

# FY 2017-19 Budget Workshop

January 31, 2017



# Agenda

- I. Opening Remarks (Mayor/City Administrator)**
- II. FY 2016-17 Midcycle Budget Overview (Budget)**
  - a) Overview
  - b) GPF Expenditures vs Revenue
  - c) GPF Reserve Summary
- III. FY 2017-19 Preliminary Baseline (Budget)**
  - a) Summary
  - b) Preliminary Baseline Expenditure Highlights
  - c) Challenges
  - d) Preliminary Baseline Revenue Highlights (Revenue)
- IV. Outstanding Debt and Long Term Obligations (Treasury/CAO)**
- V. Capital Improvement Program (CAO)**
- VI. FY 2017-19 Budget Development Process & Timeline (Budget)**
- VII. Mayor & Council Priorities (Mayor & Council)**
- VIII. Q & A**

# FY 2016-17 Midcycle Budget

<http://www2.oaklandnet.com/oakca1/groups/cityadministrator/documents/policy/oak059494.pdf>

<b><u>General Purpose Fund Budget</u></b>	
	<b>FY 2016-17 Midcycle Budget</b>
Revenue	\$527,650,429
Expenditure	\$549,666,189
Over / (Under)	<b>(\$22,015,760)</b>
<i>Net use of One-Time Revenue (Fund Balance, Excess RETT, etc.)</i>	<b>\$22,015,760</b>
<b>Net Over / (Under)</b>	<b>\$0</b>
<b><u>All Funds</u></b>	
	<b>FY 2016-17 Midcycle Budget</b>
Revenue	\$1,186,876,708
Expenditure	\$1,238,260,078
Over / (Under)	<b>(\$51,383,370)</b>
<i>Net use of One-Time Revenue (Fund Balance, Excess RETT, etc.)</i>	<b>\$51,383,370</b>
<b>Net Over / (Under)</b>	<b>\$0</b>



