develops and promotes best practices for the inclusion of public art in the City's planning efforts.

Economic Development is responsible for business creation, attraction, retention and expansion services that benefit consumers, employers, workforce, owners, developers in retail, industrial, international business development, green industries and downtown office businesses. Through the 2nd quarter of 2014 business attraction, retention and expansion totaled 10 companies, equating to hundreds of new jobs. Assistance (site location, economic incentives, introduction to brokers, and planning and building permits) provided to additional 24 businesses with approximately 1,100 employees. The Foreign Trade Zone (FTZ) license supported 28 businesses with import/export values just under \$500 million.

The Free Broadway Shuttle (the Free B) connects Oakland's downtown and waterfront neighborhoods to enhance mobility, support local businesses and reduce greenhouse gases by encouraging people to choose transit over cars. The Free B operates Monday - Thursday 7am - 7pm, Friday 7am - 1am and Saturday 6pm - 1am. The shuttle serves an average of 2,779 passengers per day.

The Business Assistance Center (BAC) helps guide prospective and existing business owners through licensing, permitting and zoning regulatory approvals, and connects to the appropriate staff or non-profit service organizations. Assists with financing referrals, site location, business plan assessment, and ongoing training and workshops. The number of clients served in January - June 2014 is 784.

Business Improvement District (BID) Program assists with formation and administration of special assessment districts to pay for special benefit services (e.g. enhanced cleaning, marketing, security) to support economic revitalization in affected commercial neighborhoods. Currently there are 10 BIDs in Oakland: Rockridge, Montclair, Lakeshore/Lake Park, Laurel, Fruitvale, Downtown Oakland, Lake Merritt / Uptown, Koreatown / Northgate, Jack London and Temescal / Telegraph Avenue. Collectively, these BIDs generate approximately \$4.4 million per year, and represent over 3,500 businesses and property owners.

The Green and Cleantech Business Assistance Program supports green business and sustainable economic development activities. It provides business retention and expansion services for 250+ green and cleantech businesses in Oakland, including renewable energy, energy efficiency / green building, environmental consulting, and recycling, including administration of the Oakland/Berkeley Recycling Market Development Zone (RMDZ).

The Oakland Enterprise Zone Program issues Hiring Tax Credits to Oakland, Emeryville and Berkeley Businesses and provides technical assistance and guidance on tax credits, and incentives. It issues 4,500 Hiring Tax Credit vouchers per year to Oakland, Emeryville, and Berkeley businesses.

The Mayor Summer Jobs Program provides internships for high school students for six (6) weeks in the summer. The jobs are provided by the City and other public and private partners. Through its contracted service providers and working with City departments, more than 300 youth were employed in 2014. Internships throughout the City captured by the MSJP Coordinator totaled 2,125.

As mandated by the Workforce Investment Act (WIA) of 1998, the Oakland Workforce Investment Board (WIB) oversees the federally-funded employment and training programs and services in Oakland. These programs and services help job seekers gain employment and connect businesses with a qualified workforce. The local WIA has enrolled 839 job-seekers who participate in a variety of employment readiness services including training. A total of 431 enrolled participants have been placed in employment. Additionally, 234 youth were enrolled and 67 were placed in employment, of which 20 obtained a high school diploma or GED.

The West Oakland Job Resource Center (WOJRC) is a construction-focused employment referral and placement center. The WOJRC provides job-seekers with information, counseling and referrals to services / training, and connects employers with qualified local workers. The WOJRC has placed 102 job-seekers in employment with 47 in construction placements and 55 in other sectors. Roughly 200 job-seekers have been referred to other services and / or training programs.

The Day Laborer program is a public safety program designed to protect day laborers from injury and not getting paid for their work. The program also provides education, training, and

support services for the day laborers, most of whom are undocumented. Causa Justa and its partners provide training and support services to approximately 125 Day Laborers annually.

Real Estate provides a variety of services including property transfers, appraisals, leasing program, telecommunication leasing programs, right of way services, and property maintenance. It administered 130 'Out leases' (the City is the landlord) and 20+ 'In Leases' (the City is a tenant). The City re-certified with Caltrans to review Right of Way (ROW) projects, which allowed the City to continue to do federally funded ROW projects. Appraised numerous properties for negotiation of sales and purchases.

The legacy redevelopment project implementation including project development, public improvements and land development: disposition and development of properties and available parcels, construction projects including streetscapes and public art, façade and tenant improvements, design work, commercial loans to businesses, opportunity sites for developers, affordable housing development, blight abatement, renovation and modernization of historic properties and other sites.

Planning & Building

The Strategic Planning Division prepares or updates approximately 10-15 land use regulations, policy documents, or development programs at any one point in time. An example includes the Oakland General Plan, Specific Plans for various neighborhoods, and the zoning regulations.

The Development Planning Division processes approximately 20 applications for large-scale development projects annually, which are reviewed by the Planning Commission. This division also staffs the Planning Commission and Landmarks Advisory Board.

The Zoning Division processes approximately 2,600 applications for zoning permits annually, in addition to approximately 2,700 zoning clearances for business licenses annually, and the zoning counter is open 38.5 hours each week.

The Bureau of Building, Inspections and Code Enforcement Services provides next day inspections five (5) days a week for new and existing permit projects. Inspections for code enforcement violations are performed within one (1) to five (5) days of the complaint. On average, 60,000 Permit and Code Enforcement inspections are performed annually and 9,000 customers served at the Inspections Counter with over 50,000 callers filing complaints on private and commercial properties. Staff is available by telephone, email, and in person five (5) days a week. It ensures conformance with the California Building, Electrical, Plumbing Mechanical Codes, and the Oakland Municipal Code regulating the construction of residential and non-residential structures, public and private infrastructure, earthwork, geo-technical remediation, and land use conditions.

