



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: SUPPLEMENTAL - Consolidated
Fiscal Policy Revision 2024

DATE: April 30, 2024

City Administrator Approval


Jestin Johnson (May 2, 2024 06:42 PDT)

Date: May 2, 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 ballot measure policy, enhancing the grant management policy, adding a 10-year capital plan, and revising the investment 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 The CFP changes include substantive and non-substantive language changes that align with existing practices, remove outdated references, and correct errors and omissions to ensure compliance with current policies.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.

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 ballot measure policy,

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grant management policy, 10-year capital plan, and investment policy now proposed to be included in the CFP.

Grant Management Policy

In accordance with the GFOA best practices, a new section titled “Grant Management Policy” has been added to the proposed CFP. This section establishes comprehensive guidelines for the City’s grant portfolio and management plan which requires alignment with the City’s overall strategic direction.

Below are summaries of the proposed policies:

- 1) **Grant Identification, strategic alignment, and application process** – This section was added to require departments to apply for grants that align with the strategic goals of the city. Applying for grants inconsistent with the overall strategic direction of the City poses a fiscal risk to the City and is not recommended.
- 2) **Establishes Sub-recipient grant agreement guidelines**- This section was added to define key criteria the City should follow when serving as a Grantor. Highlights of this section include limiting grants to registered 501 (c)(3) organizations, limiting the number of grant agreements to any one agency, and requiring a performance evaluation prior to the renewal of a grant award. The proposed changes align with GFOA’s grant administration recommendations that government agencies establish clear guidelines that promote awareness to sub-recipients that grants come with significant requirements to ensure the maximum benefit of the grant award.
- 3) **Removing Pay-Go** – The pay-go provisions in the OMC are an outdated practice that hasn’t been implemented since 2018. The pay-go provisions authorize the City Council to purchase services, goods, materials, or equipment for capital improvement projects. This provision conflicts with the capital improvement plan. Removing this outdated practice assures that the integrity of the capital improvement plan is maintained.

Ballot Measures

A new section titled “Ballot Measures” has been added to the proposed CFP to provide comprehensive guidelines for City sponsored ballot measures and public understanding of the timeline and process for voter-initiated measures. The proposed section encompasses various aspects related to both municipal bond and non-bond measures. It delineates the types of measures, compliance requirements, standard templates, oversight mechanisms, maintenance of effort considerations and establishes a timeline and process for their development, as outlined below:

- 1) **Municipal Bonds** – General obligation and revenue bonds are defined and are required to comply with all provisions of the Debt Management Policy; specifically the “Capacity for Voter-Approved Indebtedness” section. Each bond measure must follow a standardized template which includes required text for legal compliance. Considerations should be made to ensure that the taxpayer is not over-burdened.

- 2) **Non-Bond Ballot Measures** – Non-bond measures, including Parcel Tax Measures, Other Tax Measures and other Ballot Measures are defined and categorized. Each type of measure must adhere to a standard template, providing clarity on purpose rate, duration, exemption, use of fund and oversight mechanisms. Additionally, measures must refrain from allocating additional City resources without identified funding sources.
- 3) **Oversight and Accountability** – Mechanisms for oversight and accountability are established to ensure effective and efficient use of funds. Oversight bodies will serve in an advisory capacity, promoting transparency and accountability in fund allocation.
- 4) **Maintenance of Effort** – The policy discourages the use of Maintenance of Effort (MOE) measure to avoid inefficiencies funding allocation. The City shall instead focus on developing parcel tax measures that directly address identified community needs and provide clear guidelines on the use of funds. Any inclusion of MOE language in the ballot measure text should be based on appropriations that can be clearly delineated, with provisions for exemption in cases of adverse financial conditionals or fiscal emergencies.
- 5) **Timeline and Process for Development** – A timeline and process for the development of ballot measures are outlined, ensuring compliance with Rule 23 of the Council Rules of Procedure and Oakland Municipal Code Section 221. This timeline establishes procedural steps for consideration and inclusion in the November general election, with flexibility for special elections or other months when an election might be held.