# General Purpose Fund

## EXPENDITURES

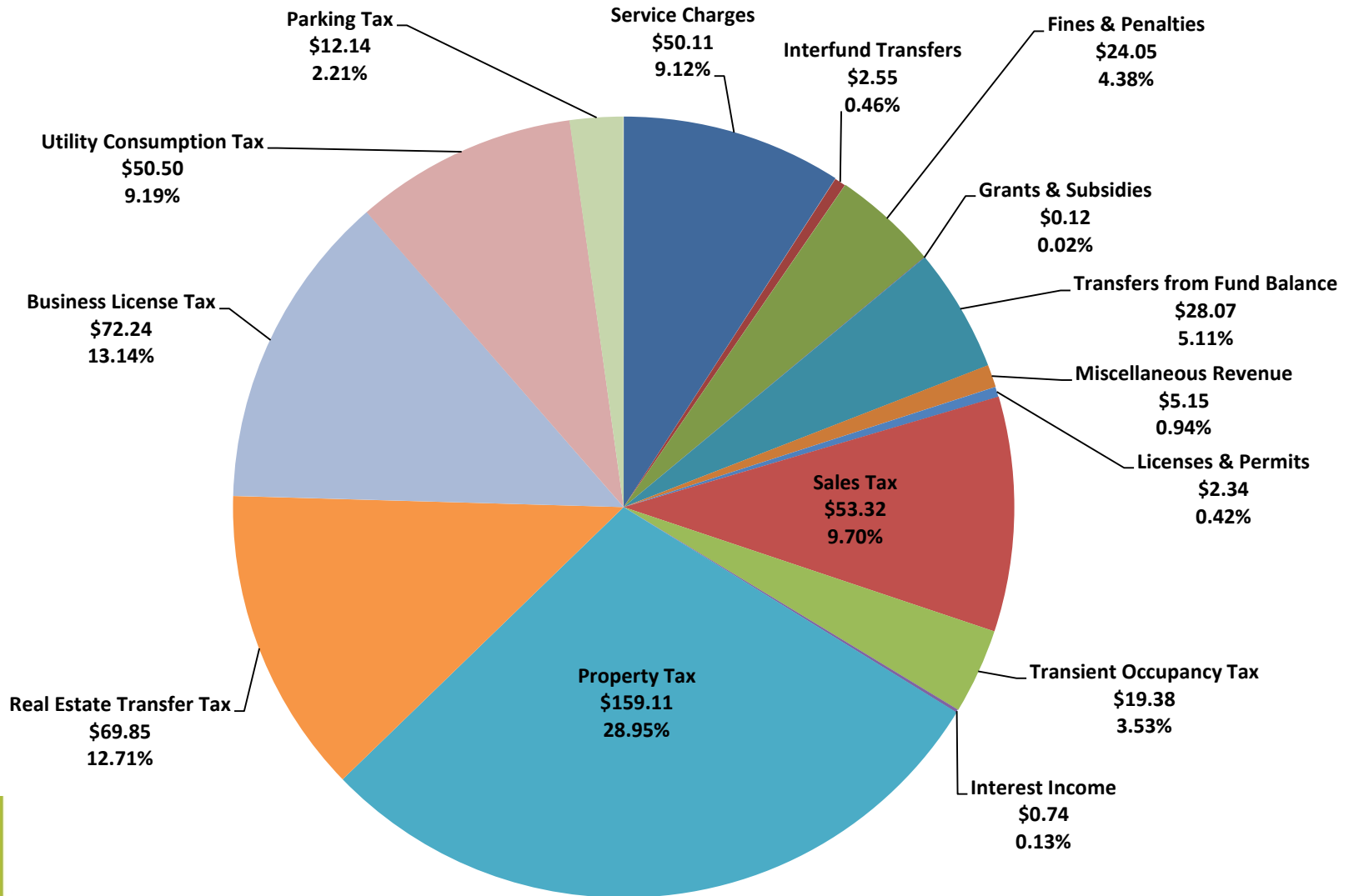
Department	FY 2016-17 Midcycle Budget
Capital Improvement Projects	502,000
City Administrator	15,913,750
City Attorney	5,873,913
City Auditor	1,915,510
City Clerk	2,932,917
City Council	4,806,964
Economic & Workforce Development	5,664,439
Fire	127,204,328
Housing & Community Development	365,000
Human Resources	4,931,930
Human Services	8,082,345
Information Technology	11,030,389
Mayor	2,719,384
Non-Departmental	66,536,994
Oakland Parks & Recreation	15,965,426
Oakland Public Library	12,672,646
Oakland Public Works	2,629,820
Planning & Building	41,648
Police	234,237,981
Race & Equity	331,097
Finance Department	24,389,719
Public Ethics Commission	917,989
<b>Grand Total</b>	<b>549,666,189</b>