The Permit Counter and the Engineering Unit of the Bureau of Building processes the intake, plan review, and issuance of permits for both over-the-counter customers and for more complex project applications. At current service levels it issues over 13,000 residential and commercial building permits per year along with corresponding mechanical, electrical, and plumbing permits on behalf of the Building Official. The Engineering Services unit processes an additional 1,900 permits on behalf of the City Engineer. Staff is available by telephone, email, and in person five (5) days a week. Turnaround times range from same day permit issuance for simple applications to four (4) to six (6) weeks response time for more complex applications.

City Administrator's Office (CAO)

The CAO provides professional expertise and support to the Mayor and City Council in the formulation, interpretation, and application of public policy. The City Administrator acts as the liaison to elected officials and residents with respect to City services and operations. The City Administrator serves as the Chief Operating Officer for the City, focusing on strategic planning and complex/high-level policy issues. The City Administrator also serves as the incident commander in the event of a Citywide emergency. Two Assistant City Administrators are responsible for the functional oversight of the day-to-day operations of City Departments. The Administration also staffs approximately 200 Committee and Council meetings annually.

The Agenda Management team coordinates the Citywide content for legislation/staff reports for City Council and Committee Meetings (estimated to be more than 2,000 annually). It ensures the tracking of legislation/staff reports, responds to City Council directives, secures appropriate approvals for legislation/staff reports, works closely with the City Clerk to ensure that public notice timelines are met, tracks policy referrals and maintains a policy horizon list, and manages Public Records Requests on behalf of the City Administrator.

The Nuisance Abatement Program promotes health and safety of Oakland citizens by preventing, identifying, and eliminating public nuisances. The Division receives complaints from community members, city staff, & law enforcement; investigates and tries to resolve the situation. If the nuisance is not stopped informally the division imposes penalties such as fines or evictions. In FY 2013-14, it issued 53 notices to abate, 62 warning letters, 72 illegal dumping citations, 70 warning letters, 6 Health and Safety Code 11570 letters, and 22 tobacco revocation license notifications.

CAO Special Activity Permits - The City requires advance permits for many special activities and events in Oakland to help ensure the safety of event participants and minimize the impact on our neighborhoods. Examples of special activity permits include medical cannabis dispensaries, taxis, cabarets, and secondhand dealers. In FY 2013-2014 it processed 52 new taxi driver permits, 302 taxi renewals, and 113 additional/ transfers. It issues the following permits: 2 Bingo Hall, 6 Bingo Game Operators, 51 for Charitable Solicitation, 54 Cabaret, 4 Extended Hours Cabaret, 7 Medical Cannabis Dispensary, 13 Secondhand Dealer/Pawn, 339 Sound, and 48 Mobile Food Vendors. Non-permit work included: 56 Alcohol Notices, 11 No Smoking Warnings, 35 Cease & Desist Notices, 26 Tribune Notices, 26 Public Hearings, and 26 City Clerk's Postings.

Oaklanders' Assistance Center provides constituents with information, referral and case management services through the city's main phone 444-CITY, as well as, email, letter and front counter office. It facilitates access by providing immediate, multi-lingual assistance and handles approximately 3,000 calls, and 200+ walk-ins, in addition to online, email and letter requests seeking assistance with their inquiries, service requests, comments and concerns. It is open

Monday through Friday 8:30AM to 5:00PM. It also serves as Emergency/Public Information Officers and coordinates the Mayor's Annual Community Toy Drive, which serves approximately 8, 000 low income children throughout Oakland.

The Citizen's Police Review Board (CPRB) provides the community with a fair and impartial public forum to voice its concerns on policy matters and individual cases alleging police misconduct. CPRB receives and responds to an average of 80 complaints from citizens annually; investigate allegations of police misconduct and prepare to conduct hearings on the allegations received in an effort to maintain independent police accountability. The CPRB also holds public board meetings (20) and community forums (2) to provide a voice for the community to discuss issues and concerns surrounding police conduct, misconduct, policy, and procedures.

Equal Opportunity Programs Division investigates, mediates and resolves employee and applicant complaints of: discrimination, harassment retaliation and hostile work environment and collects & analyzes City of Oakland workforce data.

Employee Relations (ER) manages the employment relationship between employees and the City, and the City's labor management relationships with the employees' duly authorized bargaining representatives. ER is responsible for collective bargaining, grievance management and investigations, labor-related arbitration; workplace administrative investigations, discipline and discharge, and training managers and supervisors on managing employee relations in the workplace. ER also ensure the implementation of MOU's, and staffs special committees resulting from MOU's and researches best practices. The City currently has roughly 4,000 employees, six (6) labor unions, and ten (10) bargaining units.

Animal Services is responsible for the welfare of animals in Oakland. Animal Control Officers enforce local animal ordinances. The Animal Shelter is open to the public six days per week for a total of 21 hours. In 2014, the Animal Shelter took in more than 7,000 animals. Volunteers provide an average of 19,000 hours annually for animal adoption and socialization. Animal Services investigated over 400 dog bite/aggressive dog cases in 2014 and received over 200 dog barking complaints and 1,550 requests for removal of dead animals.

Contracts and Compliance provides support Request for Qualifications/Request for Proposals processes for all departments, manages the iSupplier system, and conducts outreach to the public relative to contracts and compliance policies. Contracts and Compliance also monitors over 100 construction projects totaling over \$502 million dollars and 625 contracts, amendments totaling over \$375 million, processes over 250 certifications for Local/Small Local Business Enterprise/Very Small Local Business Enterprise participation.

KTOP provides LIVE Legislative coverage; produces programs for internal customers; and produces KTOP Original Programs. Meetings aired LIVE total 258 hours annually; Produced 47

internal events/programs totaling 33 hours of content during the past year; Produced 11 original programs.

