



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Erin Roseman  
Finance Director

**SUBJECT:** Status of Negative Funds Citywide  
Through June 30, 2021

**DATE:** March 16, 2022

City Administrator Approval

Date: Mar 21, 2022

## **RECOMMENDATION**

**Staff Recommends That The City Council Receive An Informational Report On The Status of Negative Funds Through June 30, 2021.**

## **EXECUTIVE SUMMARY**

The City has made significant progress in reducing negative fund balances since 2010. As of June 30, 2021, negative balances in the City's funds totaled \$83.6 million, a reduction of more than 40 percent from 2010 levels. Negative balances remain substantial despite this progress and sustained effort will be required to achieve further reductions.

The City's negative balances result from funds where operating expenses have exceeded available revenues. In many funds these imbalances arose years ago, but in some funds negative balances have developed more recently. Reviewing negative funds periodically allows the City to measure progress in addressing past imbalances and highlight new areas for action.

Negative funds impact the City's financial strength by reducing the overall fund balance and net position reported in its financial statements. External auditors, rating agencies, and investors look to these metrics to assess the City's financial health and creditworthiness. By addressing negative balances, the City can strengthen its finances and improve its standing with these audiences.

In response to recent fiscal challenges, City Council authorized a postponement of scheduled repayments of negative balances for several funds as part of the Fiscal Year (FY) 2020-21 Midcycle Budget Amendment. Payments towards these negative balances have been restored in the FY2021-23 Adopted Policy Budget. In addition, the Finance Department is working with operating departments to address funds with new or increasing negative balances.

## **BACKGROUND / LEGISLATIVE HISTORY**

The City has taken a variety of policy actions over the years to address negative fund balances.

On June 30, 2009, City Council adopted Ordinance No. 12946 C.M.S., amending the reserve policy to establish criteria for the use of excess real estate transfer tax (RETT) revenues and one-time revenues. As one-time revenues are received by the City (e.g., sales of property or proceeds from the refinancing of debt), 50 percent of these revenues (unless legally restricted to

other purposes) will be used to repay negatives in the Internal Service Funds, and 50 percent will be used to repay negatives in all other funds.

On December 9, 2014, City Council adopted Ordinance No. 13279 C.M.S., amending the City's Consolidated Fiscal Policies to include designated reserves for both the Vital Services Stabilization Fund and for the acceleration of long-term obligations, in addition to the mandated 7.5% General Purpose Fund (GPF) Emergency Reserve (refer to City of Oakland Consolidated Fiscal Policy, Section I, Part C: Use of Excess Real Estate Transfer Tax). The City's Consolidated Fiscal Policy is available in its entirety on the City's website.

The FY 2015-17 Adopted Policy Budget allocated additional one-time repayments to the Facilities Fund (4400) negative balance of \$4.0 million, \$1.76 million to the Kaiser Convention Center Fund (1730), and \$1.21 million to the Contract Administration Fee Fund (1791) which reduced the on-going repayments from the GPF.

The FY 2017-19 Adopted Policy Budget allocated an additional one-time payment to the Facilities Fund (4400) of over \$8.0 million to eliminate the remaining negative balance.

On April 17, 2018, City Council adopted Resolution No. 87140 C.M.S., authorizing the City Administrator to eliminate appropriation balances in the Municipal Capital Improvement Fund (5500) in the amount of up to \$2.81 million, Capital Fund (5510) in the amount of up to \$2.04 million, and to restore the appropriations in alternative funds as funding sources become available. The City Administrator was also authorized to identify one-time sources of revenue to pay down negative fund balances from sources including, but not limited to, the Long-Term Obligations set-aside in accordance with the City's Consolidated Fiscal Policy, and to present a revised Repayment Schedule for specified funds as part of the FY 2019-21 proposed budget.

On May 15, 2018, Ordinance No. 13487 C.M.S. was adopted amending the City's Consolidated Fiscal Policies to facilitate various goals and objectives, including policies to reduce the potential for future increases in negative fund balances. Specific items in support of this goal include requirements for departments to submit corrective action plans in the event of overspending and revised criteria for GPF project carryforwards and encumbrances.

