



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: SUPPLEMENTAL 2 - Consolidated
Fiscal Policy Revision 2024

DATE: June 4, 2024

City Administrator Approval


Jestin Johnson (Jun 12, 2024 18:26 PDT)

Date: Jun 12, 2024

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report Regarding Proposed Substantive Changes To The Consolidated Fiscal Policy

REASON FOR SUPPLEMENTAL

The Finance Department has enhanced the Consolidated Fiscal Policy (CFP) to integrate various financial policies into its framework. Staff is returning to the Finance & Management Committee to present on the substantive changes and adding a revenue policy, enhancing the budgeting policy, and revising the reserve funds policy. The changes to the CFP include new policies and policy enhancements to align with the best practices of local government. The CFP changes include substantive and non-substantive language changes that align with existing practices, remove outdated references, and correct errors and omissions to ensure compliance with current policies.

BACKGROUND / LEGISLATIVE HISTORY

On December 9, 2014, the Oakland City Council adopted [Ordinance No. 13279 C.M.S.](#), amending the City of Oakland Financial Policies to establish a new Rainy Day Policy and consolidating all fiscal policies into the City of Oakland Consolidated Fiscal Policy.

On May 15, 2018, the Oakland City Council adopted [Ordinance No.13487 C.M.S](#) that amended the City's Consolidated Fiscal Policy.

On June 26, 2023, the Oakland City Council adopted [Resolution No. 89803 C.M.S.](#) that, amongst other things, created definitions for "adverse financial condition", "extreme fiscal necessity", and "fiscal crisis or fiscal emergency."

ANALYSIS AND POLICY ALTERNATIVES

The Finance Department reviewed its financial policies in accordance with the Oakland Municipal Code (OMC), Government Finance Officers Association (GFOA), Governmental Accounting Standards Board (GASB), and Generally Accepted Accounting Principles (GAAP) best practices. The staff has determined that the revisions to the CFP are necessary to ensure the fiscal prudence of the City's resources. Staff will present the substantive changes to the revenue policy, budgeting policy, and reserve funds policy that are now proposed to be included in the CFP.

Revenue Policy

To maintain a sound financial management foundation, a new section titled "Revenue Policy" has been added to the proposed CFP to establish a revenue structure to meet the City's immediate and long-term service delivery needs. The Revenue Policy encompasses various aspects to revenue diversification, forecasting, cost-recovering fees, and use of one-time funding. The policy is intended to guide the City Council and City Administration related to the collection, management, and use of revenue to promote best practices. Proposed additions to the Revenue Policy are summarized below.

Revenue Diversification

The inclusion of the revenue diversification section prevents the City from over reliance on any one revenue source, thus, reducing the City's risk and volatility to mitigate any unforeseen loss of revenue during periods of economic uncertainty.

Revenue Forecasting

The Revenue Forecasting section includes requirements for general provisions, new revenue sources, revenue exemptions, and multi-year forecasting. Revenue forecasting overall must be conservative estimates derived from substantiated historical data considering assumptions of the economic environment and future factors,

Revenue Manual

The addition of a Revenue Manual to the City's internal documentation is a GFOA best practice. This section outlines the criteria for the revenue manual's contents, including a list and details of all major revenue sources, identifies the funds in which revenues are recorded, factors for revenue projections and collection, authorizing legislation, and descriptions of economic volatility and other fiscal terms.

Budgeting Policy

Compliance with Gann Limitation

The inclusion of the Gann Limit compliance underscores the City's legal adherence imposed by the Gann Limitation, or Gann Limit, as prescribed by Article XIII B of the California Constitution. This section sets the calculation methodology and general guidelines for compliance.

Strategic Appropriations of Funds

The proposed addition to the CFP introduces a new section titled "Strategic Appropriation of Ongoing Funds". This section delineates a hierarchy for the allocation of any new available

ongoing funds that may arise within the fiscal year. The order of priority appropriation is as follows:

- 1) Known operating deficits;
- 2) Negative fund balances;
- 3) Acquisitions of vehicles, technology, equipment, and similar assets needed to support existing services;
- 4) Augmented discretionary spending on existing services and programs;
- 5) New discretionary spending on new programs and pilots

Any deviation from this policy requires a City Council resolution to exempt specific allocations from the established criteria. The City Council is responsible for preparing a resolution that details the reasons for exemption and should include an evaluation of the service and equity impacts of not adhering to the criteria.

This proposed amendment is grounded in the principles of fiscal responsibility and prudent financial management. By prioritizing the allocation of available funds, the City is able to proactively address existing fiscal challenges and strengthen the financial health of the City.

Verification of Carryforward Amounts with Audited Actuals

During the carryforward process, it is common for financial transactions, such as invoice payments, refunds, etc., to continue to process that may affect final carryforward amounts. The proposed amendment to *Part 7. Criteria, for Project Carryforwards and Encumbrances*, incorporates a step for verifying approved carryforward amounts against audited actuals as they become available. This verification process will help to mitigate discrepancies between pre-audit and post-audit actuals and the over-appropriation of funds.

Performance Measures

The addition of a new section to the CFP, "Performance Measures", is recommended to promote accountability and transparency in the delivery of public services by establishing standardized criteria for evaluating the City's fiscal performance. All City Departments will be responsible for developing and documenting performance measures relevant to their programs and services during the budget development process. The proposed policy also recommends that performance measures shall be subject to annual evaluation for enhancements and refinement based on changing community needs, technological advancements, and emerging best practices.

Reserve Funds

The proposed reserve fund policy language refines the current language to clearly define and articulate the City's reserve policy objective, required reserve levels, permissible uses, and restoration requirements. The modification of the language enhances transparency, accountability, and understanding among all stakeholders regarding the purpose and management of the City's reserves.

Glossary

The proposed CFP supports the citywide priority of being a **responsive, trustworthy government** by increasing transparency in the City's finances. The proposed CFP includes a robust glossary to define fiscal terms such as *extreme fiscal necessity* as outlined in [Resolution](#)

[No. 89803 C.M.S.](#) and further enhanced in this policy. An excerpt of the glossary is included in **Attachment A**, which defines three terms requested previously by the Finance & Management Committee and City Council.

FISCAL IMPACT

This informational report has no direct fiscal impact. However, the subsequent adoption of the CFP alters the policies and procedures that guide the City's budget development and fiscal operations, and thus will affect future budgetary decisions of the Mayor and City Council.

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 submitted to the City Attorney's Office and City Administrator's Office for review and approval.

SUSTAINABLE OPPORTUNITIES

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

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

Race & Equity: There are no direct 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 Regarding Proposed Substantive Changes To The Consolidated Fiscal Policy

For questions regarding this report, please contact Erin Roseman, Director of Finance, at 510-238-2026.

Respectfully submitted,



Erin Roseman (Jun 11, 2024 15:17 PDT)

ERIN ROSEMAN
Director of Finance
Finance Department

Prepared by:

Rogers Agaba, Asst. Revenue & Tax Admin.
Stephen Acker, Principal Budget & Mgmt Anlst.
Brittany Hines, Assistant to the Director
Dawn Hort, Assistant Treasury Administrator
Pooja Shrestha, Assistant Controller
Rina Stabler, Asst. Budget Administrator

Reviewed by:

Sherry Jackson, Revenue & Tax Administrator
Bradley Johnson, Budget Administrator
David Jones, Treasury Administrator
Stephen Walsh, Controller

Attachments (1):

- A – Revenue Policy, Budgeting Policy, Reserve Funds Policy, and Glossary