The Public Ethics Commission provides campaign finance information to dozens of candidates and committees each election year, provides individual advice to roughly 15-20 requestors each month, and receives an average of 1 formal complaint per month about a campaign finance issue. It also reviews City policies, procedures, systems, and tools available for staff to help them comply with the law, receives about 10 Sunshine Ordinance related complaints per year, and promotes and facilitates the opening of City data. The Commission also compiles lobbyist information filed in hard copy with the Oakland City Clerk and makes the information available online on the Commission's website. There are approximately 40 lobbyists who must file an annual registration form, along with 4 quarterly filings each year. Commission staff provides advice and assistance to lobbyists and the public, amounting to about 2-3 dozen communications over the course of the year. The Commission is charged with enforcing lobbyist registration compliance but is currently unable to conduct reviews or investigations in this area given limited resources.

The CAO Budget Department manages the preparation and adoption of the City's Biennial Budget which totals nearly \$1 billion, and coordinates with over 18 different departments and hundreds of staff Citywide to best utilize City resources and provide policy and technical assistance. After the adoption of the Biennial Budget, year-round services are required to ensure that the City's policy objectives are met and that the Biennial Budget is balanced.

The citywide grants writing coordinator sends out regular communications to departmental staff on grant opportunities, reviews/edits grant applications prior to submission, prepares reports tracking citywide grant awards. Provides Federal and State budget updates approximately 22 times per year at Finance Committee.

City Attorney

The City Attorney's Office is designated by Resolution as the official filing place for claims and lawsuits against the City of Oakland - 6th floor City Hall.

The City Attorney's Office is responsible for facilitating the fulfillment of public records requests made by the public in accordance with the California Public Records Act. This office also trains departments on request handling.

The Advisory Division provides legal services to elected officials and city departments covering a wide spectrum of municipal affairs including contracts, housing and economic development, new legislation creation, labor and personnel issues, municipal bond issuance, municipal elections and ethics advice, defense of the City's ordinances against challenges in court and the initiations of legal proceedings to address public nuisance problems in Oakland's neighborhoods.

The Litigation Division, including Neighborhood Law Corps (NLC), advocates the City's interest in claims and lawsuits filed against or on behalf of the City, its officers, employees and agencies. Lawsuits are litigated in the state or federal court systems and include high value personal injury cases, complex civil rights actions, personnel disputes, eminent domain actions and inverse condemnation (landslide) cases. The NLC is a proactive neighborhood-based and community directed program to improve the quality of life in Oakland. Community prioritized actions include addressing drug nuisances, abating blight and housing code violations, and fighting substandard housing. Also attorneys are on the streets tackling drug houses, prostitution, slumlords, blight and other problems impacting the quality of life in Oakland.

City Auditor

The Office of the City Auditor conducts approximately six performance audits per year to push for improvements to the efficiency, effectiveness, economic viability, and accountability of City Government.

The Office of the City Auditor operates the Fraud, Waste + Abuse Prevention Program, receiving an average of 94 reports per year.

The Office of the City Auditor prepares an impartial financial analysis of all ballot measures, pursuant to the provisions of the Municipal Code.

The Office of the City Auditor submits, at a public meeting of the full City Council, a quarterly report to the Council and public on the extent of implementation of recommendations for corrective actions made in the City Auditor's audit reports.

The Office of the City Auditor conducts mandated performance audits and compliance reviews, subject to limited available resources.

City Clerk

The City Clerks' Office provides legislative support to six (6) Council Committees and the full Council with combined legislative activities averaging 191 meetings each year. The Clerk's Office establishes the schedule of legislative meetings, facilitates open meetings, public access, public participation, facilities coordination for special needs, agenda preparation, records official actions of the public meetings, and processes legislative materials (over 833,000 sheets of information annually). The City Clerks' Office Coordinates Equal Access for Council and Committee meetings and helps the public find information and responses to inquiries. The Clerk's Office also prepares the directory of local appointments and serves as the official repository of City board/commission/committee agenda materials.

The City Clerks' Office processes of approximately 1400 designated *Form 700* filers, ensures compliance with filing requirements for assuming and leaving office. The Clerk provides oversight and processes approximately 266 campaign committees with 140 currently active, reflecting an unpredictable 17.5% spike based on current seasonal elections activities. The Clerk processes City-initiated ballot measures as well as citizen-initiated ballot measures. The 2-year average of citizen-initiated measures has been 3 initiatives and 3 recalls each year. The Clerk's Office also prepares and processes candidate materials and prospective candidate activities for the City of Oakland and the Oakland Unified School District elective offices in addition to administering the oaths of office.

The City Clerks' Office maintains the official records of City Council and Council committee legislative actions, administers a Citywide Records Management program, manages the offsite records repository (approximately 26,000 boxes of records), and serves as the designated repository of all City contracts. The Clerk facilitates assigned bid openings for RFP/RFQs for departmental services, posts agendas at City Hall 24/7 locations, coordinates the collection of records and responses to public records requests as designated, and coordinates municipal code updates. Lastly, the Clerk administers the Domestic Partnership Registration Program.

Finance - Controller

Budget Analysis and Operations Section leads the City to develop a fiscally responsible budget that meets the Mayor's and City Council's priorities and community needs, produces timely and accurate analysis of program revenues and expenditures for City leaders and departments, monitors and forecasts City spending, manages personnel requisitions and produces the Budget and Master Fee Schedule books used by the City, provides consultative services and training to ensure programs are efficient and effective.

General Ledger / Accounting / Grants Management Section provides accounting, fiscal monitoring, and financial and specialized reporting for all City departments, thereby allowing them to perform timely grant draw downs, and secure new grants. The Section also ensures the City complies with state and local requirements for all required financial audits and reporting, including the Comprehensive Annual Financial Report (CAFR), SB90 state mandated costs reporting, State Controller's Audit Report, ORSA, and Measure Z (the 2014 Safety and Services Act), The Section also does Measure C (hotel tax) and Wildfire Prevention Assessment District audits, reconciles and interfaces payroll and bank accounts to the General Ledger, manages the City's fixed assets, debt services payments, and overall financial system (Oracle), and conducts fiscal monitoring of grant sub-recipients.