## REVENUES

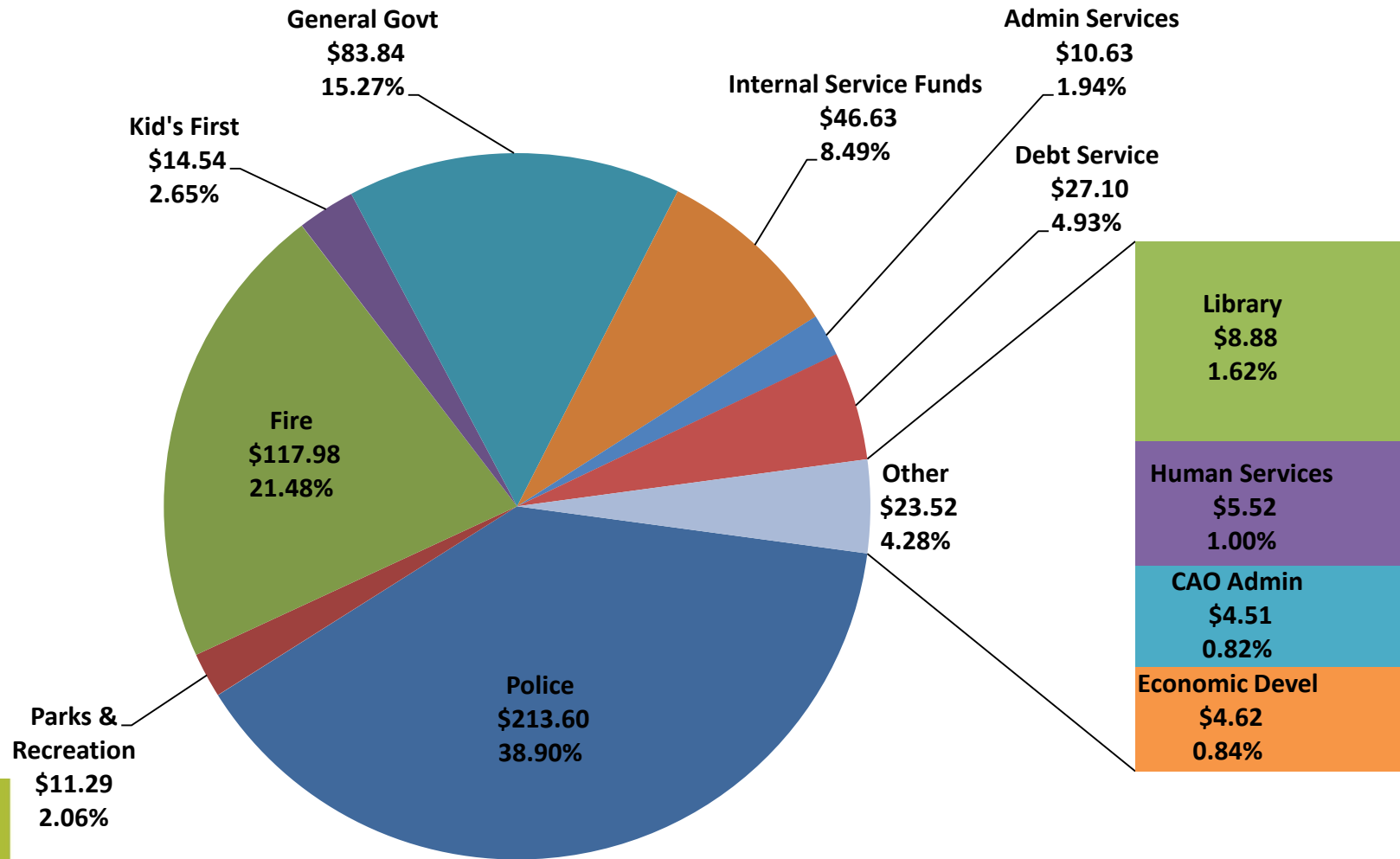
Category	FY 2016-17 Midcycle Budget
Property Tax	159,110,144
Sales Tax	53,318,906
Business License Tax	72,241,300
Utility Consumption Tax	50,500,000
Real Estate Transfer Tax	69,851,000
Transient Occupancy Tax	19,379,450
Parking Tax	12,138,000
Licenses & Permits	2,335,747
Fines & Penalties	24,050,024
Interest Income	740,482
Service Charges	50,108,087
Grants & Subsidies	119,435
Miscellaneous Revenue	5,149,320
Interfund Transfers	2,554,207
<b>SUB-TOTAL</b>	<b>521,596,102</b>
Fund Balance for One-time Exp.	6,054,327
<b>Use of Fund Balance</b>	<b>22,015,760</b>
<b>Grand Total</b>	<b>549,666,189</b>