The FY2019-21 Adopted Policy Budget provided for additional negative fund repayments and included a schedule for repayments through FY 2028-29 for selected funds. The FY2020-21 Midcycle Policy Budget postponed many of these repayments to address anticipated revenue shortfalls. The FY2021-23 Adopted Policy Budget restores these previously deferred repayment plans.

## **ANALYSIS AND POLICY ALTERNATIVES**

The City has historically identified three categories of negative funds:

1. Negative Funds on Repayment Plan
2. Reimbursable Negative Funds
3. Non-Reimbursable Negative Funds

As shown in **Table 1**, the City's total negative balances have declined substantially since FY 2009-10, largely because of budgeted repayments.

**Table 1: Repayment Progress for Major Negative Fund Categories, FY 2009-10 to FY 2020-21**

<b>Negative Fund Category</b>	<b>Audited Fund Balance FY 2009-10</b>	<b>Audited Fund Balance FY 2020-21</b>	<b>Total Repayment to Date</b>
Negative Funds on Repayment Plan	(114,484,975)	(37,398,507)	77,086,468
Reimbursable Negative Funds	(23,055,796)	(44,954,370)	(21,898,574)
Non-Reimbursable Negative Funds without Repayment Plans	(4,380,319)	(1,206,423)	3,173,896
<b>Total Negative Funds</b>	<b>(141,921,090)</b>	<b>(83,559,300)</b>	<b>58,361,790</b>

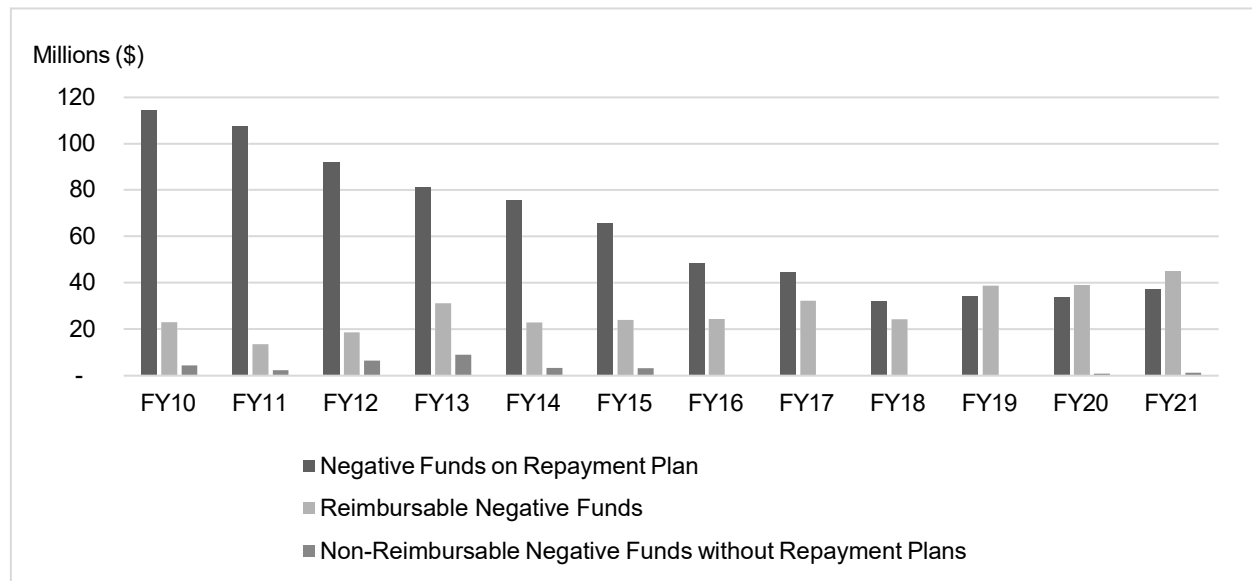
Negative funds on repayment plans include both Internal Service Funds (ISFs) and selected funds within the General Fund. ISFs are funds used to centralize core services and allocate their costs to Departments, consistent with generally accepted accounting principles. These funds developed negative balances due to under-collection of revenues from operating departments, and the City has made steady progress in reducing these historic balances over the past decade. Negative funds with repayment plans in the General Fund support ongoing City services, such as the Self Insurance Liability Fund, but this category also includes a variety of legacy and special-purpose initiatives, such as the Miscellaneous Capital Projects Fund and the Underground District Revolving Fund. Negative balances within these funds generally result from historical spending in excess of revenue collections.