The Accounts Payable Section processes all City department payables (over 70,000 invoices, grant payments, travel requests, reimbursements and refunds annually) thereby ensuring that departments can procure supplies and services needed to continue operations, services, and programs benefitting Oakland residents, ensures payments comply with laws and City policies, manages required sales tax reporting to the State Board of Equalization, manages required 1099 Miscellaneous reporting for City vendors to the Internal Revenue Service and trains departments as needed.

The Accounts Receivable Section provides centralized billing and collection support to City departments, thus enabling the departments to realize their revenues which are needed to maintain a balanced budget.

The Purchasing Section supports the procurement of materials, equipment and services essential to providing governmental services for the citizens of Oakland. The Section promotes the most effective use of City funds in supply, services, and commodity procurement and acquisition for City departments. The Section prepares specifications and Requests for Proposals and formal bids in collaboration with City departments.

The Mail Services Section operates the City's central shipping and receiving functions which provides more efficient and economical mail services for all City departments, handles over 400,000 pieces of outgoing mail annually and over 800,000 pieces of incoming mail, serves as the City liaison with the U.S. Postal Service to oversee the City's adherence to rules. Lastly, the Section provides interdepartmental mail services.

Finance - Revenue Management

The Audit Section audits and reviews revenues, with a primary focus on local tax revenues and fees that generate general fund revenues.

The Compliance Section ensures that all businesses conducting business in Oakland are in compliance with the rules and regulations set forth in the Oakland Municipal Code and have current business tax certificates.

The Business Tax Section reviews tax and fee ordinances and ensures the fair application of taxes and fees paid to the City by the residential and commercial community. It operates on average five (5) days per week, 39 hours weekly. The team interfaces with the public, provides guidance for completing business tax and various fee forms; and processes all business tax and various fee payments.

The Parking Citation Assistance Center processes all parking violation citations and posts the various citation payments. It operates on average five (5) days per week, 39 hours weekly. The team provides direct in-person or telephone assistance to citizens regarding various parking-related issues including Residential Parking Permits and Citation Hearings.

The Parking Meter Collections Section is responsible for collecting parking meter revenue from the on- and off-street parking meters.

The Mandatory Garbage Section collects payments of delinquent garbage invoices purchased from the City's franchise refuse hauler. It is open to the public on average five (5) days per week, 39 weekly hours. The team interfaces with the public regarding payment of delinquent garbage bills and removal of liens placed on the property. They issue demand for payment letters and release of lien documents.

The Collection Section acts as the collection agent for all City departments. It is open to the public on average five (5) days per week, 39 weekly hours. The team represents the City in Small Claims Court, conducts skip-tracing, and attempts to bring into compliance delinquent businesses which have not registered according to provisions of the Oakland Municipal Code.

The Administration Section monitors legislation, revenue and industry trends, and creates strategic programs and processes to maximize City revenues. The team is responsible for the creation of quarterly and annual revenue forecasts, annual updates of the Master Fee Schedule and the creation of the Bureau's operating budget.

Finance - Treasury

The Debt Issuance Section deals with all of the City and Successor Agency's debt expectations and needs including issuing new debt, maintaining and restructuring debt, maintaining high credit ratings and investor relationships for the City, and provides continuing disclosure to keep the City in compliance with state and federal regulations.

The Investment Section manages day-to-day investment portfolios of approximately \$800 million which includes the City, Oakland Redevelopment Successor Agency (ORSA) and Port of Oakland's Investment Portfolio for safety, liquidity, and yield.

The Cash and Operations Section receives and timely deposits the entire revenue stream for the City, ORSA, and the Port. Additionally, this Section accounts for, verifies, and allocates recovered monies to appropriate funds and accounts for all City departments and programs. The Section also performs general banking, depository services, and safekeeping.

The Payroll Section consists of three units:

The Payroll Operation Unit processes active and retirement payroll in a timely efficient way, processes employee verification, and oversees all payroll activities necessary to process payrolls. The payroll activities include maintaining related record filing tax reports and voluntary deduction reports, processing involuntary deductions such as levies and garnishments, processing all new hires and exits, and performing quarterly and annual tax filing, bi-weekly taxes and CalPERS payments. Lastly, the Operation Unit performs the fiscal year and year - end processes and production of W-2's and 1099R's.

HR Payroll Systems Unit maintains and upgrades HR / payroll systems, implements changes as compliance to labor contracts, legislative and other system requirements change, provides special data reporting and extraction for various departments, labor unions and the public, and troubleshoots citywide issues.

The Payroll Control Unit prints and distributes payroll checks, does timesheet management, and advises the payroll representative for internal departments (such as the City Administrator's Office, the Mayor's Office, the Information Technology Department, and Finance).

The Retirement Section administers all three (3) of the City's retirement systems (CalPERS, OMERS and PFRS) as well as the City Safety Disability Services Retirement Section which oversees the administration of audits and retirement benefits and ensures compliance for two (2) closed systems (PFRS and OMERS). The Retirement staff ensures accurate and timely pension payments, facilitating all retiree medical, administering the various Pension Boards and Committees, and performing the oversight responsibility of a wide range of pension investment portfolios held in trust.

Human Resources Management

The Administration Division is the custodian of personnel files for all City's previous and current employees. Public Records Requests are responded within 10 calendar days with the requested information or with an estimated time of completion when responsive records can be made available. On average, Administration Division receives 2-3 subpoenas per month. The turnaround time in complying to the subpoena is around 2-3 days.

