

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND
AGENDA REPORT

11 JUL -7 PM 7:07.

TO: Oakland City Council Finance and Management Committee
ATTN: Chair De La Fuente and Council Members
FROM: Councilmember Libby Schaaf
DATE: July 12, 2011

RE: A Resolution Submitting On The Council's Own Motion, A Proposed Ordinance, Entitled, "Measure Establishing a Rainy Day Fund" Requiring the City to Set Aside Money When There Is an Unusually Large Surplus, Which May Be Used In Years When There Is a Revenue Shortfall to Preserve or Restore Services, To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date

Please see the attached revised legislation.

Item: _____
Finance & Management Committee
July 12, 2011

11 JUL -7 PM 7:01

Office of the City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBERS

A Resolution Submitting On The Council's Own Motion, A Proposed Ordinance, Entitled, "Measure Establishing a Rainy Day Fund" Requiring the City to Set Aside Money When There Is an Unusually Large Surplus, Which May Be Used In Years When There Is a Revenue Shortfall to Preserve or Restore Services, To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date

WHEREAS, the last ten years have demonstrated that good financial times are followed by downturns, which inevitably affects government revenues; and

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WHEREAS, In the present recession, the City of Oakland has struggled to balance its budget after losing tens of millions of dollars in General Purpose Fund revenues; and

WHEREAS, This sudden reduction in revenues has forced the City to make painful cuts in City services and to furlough and lay-off employees, including police officers; and

WHEREAS, The City of Oakland's needs a stronger fiscal policy to guard against recessionary periods; and

WHEREAS, A Rainy Day Fund would require the City to set aside money in good times so that it is available to cover revenue shortfalls in bad economic times; and

WHEREAS, Rainy Day Funds have been successfully used at the local and state levels of government to weather unexpected fiscal downturns and to smooth out revenues year-to-year; and

WHEREAS, Such smoothing enables governments to maintain critical services during economic downturns, and

WHEREAS, For the foregoing reasons, the City Council desires to submit to the qualified electors of the City of Oakland at it next municipal election, a proposed Ordinance.

Now, therefore be it

RESOLVED: That the City Council hereby authorizes and directs the City Clerk, at least 88 days prior to the next special or general municipal election date, to file with the Alameda County Board of Supervisors and the County Clerk certified copies of this resolution; and be it

FURTHER RESOLVED: That the proposed Ordinance shall be as follows:

RAINY DAY FUND

Creation:

1. There is hereby established a fund in the Treasury of the City of Oakland to be known as the "Rainy Day Fund".

Purpose:

2. The purpose of the Rainy Day Fund is to ensure that the City of Oakland sets aside money in years when revenues are increasing so that it is available to offset shortfalls in years when revenues are decreasing. Rainy Day Fund monies are intended to preserve existing services or restore services that have been reduced during times when revenues have declined. It is not the intention of this section to supplant any reserve or other fiscal policies adopted by the Oakland City Council to the extent they do not conflict with section.

Deposit Rules:

3. If the Budget Office projects that total General Purpose Fund (Fund 1010) revenues for the upcoming fiscal year will exceed total General Purpose Fund revenues for the current fiscal year by more than three percent (3%), the adopted budget shall appropriate fifty percent (50%) of the anticipated General Purpose Fund revenues in excess of that three percent (3%) growth to the Rainy Day Fund.

4. If the Budget Office projects that the Consumer Price Index for the upcoming fiscal year shall exceed the index for the current fiscal year by more than two percent (2%), the trigger for allocations to the Rainy Day Fund as set forth in subsection (3) above shall instead be the projected percentage of growth in the Consumer Price Index plus one percent (1%). The City of Oakland shall base this projection on the Consumer Price Index produced by the United States Bureau of Labor Statistics for the San Francisco-Oakland-San Jose metropolitan region, or any smaller geographic area that includes the City of Oakland.

5. If the amount held in the Rainy Day Fund exceeds fifteen percent (15%) of projected total General Purpose Fund revenues for the upcoming fiscal year, no further appropriations to the Rainy Day Fund are required.

