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OFFICE OF THE CITY CLERK  
OAKLAND

2014 JUN -5 PM 5:34

## AGENDA REPORT

**TO:** FRED BLACKWELL  
CITY ADMINISTRATOR

**FROM:** Sarah T. Schlenk  
Interim Budget Director

**SUBJECT:** Use Of Excess Real Transfer Tax  
Revenues & Establishing Rainy  
Day Fund Supplemental Report

**DATE:** June 5, 2014

City Administrator  
Approval

Date

6/5/14

**COUNCIL DISTRICT:** City-Wide

### REASON FOR SUPPLEMENTAL

In the FY 2014-15 midcycle budget proposal, staff requested the City Council consider amending the financial policy around the definition of one-time Real Estate Transfer Tax (RETT) and the requirement to declare a "fiscal emergency" in order to use one-time revenue on ongoing expenditures.

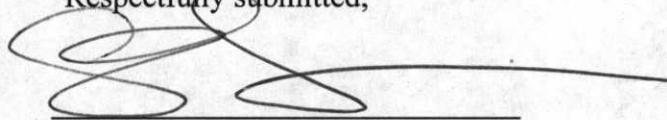
Currently, the RETT revenue over \$40 million per year is defined as one-time revenue. As real estate prices sustainably increase over time, a \$40 million figure may no longer be an appropriate threshold to measure "one-time" revenues. Staff asks that the City Council consider adopting the State's model by using a percentage of RETT revenue in comparison to GPF tax revenue. As an example, RETT for the last 10 years averaged approximately 14.6%; in the last 15 years the average is approximately 14.4% of the GPF tax revenue (see Attachment A). This policy revision would eliminate the current \$40 million threshold for calculating excess RETT that can only be used to fund one-time expenses. Based on previous year RETT actuals, staff recommends a percentage that is between 12% and 14%. If this new methodology were applied to the projected GPF revenue for FY 2014-15, 12% would equate to \$46.3 million, while 14% would equate to \$54 million.

Attachment B provides the data showing the variances of ongoing RETT (excess or gap) between the three possible policies or definitions: 14 percent, 12 percent and the current flat \$40 million. By using a slightly more conservative threshold of 12 percent, history shows there would have been the fewest years with gaps in what would have been considered ongoing RETT. Additionally, if the current proposed Rainy Day policy (setting aside 1/8 of excess RETT into a Rainy Day Fund) had also been in place with the 12 percent definition of one-time RETT going back to FY 1998-99, over \$18 million would have been set aside to cushion layoffs during the recession years. Attachment C provides similar data in a bar graph format.

Item: \_\_\_\_\_  
Special Finance Committee  
June 10, 2014

This information is provided to assist in the discussion for changing the financial policy regarding the definition of one-time RETT and establishing a Rainy Day Fund.

Respectfully submitted,



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SARAH SCHLENK  
Interim Budget Director  
City Administrator's Office

***Attachments:***

- A – Historical RETT & GPF Tax Revenues Trend Analysis
- B – Comparison of 14%, 12% and \$40 million thresholds
- C – Bar graph comparing 14%, 12%, and 40 million thresholds