Reimbursable negative funds are primarily comprised of grant funds where the City receives reimbursement following its expenditures. The City's primary strategy to address these negative balances is to accelerate grant drawdowns. Some funds in this category, however, include historic negative balances that are unlikely to be restored by the original grantors, regardless of the City's efforts. In such cases the City's only option may be to write off longstanding negative balances. Negative balances for reimbursable funds increased materially in each of the last three fiscal years. The Finance Department is working with operating departments to accelerate grant drawdowns and reverse the trajectory of these negative balances.

Non-reimbursable negative funds with no repayment plans include the Golf Fund, which has expended more than it collects in revenues for the last four years.

Annual changes in negative balances over the past decade are illustrated in **Figure 1**. Negative funds on repayment plans have declined steadily while increased negative balances have arisen in reimbursable funds over the past several years. Addressing these negative balances will require ongoing efforts by operating departments to manage external funding sources. Fund-level detail on negative balances is also provided in **Attachment A**.

**Figure 1: Negative Fund Balances by Category – FY 2009-10 to FY 2019-21**



### **FISCAL IMPACT**

This is an informational report only; there is no fiscal impact.

### **PUBLIC OUTREACH / INTEREST**

This item did not require any additional public outreach other than the required posting on the City's website.

### **COORDINATION**

This report was prepared in coordination and with input from the Finance Department and fiscal staff citywide.

**SUSTAINABLE OPPORTUNITIES**

***Economic:*** There are no economic opportunities associated with this informational report.

***Environmental:*** There are no environmental opportunities associated with this informational report.

***Race & Equity:*** There are no race or equity opportunities associated with this informational report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council receive an informational report on the status of negative funds through June 30, 2021.

For questions regarding this report, please contact Stephen Walsh, Controller, at (510) 238-4906.

Respectfully submitted,



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ERIN ROSEMAN  
Finance Director  
Finance Department

Prepared by:  
Stephen Walsh, Controller  
Controller's Bureau

Attachment (1):

- Attachment A: Status of Negative Funds FY 2016-17 to FY 2020-21

Status of Negative Funds, FY 2016-17 to FY 2020-21

Fund	Fund Description	Assigned Agency / Dept	Audited Fund Balance FY 2016-17	Audited Fund Balance FY 2017-18	Audited Fund Balance FY 2018-19	Audited Fund Balance FY 2019-20	Audited Fund Balance FY 2020-21	Explanation of Negative Fund Balance