6. Notwithstanding subsections (3) and (4) above, if (A) the projected total General Purpose Fund revenues for the upcoming fiscal year are less than \$511,400,000 or (B) the City is carrying any negative fund balances in its General Fund Group, Lighting Landscape Assessment District or Internal Service Fund greater than the Rainy Day Fund appropriation for that year and so long as that amount is applied towards those negative fund balances; then there shall be no requirement that the adopted budget appropriate any money to the Rainy Day Fund.

Withdrawal Rules:

7. If the Budget Office projects that total General Purpose Fund revenues for the upcoming fiscal year will be less than the current fiscal year's total General Purpose Fund revenues, the adopted budget may appropriate Rainy Day Fund monies up to that revenue shortfall to cover the costs of city employees and the costs of supplies and equipment that directly affect the ability of the City to provide services; however, the adopted budget shall not appropriate more than sixty percent (60%) of the current Rainy Day Fund balance absent a declaration of fiscal necessity by the City Council.

8. Other than in cases of year-to-year revenue decline described in subsection (7), no money shall be appropriated from the Rainy Day Fund, and no mandatory deposit into the Rainy Day Fund under subsections (3) and (4) shall be suspended, without a declaration of fiscal necessity.

9. For the purposes of this Ordinance, a fiscal necessity can only be declared if at least six (6) out of eight (8) City Council members vote in favor of such declaration. Within twenty-four (24) hours of declaring a fiscal necessity, the City Administrator shall notify the largest-circulation daily and the largest-circulation weekly print local news organizations of such a declaration, the reason for it, as well as how much money is being withdrawn from the Rainy Day Fund.

Reporting:

10. Each year, upon completion of the City's financial audited statements, the City Administrator shall separately report the status of the Rainy Day Fund to the City Council. This report shall at least identify the Rainy Day Fund balance at the start and end of the fiscal year, how much interest accumulated in the Rainy Day Fund during the fiscal year, and how much money was withdrawn from the Rainy Day Fund. The Budget Office shall also report to the City Council, as part of the budget process, the balance of the Rainy Day Fund.

Other:

11. For the purposes of this section (Section 813), total General Purpose Fund revenues means all revenues allocated to the General Purpose Fund other than loans from other funds.

12. For the calculations required under subsections (3), (4), and (7), the previous fiscal year's total General Purpose Fund revenues shall not include any money deposited into the Rainy Day Fund and shall include any money withdrawn from the Rainy Day Fund.

13. In conjunction with the year-end close of the City's audited financials or CAFR, the City shall reconcile the revenue projections triggering any budgeted allocations to or withdrawals from the Rainy Day Fund with actual revenue results and rebalance the Rainy Day Fund and the General Purpose Fund allocation accordingly.

14. If the City Council or the voters take an action that changes General Purpose Fund revenue sources in any material manner, such as reducing or increasing a tax rate or imposing or eliminating a fee, the revenue changes caused by that action will not be counted as part of the triggers for allocations to or withdrawals from the Reserve during the first year in which the action is implemented.

15. The City Council may, by ordinance, amend and clarify any ambiguities in this section (Section 813), so long as such clarifications and modifications are consistent with and in furtherance of the purpose of the Rainy Day Fund.

and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 11 of the Oakland City Charter, the City Clerk shall fix and determine a date for submission of arguments for or against said proposed Charter amendment, and said date shall be posted in the Office of the City Clerk; and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 11 of the Oakland City Charter, the City Clerk shall provide for notice and publication as to said proposed Charter amendment in the manner provided for by law; and be it

FURTHER RESOLVED: That each ballot used at said municipal election shall have printed therein, in addition to any other matter required by law the following:

PROPOSED CHARTER AMENDMENT

MEASURE _____

Establishing a Rainy Day Fund

Measure ____ <i>Shall the City create a "Rainy Day" fund for money collected when there is an unusually large surplus, which may be used to preserve or restore services in years when there is a revenue shortfall?</i>	Yes	
	No	

FURTHER RESOLVED: That the City Clerk and City Administrator hereby are authorized and directed to take any and all actions necessary under law to prepare for and conduct the next municipal election and appropriate all monies necessary for the City Administrator and City Clerk to prepare for and conduct the next municipal election, consistent with law.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REID
 AYES-
 NOES-
 ABSENT-
 ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
 City Clerk and Clerk of the Council
 of the City of Oakland, California