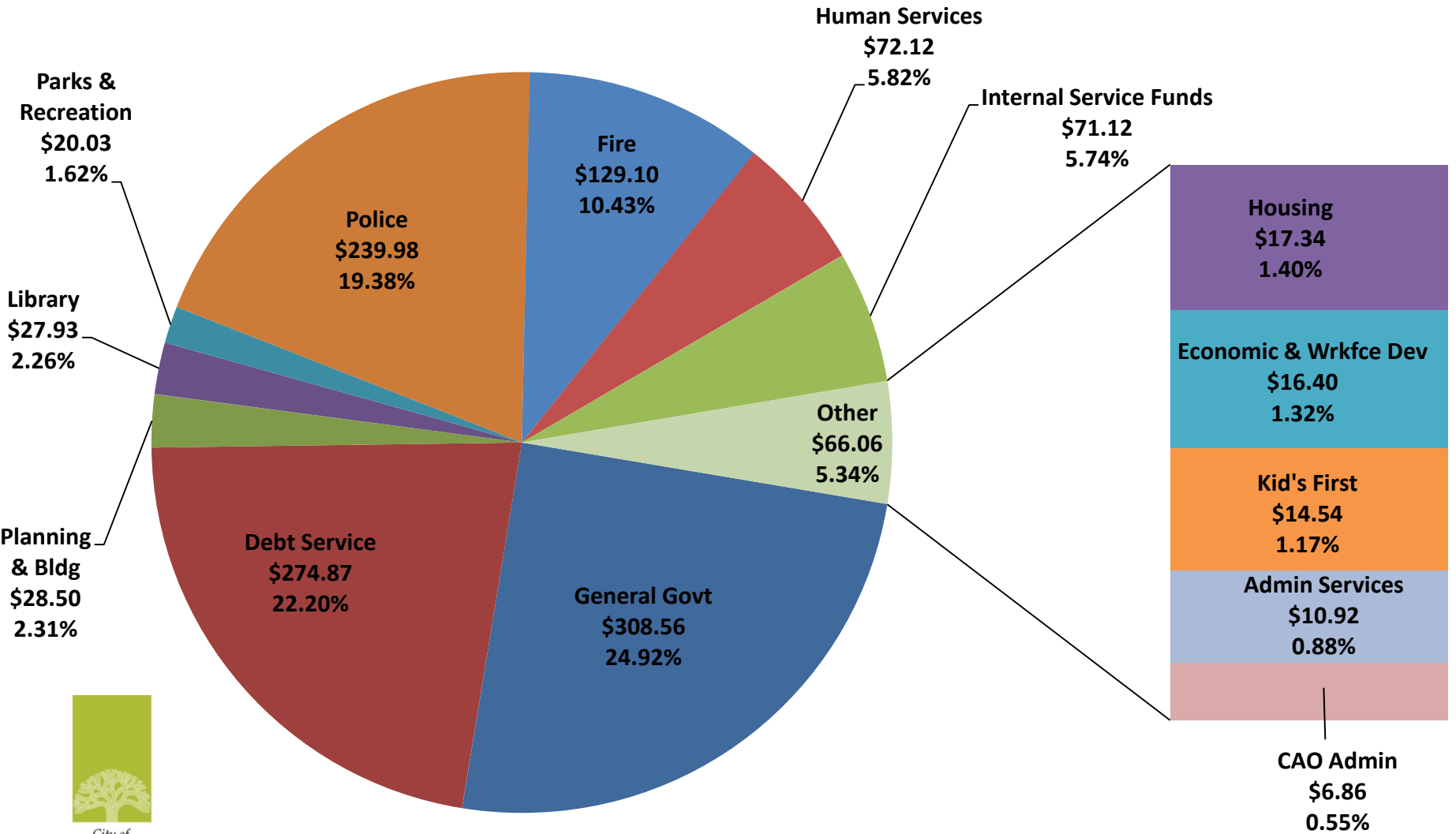
# Midcycle GPF FY 2016-17 Revenues by Category (\$549.67 million)



# FY 2016-17 MIDCYCLE GENERAL FUND EXPENDITURES by Service Areas \$548.85 million



**FY 2016-17**  
**TOTAL ALL FUND EXPENDITURES by Service Areas**  
**\$1,238.26 million**



# Reserve Summary

## Reserves & Set-Asides

Description	FY 14-15	FY 2015-16 Adopted	Additional FY 2015-16	FY 2016-17 Adopted	Projected FYE 16-17 Balances
7.5% GPF Required Reserve <sup>1</sup>	\$39.57	\$39.57	\$41.22	\$41.22	\$41.22
Long Term Obligations Set-Aside <sup>2,3</sup>	\$0.00	\$11.65	\$5.34	\$4.37	\$2.55
Vital Services Stabilization Fund <sup>2</sup>	\$2.02	\$0.95	\$5.34	\$4.37	\$12.69
<b>Total</b>	<b>\$41.60</b>	<b>\$52.18</b>	<b>\$51.91</b>	<b>\$49.96</b>	<b>\$56.47</b>