<b>Negative Funds with Repayment Schedules:</b>								
1100	Self Insurance Liability	Finance	(10,310,411)	(4,784,433)	(7,260,192)	(14,160,367)	(19,067,725)	Repayments resumed in FY2021-23 Budget after COVID deferral. Growth in balance reflects recent claims experience.
1600	Underground District Revolving Fund	Public Works	(979,283)	(993,791)	(1,016,342)	(925,386)	(924,468)	Repayments resumed in FY2021-23 Budget after COVID deferral
1700	Mandatory Refuse Program	Finance	(1,347,158)	(1,346,080)	-	-	-	Negative balance cleared.
1730	Henry J Kaiser Convention Center	Finance	(8,854)	(8,985)	-	-	-	Negative balance cleared.
1750	Multipurpose Reserve	Public Works	(635,706)	-	-	-	(662,188)	Negative balances have recurred due to COVID-related declines in parking garage revenues.
1760	Telecommunications Reserve	City Clerk	-	-	-	(210,908)	(484,834)	Negative balances have recurred due to shortfalls in cable franchise revenues relative to KTOP expenses.
2232	Gas Tax RMRA	Transportation	-	(559,723)	-	-	-	Negative balance cleared.
2241	Measure Q-Library Services Ret	Library	-	(386,057)	-	-	-	Negative balance cleared.
2310	Lighting and Landscape Assessment District	Public Works	(1,468,846)	(1,105,854)	(746,293)	(1,009,715)	-	Negative balance cleared.
2992	Parks and Recreation Grants	Parks & Recreation	(2,587,228)	(2,593,208)	(2,597,201)	(2,315,314)	(2,025,504)	Repayments resumed in FY2021-23 Budget after COVID deferral
4100	Equipment*	Public Works	-	-	(4,221,422)	-	-	Negative balance cleared.
4300	Reproduction*	Information Technology	(1,853,889)	(1,769,605)	(1,791,568)	(1,500,693)	(1,265,876)	Repayments resumed in FY2021-23 Budget after COVID deferral
4400	City Facilities*	Public Works	(9,651,781)	(2,347,587)	(418,093)	-	-	Negative balance cleared.
4500	Central Stores*	Finance	(4,231,973)	(4,248,984)	(4,257,382)	(3,697,376)	(3,573,613)	Repayments resumed in FY2021-23 Budget after COVID deferral
4550	Purchasing*	Finance	(577,956)	(530,078)	(449,684)	(124,983)	(213,702)	Repayments resumed in FY2021-23 Budget after COVID deferral
5012	JPFA Admin Building: Series 1996	Public Works	(1,637,379)	(1,661,636)	(1,699,343)	(1,532,369)	(1,350,741)	On repayment schedule per FY2021-23 Budget
5500	Municipal Capital Improvement	Finance	(5,494,985)	(5,602,415)	(5,729,550)	(5,145,449)	(5,140,343)	Repayments resumed in FY2021-23 Budget after COVID deferral
5510	Capital Reserves	Public Works	(769,989)	(1,138,319)	(1,213,884)	(1,102,248)	(1,101,154)	Repayments resumed in FY2021-23 Budget after COVID deferral
5999	Miscellaneous Capital Projects	Finance/Public Works	(3,197,490)	(3,170,791)	(2,846,895)	(2,183,787)	(1,588,348)	Repayments resumed in FY2021-23 Budget after COVID deferral
<b>Subtotal Negative Funds with Repayment Schedules</b>			<b>(44,759,051)</b>	<b>(32,253,760)</b>	<b>(34,247,848)</b>	<b>(33,908,606)</b>	<b>(37,398,507)</b>	