The Recruitment and Classification Division consists of 23 full-time employees and averages approximately 150 recruitments per year, plus 4-6 Police Officer Trainee recruitment cycles. General recruitments take 6 months to complete on average. As many as 18 classification studies are conducted and 60 classifications are created or revised each year. It serves as staff to the Civil Service Board and produce correspondence, agendas, minutes, reports, and other official records of the Board.

The Equal Access Unit facilitates the translation of documents, interpretation at public meetings, ensuring that hiring practices are consistent with the Ordinance's requirements for bilingual staffing. The Equal Access Unit also provides training to department Language Access Coordinators and informs the departments and the public about the availability of services.

The Training Division schedules the training classes available to City employees for enhancement and growth.

The Benefits Unit schedules and coordinates the New Employee Orientation where new employees can avail information about benefits such as medical, dental and vision, life insurance, and Deferred Compensation. Benefits Unit also process requests for medical leaves and complies to the Fair Employment and Housing Act.

The Risk Management Unit manages the risk and safety of all City employees. Risk Management Unit reviews and asses the eligibility of employees for workers' compensation and ensures that the City complies with the Occupational Safety and Health Administration (OSHA) laws. Employees are setup for ergonomic assessment of their workstation to prevent any job-related injuries. Risk Management Unit also reviews the liability insurance of all businesses conducting services to and with the City.

Information Technology

The Enterprise Applications division is directly responsible for providing the necessary infrastructure for the Financial, Human Resources, Payroll and Benefits Systems for the City of Oakland. These systems are essential for the day-to-day internal functioning of City employees.

The Enterprise Network and Computing Services section maintains the wide area network and communications infrastructure that supports voice and data telecommunications services citywide. This section also provides technical computer and server assistance including email support to all city departments. This section assists in the preparations of short-and long- range network, server and desktop strategies and is responsible for the development of City desktop, server, network standards, and technical specifications. It provides standard office hours support Monday through Friday for Helpdesk and Desktop services for all city staff for over 50 locations throughout the city to support mission critical operations, server and network infrastructure

Public Safety Services - Wireless Section supports more than 3,000 public safety radios, two 911 dispatch centers, 500 laptops, 9 sites microwave network, three radio sites P25 radio network, citywide cable TV infrastructure, all City vehicles radios and computer cabling installation, and Citywide Closed Circuit TV surveillance systems.

Public Safety Services - Servers and Desktop Section supports the operations and maintenance of City Website, Intranet, Enterprise Oracle BI platform, Enterprise ESRI GIS systems, Oakland Police internal Business applications including Federal Court mandated IPAS and associated feeder applications

Public Safety Services - Business Applications and GIS Section supports the operations and maintenance of City Website, Intranet, Enterprise Oracle BI platform, Enterprise ESRI GIS systems, Oakland Police internal Business applications including Federal Court mandated IPAS and associated feeder applications

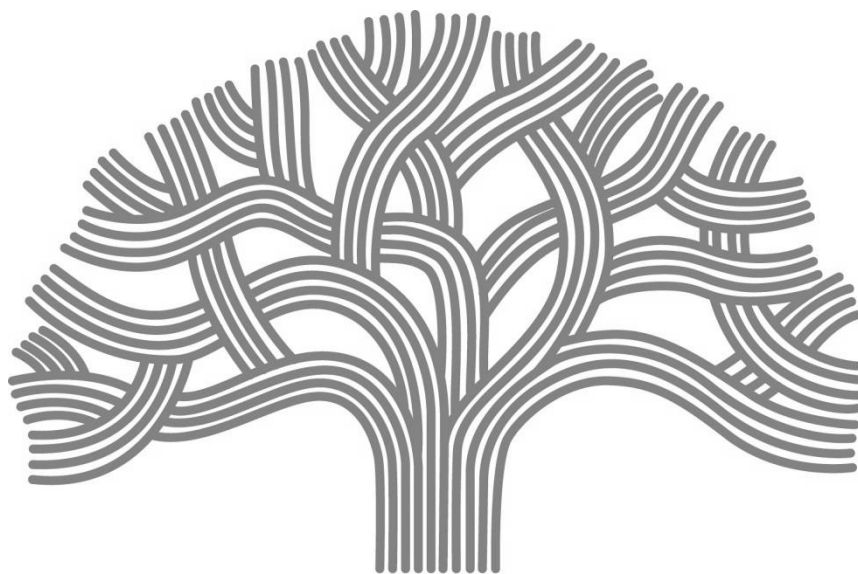
The Enterprise Applications division is directly responsible for providing the necessary infrastructure for the Financial, Human Resources, Payroll and Benefits Systems for the City of Oakland. These systems are essential for the day to day internal functioning of City employees.

The Duplicating and Reprographic section is responsible for providing citywide duplicating and reprographic services for documents, flyers, and other media.

**APPENDIX C-
Consolidated Fiscal Policy**

CITY OF OAKLAND

CONSOLIDATED FISCAL POLICY



Section 1. Budgeting Practices

Part A. General Provisions

The City's Fiscal Year shall run from July 1st through June 30th of the subsequent year and the Budget shall be adopted by resolution as provided by the City charter.

The City shall adopt a two-year (biennial) policy budget by July 1st of odd-numbered calendar years. The City shall amend its biennial policy budget (Midcycle) by July 1st of even-numbered years.

Part B. Policy on Balanced Budgets

The City shall adopt balanced budgets, containing appropriated revenues equal to appropriated expenditures. This policy entails the following additional definitions and qualifications:

1. The budget must be balanced at an individual fund level.
2. City policies on reserve requirements for individual funds must be taken into account. The appropriated expenditures to be included in the balanced budget equation must include the appropriations necessary to achieve or maintain an individual fund's reserve target.
3. Appropriated revenues can include transfers from 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.)
4. Appropriated expenditures can include transfers to fund balance or to reserves.

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.