<sup>1</sup> The 7.5% GPF reserve is not a cumulative balance

<sup>2</sup> Required 25% allocation per Excess RETT policy

<sup>3</sup> \$18.8 million deducted for PFRS funding





# Preliminary Baseline Overview

<u>General Purpose Fund Budget</u>			
	FY 2016-17 Midcycle Budget	FY 2017-18 PRELIMINARY Baseline	FY 2018-19 PRELIMINARY Baseline
Revenue	\$527.65	\$558.49	\$568.65
Expenditure	\$549.67	\$572.99	\$586.84
Over / (Under)	(\$22.02)	(\$14.50)	(\$18.19)
<i>Net use of One-Time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$22.02	\$0.00	\$0.00
<b>Net Over / (Under)</b>	<b>\$0.00</b>	<b>(\$14.50)</b>	<b>(\$18.19)</b>
<u>All Funds</u>			
	FY 2016-17 Midcycle Budget	FY 2017-18 PRELIMINARY Baseline	FY 2018-19 PRELIMINARY Baseline
Revenue	\$1,186.88	\$1,253.66	\$1,269.63
Expenditure	\$1,238.26	\$1,271.23	\$1,295.79
Over / (Under)	(\$51.38)	(\$17.57)	(\$26.17)
<i>Net use of One-Time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$51.38	\$0.00	\$0.00
<b>Net Over / (Under)</b>	<b>\$0.00</b>	<b>(\$17.57)</b>	<b>(\$26.17)</b>



# Preliminary Baseline Expenditure Highlights (General Purpose Fund)

- Net one-time reliance (\$22M/year)
- Escalating Health & Retirement costs (\$6M/\$16M)
- Net increase for Internal Service Fund cost allocation (\$2.5M/\$3.8M)
- Personnel cost increases per the negotiated contracts (\$9M/\$16M)
- Excess RETT policy (\$4.9M/\$3M)
- Head Start and other grant support (\$2.5M/\$3M)
- Kids First! true-up and increase (\$2.4M/\$1.5M)
- Overhead cost resulting from moving Parking Enf. from Police to DOT (\$1M/year)



# Challenges

- Address shortfall in other funds – Measure Q, HeadStart, Landscaping & Lighting Assessment District, etc.
- Potential legal costs for claims, settlements, etc.
- Sustainability of City finances related to Long-Term Obligations (OPEB, rising pension costs, etc.)
- Historical under budgeting of Police overtime
- Dedicated funding for wildfire prevention exhausted
- Uncertainty of federal grant funds
- Impact of upcoming labor negotiations (except Sworn Police)



# Preliminary Baseline Revenue Highlights (General Purpose Fund)

- Economy returning to a more “normal” growth pattern
- Assessed valuation increased approximately \$3.83 billion dollars (7.47%)
- Median single family home price up 11.65%
- Residential real estate sales are leveling off
- New cars sales are leveling
- Sugar-Sweetened Beverage Tax included



# City's Credit Rating

## Ratings upgrade:

- In January 2017, S&P upgraded the City's GO bond rating by one notch to "AA" noting:
  - "The raised ratings are based upon the city's improved budgetary flexibility and strong budgetary performance, coupled with strong growth within the local economy,".
  - The City's lease revenue bonds and POBs bonds were also upgraded one notch to "AA-".
- Moody's is expected to raise the City's Series 2012 POB rating to Aa3

## Value of credit ratings:

- A high credit rating is important to the City for the following reasons:
  - Ensures the City low interest costs
  - Demonstrates strong financial management & condition to investors
  - Attracts & expands pool of potential investors
  - Enables access to capital markets & ability to sell bonds
  - Yields savings on debt service