### Attachment A - Historical Real Estate Transfer Tax & GPF Tax Revenues

Revenue Type	Actual FY98-99	Actual FY99-00	Actual FY00-01	Actual FY01-02	Actual FY02-03	Actual FY03-04	Actual FY04-05	Actual FY05-06	Actual FY06-07	Actual FY07-08	Actual FY08-09	Actual FY09-10	Actual FY10-11	Actual FY11-12	Actual FY12-13
Property Tax	\$49.06	\$53.58	\$58.50	\$60.62	\$67.30	\$70.08	\$90.75	\$105.35	\$116.47	\$131.74	\$134.47	\$131.78	\$126.68	\$138.80	\$154.14
Sales Tax	\$36.22	\$38.47	\$42.26	\$38.45	\$38.16	\$36.46	\$41.65	\$44.87	\$46.69	\$53.09	\$46.12	\$35.88	\$41.24	\$44.74	\$48.82
Vehicle License Fee	\$17.70	\$19.31	\$21.36	\$22.85	\$24.26	\$18.18	\$9.66	\$2.98	\$2.27	\$1.81	\$1.28	\$1.25	\$2.17	\$0.22	\$0.00
Business License Tax	\$31.82	\$35.83	\$38.74	\$42.09	\$42.02	\$44.22	\$43.90	\$43.79	\$50.33	\$52.54	\$54.29	\$54.14	\$53.14	\$58.71	\$60.37
Utility Consumption Tax	\$36.94	\$41.59	\$48.70	\$49.54	\$46.58	\$48.06	\$49.76	\$48.77	\$51.43	\$52.52	\$52.70	\$51.11	\$53.44	\$51.43	\$50.75
Real Estate Transfer Tax	\$28.52	\$34.36	\$38.31	\$37.27	\$42.09	\$55.66	\$77.72	\$79.48	\$61.50	\$36.21	\$34.27	\$36.97	\$31.61	\$30.65	\$47.41
Transient Occupancy Tax	\$9.54	\$11.87	\$12.39	\$10.26	\$10.56	\$10.74	\$10.26	\$11.26	\$11.82	\$12.20	\$10.46	\$8.47	\$9.54	\$10.74	\$12.34
Parking Tax	\$5.80	\$5.69	\$6.76	\$7.52	\$8.24	\$8.66	\$7.03	\$8.47	\$8.89	\$8.52	\$7.66	\$7.52	\$8.51	\$8.62	\$7.95
Licenses & Permits	\$8.01	\$7.78	\$10.98	\$11.31	\$12.51	\$12.95	\$15.59	\$18.97	\$1.06	\$1.61	\$1.28	\$0.72	\$0.89	\$1.16	\$1.37
Fines & Penalties	\$12.99	\$12.80	\$15.07	\$16.23	\$16.89	\$27.95	\$25.76	\$24.74	\$25.96	\$21.94	\$25.57	\$27.35	\$24.29	\$24.25	\$23.06
Interest Income	\$3.34	\$9.07	\$4.27	\$1.79	-\$0.78	\$2.01	\$1.88	\$3.63	\$3.18	\$4.47	\$1.71	\$1.10	\$1.04	\$0.74	\$0.80
Service Charges	\$33.73	\$34.59	\$34.95	\$34.43	\$38.97	\$41.54	\$56.70	\$60.58	\$45.36	\$44.06	\$43.85	\$45.03	\$44.65	\$45.95	\$43.10
Grants & Subsidies	\$1.16	\$2.28	\$3.84	\$0.45	\$0.48	\$0.08	\$0.21	\$1.68	\$5.42	\$4.65	\$4.31	\$1.95	\$0.08	\$0.23	\$0.24
Miscellaneous	\$11.84	\$1.79	\$3.20	\$5.73	\$15.44	\$19.22	\$4.32	\$2.75	\$12.22	\$4.04	\$11.43	\$8.04	\$6.48	\$32.08	\$1.79
Interfund Transfers	\$7.14	\$17.11	\$9.70	\$20.10	\$6.68	\$10.56	\$14.40	\$18.88	\$29.27	\$25.70	\$38.69	\$21.86	\$17.09	\$1.72	\$2.90
<b>Total GPF Revenues</b>	<b>\$293.81</b>	<b>\$326.11</b>	<b>\$349.03</b>	<b>\$358.64</b>	<b>\$369.40</b>	<b>\$406.37</b>	<b>\$449.57</b>	<b>\$476.21</b>	<b>\$471.87</b>	<b>\$455.11</b>	<b>\$468.09</b>	<b>\$433.17</b>	<b>\$420.85</b>	<b>\$450.03</b>	<b>\$455.05</b>
GPF Tax Revenues	\$215.60	\$240.69	\$267.01	\$268.61	\$279.22	\$292.06	\$330.73	\$344.98	\$349.40	\$348.64	\$341.25	\$327.12	\$326.33	\$343.91	\$381.78
RETT % Tax Revenues	13.2%	14.3%	14.3%	13.9%	15.1%	19.1%	23.5%	23.0%	17.6%	10.4%	10.0%	11.3%	9.7%	8.9%	12.4%
14% Tax Revenues	\$30.18	\$33.70	\$37.38	\$37.61	\$39.09	\$40.89	\$46.30	\$48.30	\$48.92	\$48.81	\$47.78	\$45.80	\$45.69	\$48.15	\$53.45
	14.4%						14.6%				10.5%				
	15-Year Average					10-Year Average					5-Year Average				