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. Fiscal produced required that prior to Council approval of such actions the following occur:

1. Identification of a new or existing viable funding source whose time span reflects the timing of the expenditure or lasts until the approval of the next biennial budget.
2. The budget must be amended in such a way as to maintain a balanced budget where appropriated revenues are equal to appropriated expenditures.

Each fiscal year, once prior year information has been made available, the City Administrator shall report to the Council how actual year-end revenues and expenditures compared to budgeted revenues and expenditures in the General Purpose Fund and such other funds as may be deemed necessary.

Part C. Use of Excess Real Estate Transfer Tax (RETT) Revenues

To ensure adequate levels of the 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:

1. The excess Real Estate Transfer Tax (RETT) revenue is hereby defined: Any amounts of projected RETT revenues whose value exceeds 14% of corresponding General Purpose Fund Tax Revenues (inclusive of RETT).
2. The excess Real Estate Transfer Tax collections, as described in this section, shall be used in the following manner and appropriated through the budget process.
 - a. At least 25% shall be allocated to the Vital Services Stabilization Fund. Until the value in such fund is projected to equal to 15% of General Purpose Fund revenues over the coming fiscal year.
 - b. At least 25% shall be used to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Post-Employment Retirement Benefits (OPEB).
 - c. The remainder shall be used to fund one-time expenses; augment the General Purpose Fund Emergency Reserve, and to augment the Capital Improvements Reserve Fund.
3. Use of the "excess" RETT revenue for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution.
 - a. The resolution shall be supported by a statement explaining the necessity for using excess RETT revenues for purposes other than those established above and;
 - b. The resolution authorizing expenditures using excess RETT revenue for proposes other than those above shall include a finding of necessity by the City Council; and
 - c. The resolution shall also include steps the City will take in order to return to utilizing one-time RETT revenues as described above.

4. Following the completion of the annual audit, audited revenues will be analyzed to determine whether the appropriate value was transferred to the Vital Services Stabilization Fund and to fund accelerated debt retirement and unfunded long-term obligations. If it is found that insufficient funds were transferred then a true-up payment shall be made as a part of the next fiscal year's budget process. If the transfers exceeded the actual required amounts, then the amounts in excess may be credited against future allocations in the next fiscal year's budget process.

Part D. Use of One Time Revenues

1. From time to time, the City may receive "one time revenues", defined as financial proceeds that will not likely occur on an ongoing basis, such as sales of property or proceeds from the refinancing of debt, but not including additional Real Estate Transfer Tax revenues discussed in Section "B" above.
2. Fiscal prudence and conservancy requires that one time revenues not be used for recurring expenses. Therefore, upon receipt of one time revenues, such revenues shall be used in the following manner, unless legally restricted to other purposes: to fund one time expenditures, to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Post- Employment Retirement Benefits (OPEB); or shall remain as fund balance in the appropriate fund.
3. Use of the "one time revenues" for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution
 - a. The resolution shall be supported by a statement explaining the necessity for using one-time revenues for purposes other than those established above; and
 - b. The resolution authorizing expenditures utilizing one-time revenue for purposes other than those above shall include a finding of necessity by the City Council; and
 - c. The resolution shall also include steps the City will take in order to return to utilizing one-time revenues as described above.

Part E. Use of Unallocated General Purpose Fund Balance.

Any unallocated General Purpose Fund balance, as projected based upon the 3rd Quarter Revenues and Expenditures forecast, and not budgeted for other purposes, shall be used in accordance with Part D.

Part F. Analysis of Payments for Debt or Unfunded long-term obligations from certain revenues

When allocating funds to fund accelerated debt retirement and unfunded long-term obligations from excess Real Estate Transfer Tax and One Time Revenues 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. The term Unfunded long-term obligations shall be clearly defined, as part of the budget process.

Part G. Criteria for Project Carryforwards and Encumbrances in the General Purpose Fund.

Previously approved but unspent project appropriations ("carryforwards"), as well as funding reserved to fund purchases or contracts that are entered into in the current year, but are not paid for until the following year ("encumbrances"), draw down funding from reserves. Fiscal prudence requires that such drawdowns be limited in the General Purpose Fund (GPF).

Therefore:

1. Funding for non-operating projects and purchases shall be restricted within the General Purpose Fund.
2. In cases when non-capital, operating projects and purchases must be funded in the General Purpose Fund, these shall be included in an annual budget and supported with new annual revenues.
3. Carryover of unspent project carryforwards and encumbrances in the GPF from one year into the next, with no new funding, will be allowed only on an exception basis.
4. In the beginning of each fiscal year, before project carryforwards and encumbrances are carried over from the prior year, and no later than September 1:

The Budget Director shall liquidate all unspent project carryforwards and encumbrances in the GPF and advise affected City departments of said action.

The Budget Director shall provide a report of all unspent project carryforwards and encumbrances to the City Council for review and direction.

5. Departments may request to retain some or all of the liquidated GPF carryforwards and encumbrances only if and when such balances are deemed essential to the delivery of city projects, programs and services, and only if the liquidation of such balances would be in violation of legislative or legal requirements, could lead to health or safety issues, and/or would greatly impact essential City projects, programs and services.
6. A request to retain some or all of the liquidated GPF carryforwards or encumbrances must be submitted in writing to the Budget Director within five (5) working days of receiving an advisory from the Budget Director about said liquidations, and must detail

specific reasons necessitating such a request, including but not limited to those stated in item (3) above.

7. The Budget Director, upon review of a department's request, shall recommend an action to the City Administrator within five (5) working days of receiving the department's request.
8. The City Administrator, in consultation with the Budget Director, shall make a final determination of any and all requests for exceptions by departments, by September 20, and all requesting departments should be so notified by September 30.

Part H. Grant Retention Clauses

Prior to the appropriation of revenues from any grant outside of the budget process, the City Council shall be informed of any retention clauses that require the City to retain grant-funded staff, services, programs, or operations beyond the term of the grant. The fiscal impacts of such retention clauses shall be disclosed. During the biennial budget process staff shall report to the Council the ongoing projected fiscal impacts of such retention clauses.