Status of Negative Funds, FY 2016-17 to FY 2020-21

Fund	Fund Description	Assigned Agency / Dept	Audited Fund Balance FY 2016-17	Audited Fund Balance FY 2017-18	Audited Fund Balance FY 2018-19	Audited Fund Balance FY 2019-20	Audited Fund Balance FY 2020-21	Explanation of Negative Fund Balance
<b>Reimbursable Negative Funds:</b>								
1610	Successor Redevelopment Agency	Economic & Workforce Dev	-	(121,351)	(128,475)	(144,145)	(142,385)	Reimbursement anticipated from ORSA
1770	Telecommunications Land Use	Information Technology	(52,930)	(253,765)	-	-	-	Negative balance cleared
1831	Central City East Project Ar	Economic & Workforce Dev	(718)	-	-	-	-	Negative balance cleared
1882	Multi Service Center/Rent	Economic & Workforce Dev	-	-	-	-	(20,231)	EWD staff to address.
1883	2000 Subordinated Housing Se	Economic & Workforce Dev	(129,312)	(129,611)	(129,810)	(129,817)	(129,321)	Reimbursement anticipated from ORSA
2063	FEMA Declarations	Public Works/Fire	(614,330)	(457,875)	-	(2,127,909)	(1,082,979)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2102	Department of Agriculture	Human Services	(219,118)	(29,924)	(21,828)	(367,837)	(70,901)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2103	HUD-ESG/SHP/HOPWA	Human Services	(4,656,863)	(1,805,546)	(9,610,708)	(5,655,382)	(5,217,582)	Historical negative balance (pre FY1999-2000) requires one-time offset of \$3.9M. Remaining balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2105	HUD-EDI Grants	Housing	(608,582)	(839,985)	(824,974)	(822,561)	(819,412)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2107	HUD-108	Housing	(1,863,969)	(1,389,416)	-	-	-	Negative balance cleared
2108	HUD-CDBG	Housing	(1,124,875)	(1,367,264)	(1,341,128)	(3,663,442)	(6,691,844)	Negative fund balance reflects excess expenditures charged to grant over multi-year period and requires one-time offset.
2109	HUD-Home	Housing	(782,942)	-	-	-	-	Negative balance cleared
2111	2000 Local Law Enforcement B	Police	(80,249)	(80,434)	(80,558)	(80,563)	(80,254)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2112	Department of Justice	Police	(110,899)	-	(361,889)	(414,151)	(811,243)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2113	Department of Justice- COPS	Human Services	(1,864,312)	(1,176,117)	(1,400,907)	(1,347,687)	(1,519,456)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2116	Department of Transportation	Public Works	(3,118,186)	(1,404,423)	(4,118,089)	(3,189,562)	(1,992,634)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2120	Federal Action Agency	Human Services	(98,357)	(24,998)	-	-	(37,608)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2123	US Dept of Homeland Security	Fire	(10,468)	(44,258)	(351,037)	(56,627)	(36,678)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2124	Federal Emergency Management	Housing	(1,974,548)	(267,908)	(472,329)	(1,405,105)	(2,835,044)	Negative fund balance is due to time lag between spending grant funds and receiving reimbursement from the grantor.
2128	Dept. of Health and Human Services	Human Services	(1,843,286)	(2,923,818)	(3,240,714)	(299,985)	(6,874,352)	Historical negative balance (pre-FY 2000) requires one-time offset; recurring negative balance is due to time lag between spending grant funds and receiving reimbursement from the grantor.
2129	Trade Corridor Improvement F	Economic & Workforce Dev	(1,397,196)	(1,400,865)	-	-	-	Negative balance cleared
2134	California Parks and Recreation	Public Works	(1,848,212)	-	(327,656)	(357,107)	(70,719)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2140	California Department of Trans	Public Works	(1,760,959)	-	(68,132)	(351,258)	(464,009)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2144	California Housing and Community Development	Housing/Human Services	(1,604,310)	-	-	(965,532)	(696,081)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2152	California Board of Corrections	Police	-	(3,307,037)	(2,388,846)	(2,251,341)	(3,683,005)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2154	California Integrated Waste Management Board	Public Works	(98,303)	(64,003)	(70,350)	(71,047)	(138,875)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2162	Metro Transportation Com: TD	Public Works	(193,189)	(27,514)	-	(9,044)	(243,327)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2163	Metro Transportation Com: Program Grant	Public Works	(810,965)	(291,802)	(455,850)	(336,840)	(291,930)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2164	Congestion Mitigation & Air	Public Works	(91,680)	(91,892)	(92,033)	(92,038)	(91,686)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2166	Bay Area Air Quality Management District	Public Works	(433,384)	-	(61,239)	(937,820)	(410,671)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2190	Private Grants	Various	(482,691)	(118,672)	-	-	-	Negative balance cleared
2214	ACTIA Reimbursable Grants	Public Works	(361,046)	(865,292)	(995,089)	(1,629,688)	(1,500,525)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.