### Attachment B

	Actual FY98-99	Actual FY99-00	Actual FY00-01	Actual FY01-02	Actual FY02-03	Actual FY03-04	Actual FY04-05	Actual FY05-06	Actual FY06-07	Actual FY07-08	Actual FY08-09	Actual FY09-10	Actual FY10-11	Actual FY11-12	Actual FY12-13
Property Tax	\$ 49.06	\$ 53.58	\$ 58.50	\$ 60.62	\$ 67.30	\$ 70.08	\$ 90.75	\$ 105.35	\$ 116.47	\$ 131.74	\$ 134.47	\$ 131.78	\$ 126.68	\$ 138.80	\$ 154.14
Sales Tax	\$ 36.22	\$ 38.47	\$ 42.26	\$ 38.45	\$ 38.16	\$ 36.46	\$ 41.65	\$ 44.87	\$ 46.69	\$ 53.09	\$ 46.12	\$ 35.88	\$ 41.24	\$ 44.74	\$ 48.82
Vehicle License Fee	\$ 17.70	\$ 19.31	\$ 21.36	\$ 22.85	\$ 24.26	\$ 18.18	\$ 9.66	\$ 2.98	\$ 2.27	\$ 1.81	\$ 1.28	\$ 1.25	\$ 2.17	\$ 0.22	\$ -
Business License Tax	\$ 31.82	\$ 35.83	\$ 38.74	\$ 42.09	\$ 42.02	\$ 44.22	\$ 43.90	\$ 43.79	\$ 50.33	\$ 52.54	\$ 54.29	\$ 54.14	\$ 53.14	\$ 58.71	\$ 60.37
Utility Consumption Tax	\$ 36.94	\$ 41.59	\$ 48.70	\$ 49.54	\$ 46.58	\$ 48.06	\$ 49.76	\$ 48.77	\$ 51.43	\$ 52.52	\$ 52.70	\$ 51.11	\$ 53.44	\$ 51.43	\$ 50.75
<b>Real Estate Transfer Tax</b>	<b>\$ 28.52</b>	<b>\$ 34.36</b>	<b>\$ 38.31</b>	<b>\$ 37.27</b>	<b>\$ 42.09</b>	<b>\$ 55.66</b>	<b>\$ 77.72</b>	<b>\$ 79.48</b>	<b>\$ 61.50</b>	<b>\$ 36.21</b>	<b>\$ 34.27</b>	<b>\$ 36.97</b>	<b>\$ 31.61</b>	<b>\$ 30.65</b>	<b>\$ 47.41</b>
Transient Occupancy Tax	\$ 9.54	\$ 11.87	\$ 12.39	\$ 10.26	\$ 10.56	\$ 10.74	\$ 10.26	\$ 11.26	\$ 11.82	\$ 12.20	\$ 10.46	\$ 8.47	\$ 9.54	\$ 10.74	\$ 12.34
Parking Tax	\$ 5.80	\$ 5.69	\$ 6.76	\$ 7.52	\$ 8.24	\$ 8.66	\$ 7.03	\$ 8.47	\$ 8.89	\$ 8.52	\$ 7.66	\$ 7.52	\$ 8.51	\$ 8.62	\$ 7.95
Licenses & Permits	\$ 8.01	\$ 7.78	\$ 10.98	\$ 11.31	\$ 12.51	\$ 12.95	\$ 15.59	\$ 18.97	\$ 1.06	\$ 1.61	\$ 1.28	\$ 0.72	\$ 0.89	\$ 1.16	\$ 1.37
Fines & Penalties	\$ 12.99	\$ 12.80	\$ 15.07	\$ 16.23	\$ 16.89	\$ 27.95	\$ 25.76	\$ 24.74	\$ 25.96	\$ 21.94	\$ 25.57	\$ 27.35	\$ 24.29	\$ 24.25	\$ 23.06
Interest Income	\$ 3.34	\$ 9.07	\$ 4.27	\$ 1.79	\$ (0.78)	\$ 2.01	\$ 1.88	\$ 3.63	\$ 3.18	\$ 4.47	\$ 1.71	\$ 1.10	\$ 1.04	\$ 0.74	\$ 0.80
Service Charges	\$ 33.73	\$ 34.59	\$ 34.95	\$ 34.43	\$ 38.97	\$ 41.54	\$ 56.70	\$ 60.58	\$ 45.36	\$ 44.06	\$ 43.85	\$ 45.03	\$ 44.65	\$ 45.95	\$ 43.10
Grants & Subsidies	\$ 1.16	\$ 2.28	\$ 3.84	\$ 0.45	\$ 0.48	\$ 0.08	\$ 0.21	\$ 1.68	\$ 5.42	\$ 4.65	\$ 4.31	\$ 1.95	\$ 0.08	\$ 0.23	\$ 0.24
Miscellaneous	\$ 11.84	\$ 1.79	\$ 3.20	\$ 5.73	\$ 15.44	\$ 19.22	\$ 4.32	\$ 2.75	\$ 12.22	\$ 4.04	\$ 11.43	\$ 8.04	\$ 6.48	\$ 32.08	\$ 1.79
Interfund Transfers	\$ 7.14	\$ 17.11	\$ 9.70	\$ 20.10	\$ 6.68	\$ 10.56	\$ 14.40	\$ 18.88	\$ 29.27	\$ 25.70	\$ 38.69	\$ 21.86	\$ 17.09	\$ 1.72	\$ 2.90
<b>GPF Tax Revenues</b>	<b>\$ 215.60</b>	<b>\$ 240.69</b>	<b>\$ 267.01</b>	<b>\$ 268.61</b>	<b>\$ 279.22</b>	<b>\$ 292.06</b>	<b>\$ 330.73</b>	<b>\$ 344.98</b>	<b>\$ 349.40</b>	<b>\$ 348.64</b>	<b>\$ 341.25</b>	<b>\$ 327.12</b>	<b>\$ 326.33</b>	<b>\$ 343.91</b>	<b>\$ 381.78</b>
<b>Total GPF Revenues</b>	<b>\$ 293.81</b>	<b>\$ 326.11</b>	<b>\$ 349.03</b>	<b>\$ 358.64</b>	<b>\$ 369.40</b>	<b>\$ 406.37</b>	<b>\$ 449.57</b>	<b>\$ 476.21</b>	<b>\$ 471.87</b>	<b>\$ 455.11</b>	<b>\$ 468.09</b>	<b>\$ 433.17</b>	<b>\$ 420.85</b>	<b>\$ 450.03</b>	<b>\$ 455.05</b>
									<b>Total GPF Rev Change Year over Year</b>						
									\$ (4.34)	\$ (16.76)	\$ 12.98	\$ (34.91)	\$ (12.33)	\$ 29.19	\$ 5.02
RETT % Tax Revenues	13%	14%	14%	14%	15%	19%	23%	23%	18%	10%	10%	11%	10%	9%	12%