Part I. Alterations to the Budget

Substantial or material alterations to the adopted budget including shifting the allocation of funds between departments, substantial or material changes to funded service levels, shall be made by resolution of the City Council.

Part J. Transfers of Funds between accounts.

The City Administrator shall have the authority to transfer fund 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. For the purposes of this section accounts for the provision of temporary personnel services shall be considered personnel accounts.

Part K. Pay-Go Account Expenditures & Grants and Priority Project Fund Expenditures & Grants

The City Council hereby finds and determines that it is in the public interest to spend Pay-go account fund to facilitate and support programs & services of the City of Oakland, capital improvement projects of the City of Oakland, and programs & capital improvement projects of the public schools and other public entities within the City of Oakland. The Council authorizes Pay-Go account funds to be used for the following purposes:

Capital Improvements:

1. To pay for or augment funding for a City of Oakland capital improvement project including planning and pre-construction services for projects such as, but not limited to,

feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and

2. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or other public entity for use on capital improvement project within the City of Oakland, including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and

Furniture, Equipment:

3. To pay for or augment funding for purchase of furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the City of Oakland; and
4. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or another public entity to be used for furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the public school or public entity.

Pay-go purposes stated above shall operate as restrictions on Pay-go expenditures or Pay-go grants, regardless of the Pay-go account funding source.

Pay-go purposes stated above shall apply to any and all Pay-go expenditures or grants made by the Mayor and each City Councilmember.

All Pay-go expenditures and grants shall be administered by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

In accord with the City Council's motion approving the initial allocation of Councilmember Priority Project funds on June 8, 2006, the City Councilmembers must obtain City Council approval for all Priority Project expenditures.

All Priority Project fund grants approved by the City Council and shall be administered and executed by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

Section 2. Reserve Funds

Part A. General Purpose Fund Emergency Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland to provide in each fiscal year a reserve of undesignated, uncommitted fund balance equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations for such fiscal year (the "General Purpose Fund Emergency Reserve Policy").
2. Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the General Purpose Funds Emergency Reserve to the City Council and on the adequacy of the of the 7.5% reserve level. If in any fiscal year the General Purpose Fund Reserve Policy is not met, the City Administrator shall present to Council a strategy to meet the General Purpose Funds Emergency Reserve Policy. Each year, the City Administrator shall determine whether the 7.5% reserve level requires adjustment and recommend any changes to the City Council.
3. The amounts identified as the General Purpose Funds Emergency Reserve 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 (1) by the Mayor and approved by the majority of the City Council, or (2) by a majority vote of the City Council.
4. 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.

Part B. Vital Services Stabilization Fund Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Vital Services Stabilization Fund.
2. In years when the city projects that total General Purpose Fund revenues for the upcoming fiscal year will be less than the current year's revenues, or anytime service reductions (such as layoffs or furloughs) are contemplated due to adverse financial conditions, use of this fund must be considered so as to maintain existing service levels as much as possible, and to minimize associated impacts; and the adopted budget may appropriate funds from the Vital Services Stabilization Fund to preserve city operations; however, the budget may not appropriate more than sixty percent of the reserve balance in any year.

The Mayor and City Administrator and/or their designees will meet and discuss the key features of the Mayor's proposed draft budget with the labor unions, which represent City employees as duly authorized representatives for their respective bargaining units, in accordance with applicable state labor law, provided the labor unions can respond within the timeline required.

The timeline may be restricted and may require short notice. Reasonable notice shall be provided to the labor unions. Further, information contained in the Mayor's budget prior to release is in draft form and subject to change before a final version is released to the City Council and the public.

3. Any deviations from this policy, including the need to address unusual and temporary increases in baseline expenditures, must be made by Resolution requiring a minimum of 6 votes. The Resolution must include (1) a statement explaining the necessity for the deviation and (2) a plan for replenishing the reserve.

Part C. Capital Improvements Reserve Fund

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Capital Improvements Reserve Fund.
2. On an annual basis, an amount equal to \$6,000,000 shall be held in the Capital Improvements Reserve Fund. Revenue received from one time activities, including the sale of Real Property, shall be deposited into the Capital Improvements Reserve Fund, 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.
3. Monies on deposit in the Capital Improvements Reserve Fund may be appropriated by Council to funds unexpected emergency or major capital maintenance or repair costs to City-owned facilities and to fund capital improvement projects through the Five-Year Capital Improvement Program.
4. Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the Capital Improvements Reserve Fund. If in any fiscal year the Capital Improvements Reserve Fund threshold of \$6,000,000 is not met, the City Administrator shall present to Council a strategy to meet said threshold.

Section 3. Budget Process, Fiscal Planning, Transparency, and Public Participation

All Timelines apply only to budget development years, normally odd numbered years and not to mid-cycle revisions to an adopted two-year budget.

1. Council Initial Budget Briefing and Priorities Discussion

Timeline: January.

Requirements: The Mayor and City Council will hold a bi-annual budget workshop soon after the commencement of the Council term. The workshop will include briefings on estimated baseline expenditures, revenue projections and an overview of the City's budgeting process. The workshop will provide the Mayor and Council with the opportunity to begin discussing priorities for the next budget year based on preliminary projected increases or decreases in the next budget.

2. Five-Year Forecast

Timeline: Produced and heard by the Council's Finance & Management Committee in February. Forecast Fact Sheets should be distributed to City community centers and Forecast data should be available on Open Data Portal within two weeks of the Committee hearing.

Requirements: Each Budget Cycle, the City Administrator must prepare a Five-Year Forecast.