Fund	Fund Description	Assigned Agency / Dept	Audited Fund Balance FY 2016-17	Audited Fund Balance FY 2017-18	Audited Fund Balance FY 2018-19	Audited Fund Balance FY 2019-20	Audited Fund Balance FY 2020-21	Explanation of Negative Fund Balance
2217	Measure BB - OAB Roadway Infrastructure	Economic & Workforce Dev	-	-	(4,397,826)	(4,370,446)	(93,600)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2244	Measure Q - Parks & Recreation	Parks & Recreation	-	-	-	(326,915)	-	Negative balance cleared
2251	Measure Y: Public Safety Act	Finance	-	-	-	-	(107,226)	Shortfall results from accounting errors and will be addressed in FY22.
2260	Measure WW: East Bay Regional Parks District Local Grant	Public Works	(565,059)	(547,787)	(1,979,386)	(867,751)	(570,081)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2270	Vacant Property Tax Act Fund	Finance	-	-	(35,318)	(417,902)	-	Negative balance cleared
2411	False Alarm Reduction Program	Police	(387,241)	(1,315,781)	(1,673,860)	(2,310,775)	(2,941,313)	False Alarm program revenue is insufficient to cover expenses.
2416	Traffic Safety Fund	Transportation	-	-	(28,228)	(195,292)	-	Negative balance cleared
2418	Traffic Impact Program (TIP)	Public Works	(118,830)	(119,018)	(119,147)	(119,152)	(118,830)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2419	Measure C: Transient Occupancy Tax (TOT) Surcharge	Non-departmental	-	-	-	(159,607)	-	Negative balance cleared
2605	Dept of Health & Human Services	Human Services	(129)	(117)	(99)	(85)	-	Negative balance cleared
2613	Port Security Grant Program	Fire	(51,094)	(51,094)	(51,094)	(51,094)	(51,094)	Negative fund balance is due to lag time between spending grant funds and receiving reimbursement from the grantor.
2990	Public Works Grants	Public Works	(916,631)	(710,719)	(993,915)	(1,279,779)	(1,358,837)	PWA are pursuing options to recover funds from grantor. \$0.7 million reflects historical negative balances and may require one-time offset.
5008	Emergency Response: GOB Series 1992	Public Works	(158,097)	(160,439)	(164,080)	-	-	Negative balance cleared
5200	JPFA Capital Projects: Series 2005	Economic & Workforce Dev	-	-	-	(103,004)	(102,214)	EWD staff to address.
5320	Measure DD: 2003A Clean Water,	Public Works	(78,038)	(77,644)	(71,252)	(8,346)	-	Negative balance cleared
5660	West Oakland Projects	Economic & Workforce Dev	(1,398,883)	(1,419,623)	(1,451,867)	(1,477,023)	(1,475,557)	EWD staff to address.
5642	Central City East TA Bonds Series 2006A-TE	Economic & Workforce Dev	-	-	-	(18,743)	(18,665)	EWD staff will move balance to positive funds in FY22.to address.
5653	Coliseum: TA Bonds Series 2003	Economic & Workforce Dev	-	-	-	(38,572)	(105,235)	EWD staff will move balance to positive funds in FY22.to address.
5655	Coliseum: TA Bonds Series 2006B-TE	Economic & Workforce Dev	-	-	-	(49,789)	(49,617)	EWD staff will move balance to positive funds in FY22.to address.
5670	Oakland Base Reuse Authority	Economic & Workforce Dev	-	(202,893)	(297,039)	(335,685)	(267,135)	EWD staff to address.
6570	JPFA Pooled Assessment: 1996 Revenue Bonds	Non-Departmental	(95,503)	(97,357)	(99,567)	(101,292)	(101,191)	Fund balance was expected to be covered by assessments but plan must be re-examined in light of recurring negative balance
6612	JPFA Lease Revenue Refunding	Non-Departmental	(3,132)	(3,867)	(8)	-	-	Negative balance cleared
7130	Employee Deferred Compensati	Human Resources	(215,575)	(72,557)	(5,317)	(32,259)	-	Negative balance cleared
7450	Affordable Housing	Housing	-	(1,043,836)	(848,434)	(853,229)	-	Negative balance cleared
7760	Grant Clearing	Finance	-	-	-	(639,029)	(2,953,830)	Negative balance reflects overhead expenses in excess of overhead charged to projects, and results from higher vacancies than anticipated; may require one-time offset.
7780	Oakland Redevelopment Agency Projects	ORSA	(24,798)	(25,044)	(32)	-	-	Negative balance cleared
<b>Subtotal Reimbursable Negative Funds</b>			<b>(32,248,888)</b>	<b>(24,331,549)</b>	<b>(38,758,109)</b>	<b>(39,041,294)</b>	<b>(44,954,370)</b>	



Status of Negative Funds, FY 2016-17 to FY 2020-21

Fund	Fund Description	Assigned Agency / Dept	Audited	Audited	Audited	Audited	Audited	Explanation of Negative Fund Balance
			Fund Balance FY 2016-17	Fund Balance FY 2017-18	Fund Balance FY 2018-19	Fund Balance FY 2019-20	Fund Balance FY 2020-21	
<b>Negative Funds without Repayment Plan:</b>								
3200	Golf Course*	Parks & Recreation	-	(226,228)	(321,447)	(810,018)	(1,206,423)	Revenues are insufficient to cover operating costs
<b>Subtotal Non-Reimbursable Negative Funds</b>			-	(226,228)	(321,447)	(810,018)	(1,206,423)	
<b>Total Negative Funds</b>			(77,007,939)	(56,811,537)	(73,327,404)	(73,759,918)	(83,559,300)	

Notes:  
 Closed funds, funds with no negative balances for five years, and funds with negative balances below \$5,000 are not displayed but are included in the totals shown above.  
 \* Negative balance reported on cash basis for funds subject to full accrual accounting.