10 Year Capital Plan

Since 2016, the City has adopted a two-year Capital Improvement Program (CIP) to complement the City's biannual budget process. The CIP Program incorporates a dedicated Capital budget that is separate from all maintenance and operational activities of the City, although it has historically utilized a five-year Capital Improvement Plan for all Capital Projects. But with the 2022 passage of Measure U that provided \$850 million in infrastructure funds, and the anticipated influx of infrastructure related grant money from the Federal government through the 2021 Infrastructure Investment and Jobs Act, it has become clear that a broader financial forecasting plan is needed for the City to optimize its funding strategies to complete Capital Projects beyond the traditional two-year CIP Program.

City staff have dealt with significant project delivery concerns in recent years due to a confusion or lack of a unified Capital Plan that provides clear direction on the expenditure of Capital funds. City staff have initiated several recent strategies to address these issues, including a passage of a reimbursement resolution, which would allow the City to spend present money against anticipated future bond issuances. Finance Department staff, together with Fiscal staff in Departments that administer Capital Projects have adopted a phased budgeting approach to better plan for Capital project expenditures over a 10-year planning period.

In conjunction with a reimbursement resolution and phased budgeting for Capital projects, staff proposes to implement a 10-year capital plan to address the aforementioned issues. The 10-Year Capital Plan will provide a transparent, long term financial forecast of when the City expects to expend capital funds over a longer period of 10 years, a 10-year Capital Plan will improve how

and when staff can allocate Capital funding sources over an extended period of time. This is especially critical regarding how Capital Projects are financed from a cash management and debt financed perspective. The 10-year Capital Plan will also provide long term budgeting and expenditure forecast data for all funded Capital projects in an easy-to-understand format for all Oaklanders.

The primary objectives that will be derived from implementing a 10-year Capital Plan are as follows:

1. Identify the long term need to repair, maintain and increase the City's Capital Assets.
2. Accurately forecast the financial needs and project delivery milestones over a 10-year period.
3. Adopt a specified 10-year financing plan for all Capital Projects and Programs selected to be funded in the City's Adopted CIP Program, and for Affordable Housing/Anti-Displacement programs through the City's NoFA process.

The 10-year Capital Plan and associated data will be submitted in the City's biannual midcycle budget adjustment in conjunction with all CIP project funding adjustments.

Investment Policy

To maintain a sound financial management practice, the City has adopted the guidelines and policies set forth in the Investment Policy (the "Investment Policy"). The Investment Policy is intended to guide decisions related to the investment of the City and Oakland Redevelopment Successor Agency's portfolio. The Investment Policy is reviewed and updated annually to provide guidelines and internal controls to promote best practices when investing and managing the City's investment portfolio. Below are the proposed changes to the Investment Policy.

U.S. Treasuries

The proposed changes include allowing the City of Oakland and Successor Agency Pool Portfolios to invest in U.S. Treasuries up to 100% of the portfolio. Currently, the portfolios are mainly invested in Federal Agencies, Local Agency Investment Fund (LAIF) and money market funds. U.S Treasuries are considered the safest assets in the world and investment in U.S. treasuries will further boost liquidity and diversity in the portfolios.

Linked Banking Ordinance

The City of Oakland passed the Linked Banking Services Ordinance No. 11607 C.M.S. (the "Ordinance") in 1993 and later amended it in 1998, 2001 and [2017](#). Under the Ordinance, an annual survey is conducted of banks interested in doing business with the City to determine whether each bank has met its "Fair Share Goal" of community credit lending. Banks that meet the "Fair Share Goal" and comply with reporting requirements are deemed "Eligible Depositories" and are eligible to do business with the City. However, the program no longer serves its intended purpose due to the additional reporting requirement of the Ordinance. The financial institutions are not able to complete the survey and comply with the reporting requirements to be on the approved list of Eligible Depositories for the Linked Banking Service Program. Therefore, the staff

is requesting to end the Linked Banking Ordinance No. 12066 C.M.S. and will introduce separate legislation consistent with this recommendation.

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 and resolution were 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 (May 1, 2024 14:26 PDT)

ERIN ROSEMAN
Director of Finance

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):

- Attachment A – Ballot Measure Policy, Grant Management Policy, 10-Year Capital Plan, and Investment Policy