The Five-Year Financial Forecast ("Forecast") is a planning tool that estimates the City's likely revenues and expenditures over a future period of at least five-years, based on appropriate financial, economic, and demographic data. The purpose of the Forecast is to surface all major financial issues and estimate future financial conditions to support informed long-term planning and decision making regarding issues such as expenditures, labor negotiations, economic development policies, and revenue policies. Such planning provides for greater financial stability, signals a prudent approach to financial management, and brings the City into compliance with current best practices of other governmental entities.

The Forecast shall contain the two-year baseline budget for the forthcoming two-year budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus at least an additional three- year forecast of revenues and expenditures. The Baseline Budget shall consist of projected expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues for the two-year period.

The Forecast shall also contain information on the variance between prior forecasts and actual amounts, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available; minimally revenue projections shall take into account projected revenue for the current fiscal year, as reflected in the 2nd quarter Revenue and

Expenditure Report, with appropriate trending into future years and an explanation as to how such revenue projections were derived.

The report shall include a Five-year Forecast "Fact Sheet" document, which summarizes the Forecast's key findings with simplified text and graphics so as to make this important budgetary information more accessible to the general public. Within two weeks after the Forecast is accepted 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 Forecast shall also be posted on the City of Oakland's website. Forecast data shall be available in open data format on Oakland's data portal.

3. Assessment of Stakeholder Needs, Concerns and Priorities

Timeline: Budget Advisory Committee review prior to survey release. Survey completion by February 15th. Results publicly available within two weeks of survey's close.

Requirements: During the prior to Budget Adoption of a budget adoption year, the City Administrator should develop or secure a statistically valid survey for assessing the public's concerns, needs and priorities. 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.

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.

If the City cannot afford 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. A list of those dissemination channels should be publicly available along with survey results. Survey results should be publicly available within two weeks of the survey closes.

In the event that City's statistically valid survey has been completed, the Mayor and City Administrator shall include in their proposed budget a summary of the survey data and a statement regarding how the data was or was not incorporated into the final proposed budget. Informal surveys and their results shall be made public but not included in their proposed budget document.

The City Administrator shall also create an email address, a phone number with voicemail service, and a web-based engagement platform to collect resident input prior to budget development. 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.

4.Statement of Councilmember Priorities

Timeline: Written submission due by March 15th.

Requirements: City Council Members will have the opportunity to advise the Mayor and City Administrator publicly of their priorities. Each Councilmember shall be invited to submit up to seven expenditure priorities in ranked and/or weighted order for changes to the baseline budget as presented in the Five-year Forecast. Councilmember priority statements may either be submitted as part of a report to be heard by the City Council and/or in a publicly available writing to the Mayor and City Administrator. In addition to the priorities, Councilmembers may also submit other suggestions, including revenue suggestions.

5.Administrator's Budget Outlook Message & Calendar Report

Timeline: Heard by City Council before April 15th.

Requirements: The City Administrator shall bring as a report to the City Council 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.

6.Release of Mayor & Administrator's Proposed Budget& Fact Sheet

Timeline: Published and publicly available by May 1st. Heard by City Council and Fact Sheet distributed by May 15th.

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 15th 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 1st. Every effort should be made to thoroughly respond to any public request for departmental budget details, such as line item budgets. The requested information shall also be made available on the City's website and open data portal within a reasonable time period 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 15th or the presentation to the Council, whichever is sooner.

7. Community Budget Forums

Timeline: Between May 1st and June 10th

Requirements: The Administration and Council shall hold at least three (3) Community Budget Forums at varied times in different neighborhoods away from City Hall. These meetings, organized by the City Administrator's Office shall be scheduled so as to maximize residents' access. These meetings must include sufficient time for question and answer period as well as a presentation of budget facts by City staff. One or more of the meetings 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 at least one Community Budget Forum. In addition, members of the Budget Advisory Commission shall be requested to attend at least one Community Budget Forum. Translators will be provided by request with forty- eight hours advance notice, per Oakland's Equal Access Ordinance. Sufficient Fact Sheets in all available languages shall be available at all Forums.

Meetings shall be held in ADA accessible facilities served by public transit (BART stop, frequently running bus line, etc.). Every effort shall be made to record the meeting via video or audio. The City Administrator shall prepare an Informational Report summarizing the Community Forum process, to be heard by the City Council at its the next available budget discussion following the final Forum. The summary memo shall attempt to identify key areas of public agreement and disagreement, as well as respond to the most commonly asked questions.

8. Budget Advisory Commission's Report

Timeline: June 1st

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.

9. Council President's Proposed Budget

Timeline: June 17th

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 before June 17th. The Council President may delegate the duty to prepare a budget proposal to another member of the Council. A costing analysis request for any proposed amendments must have been submitted to the City Administrator at least five working days prior to the Special City Council Budget Hearing. The City Council may schedule additional Special City Council Budget Hearings or Workshops as needed.

10. Council Budget Amendments

Timeline: No later than up to three days prior to final budget adoption

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. This three-day noticing requirement may be waived by a vote of at least six Councilmembers 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.

Additionally, a costing analysis request for the proposed budget amendment must have been submitted to the City Administrator at least five working days prior to the budget's final adoption.

11. Process Feedback & Continual Improvement

Timeline: September 30th following budget adoption

Requirements: The Budget Advisory Commission (BAC) shall be requested to submit an Informational Report to the Council's Finance and Management Committee containing their analysis of the budget adoption process including, but not limited to: 1) the informational quality of the Proposed Budget; 2) the City Administration's and City Council's attention to engaging the public and its impacts on the budget process and product; 3) the level of transparency and open dialogue in all public meetings dedicated to the budget; and 4) 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:

- 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.
- 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.
- 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.
- 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.
- 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.
- Accessible Participation:** Public participation processes are broadly accessible in terms of location, time, and language, and support the engagement of community members with disabilities.
- 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.
- 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.
- 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.
- Evaluation:** Sponsors and participants evaluate each public participation process with the collected feedback and learning shared broadly and applied to future public participation efforts.

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