	Actual FY98-99	Actual FY99-00	Actual FY00-01	Actual FY01-02	Actual FY02-03	Actual FY03-04	Actual FY04-05	Actual FY05-06	Actual FY06-07	Actual FY07-08	Actual FY08-09	Actual FY09-10	Actual FY10-11	Actual FY11-12	Actual FY12-13	# yrs w shortfall
<b>Threshold Policy Options</b>																
RETT 14% Excess/Gap	\$ (1.66)	\$ 0.66	\$ 0.93	\$ (0.33)	\$ 3.00	\$ 14.78	\$ 31.42	\$ 31.19	\$ 12.59	\$ (12.60)	\$ (13.51)	\$ (8.83)	\$ (14.08)	\$ (17.49)	\$ (6.04)	8
RETT 12% Excess/Gap	\$ 2.65	\$ 5.48	\$ 6.27	\$ 5.04	\$ 8.58	\$ 20.62	\$ 38.03	\$ 38.09	\$ 19.58	\$ (5.63)	\$ (6.68)	\$ (2.28)	\$ (7.55)	\$ (10.62)	\$ 1.59	5
RETT \$40 million	\$ (11.48)	\$ (5.64)	\$ (1.69)	\$ (2.73)	\$ 2.09	\$ 15.66	\$ 37.72	\$ 39.48	\$ 21.50	\$ (3.79)	\$ (5.73)	\$ (3.03)	\$ (8.39)	\$ (9.35)	\$ 7.41	9

	Actual FY98-99	Actual FY99-00	Actual FY00-01	Actual FY01-02	Actual FY02-03	Actual FY03-04	Actual FY04-05	Actual FY05-06	Actual FY06-07	Actual FY07-08	Actual FY08-09	Actual FY09-10	Actual FY10-11	Actual FY11-12	Actual FY12-13
14% Rainy Day excess (1/8)	\$ (0.21)	\$ 0.08	\$ 0.12	\$ (0.04)	\$ 0.37	\$ 1.85	\$ 3.93	\$ 3.90	\$ 1.57	\$ (1.58)	\$ (1.69)	\$ (1.10)	\$ (1.76)	\$ (2.19)	\$ (0.76)
12% Rainy Day excess (1/8)	\$ 0.33	\$ 0.68	\$ 0.78	\$ 0.63	\$ 1.07	\$ 2.58	\$ 4.75	\$ 4.76	\$ 2.45	\$ (0.70)	\$ (0.84)	\$ (0.29)	\$ (0.94)	\$ (1.33)	\$ 0.20
\$40M Rainy Day excess (1/8)	\$ (1.44)	\$ (0.71)	\$ (0.21)	\$ (0.34)	\$ 0.26	\$ 1.96	\$ 4.72	\$ 4.94	\$ 2.69	\$ (0.47)	\$ (0.72)	\$ (0.38)	\$ (1.05)	\$ (1.17)	\$ 0.93

**Stabilization Reserve if 1/8th of Excess RETT was set aside since 1998/99**  
 \$ 11.82 Stabilization RETT w 14% Threshold  
 \$ 18.24 Stabilization RETT w 12% Threshold  
 \$ 15.48 Stabilization RETT w \$40M Threshold

### Attachment C