## Current credit ratings:

Type of Bond	Ratings <sup>(1)</sup>		
	Moody's	S&P	Fitch
General Obligation Bonds	Aa2 / Stable	AA / Stable	A+ / Stable
Lease Revenue Bonds	Aa3 / Stable	AA- / Stable	A / Stable
Pension Obligation Bonds	Aa3 / Stable	AA- / Stable	A / Stable
Tax Allocation Bonds	Baa1 / Stable	A-:A:A+ / Stable <sup>(2)</sup>	NR

<sup>(1)</sup> As of January 10, 2017

<sup>(2)</sup> B/M/SP: A+:A-/Negative



# Summary of Outstanding Debt

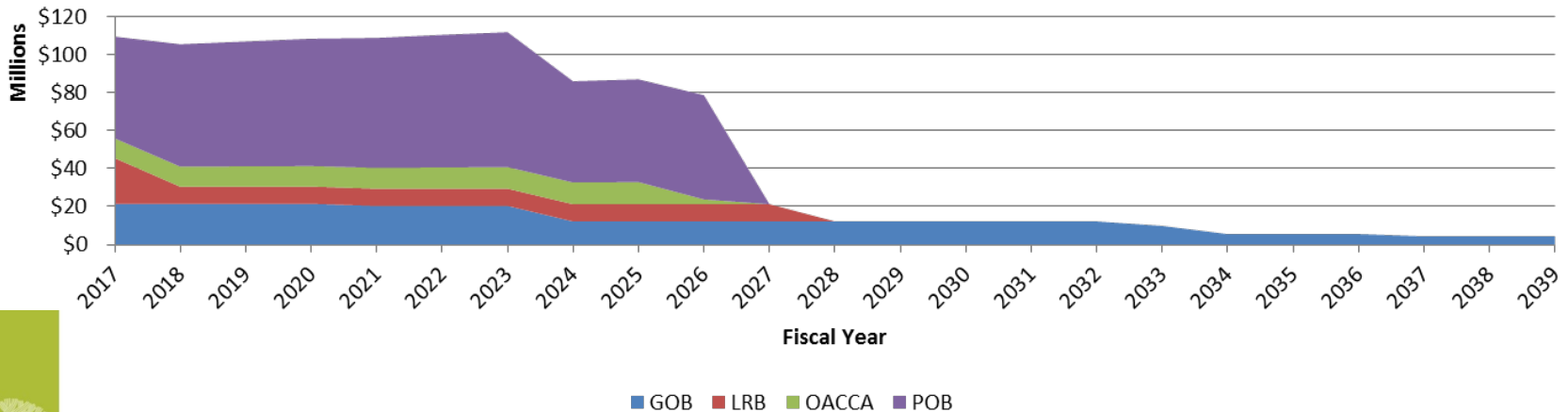
## Outstanding Debt Summary as of July 1, 2016

City Debt	Total	Type
General Obligation Bonds	\$201,830,000	100% Fixed Rate
Lease Revenue Bonds	\$91,110,000	100% Fixed Rate
Coliseum Authority LRBs <sup>(1)</sup>	\$82,680,000	100% Fixed Rate
Pension Obligation Bonds	\$313,223,260	100% Fixed Rate
<b>Total</b>	<b>\$688,843,260</b>	
Maximum Annual Debt Service	\$111,837,257	FY 2023

- Remaining GO bond authorization is \$600M from Measure KK and \$36M from Measure DD
- Debt capacity is constrained through FY2023, but opens up after FY2027
- Debt service carrying charges are 10.1% of expenditures as noted by S&P

<sup>(1)</sup> Represents City's share of OACCA debt (50%)

## Debt Service Profile as of July 1, 2016



# Escalating Retirement Costs

- Projected retirement costs for FY 2017-19

<b>Retirement Costs</b>	<u>FY 2017-18 Amount</u>	<u>FY 2018-19 Amount</u>
General Purpose Fund	\$ 84,893,276	\$ 96,880,005
All Funds TOTAL	\$ 127,744,325	\$ 148,158,885
<b>Retirement Rates</b>	<u>FY 2017-18 Rate</u>	<u>FY 2018-19 Rate</u>
Civilian	36.35%	43.86%
Sworn	36.67%	39.49%

- December 21, 2016, CalPERS Board lowered the discount rates from 7.50% to 7.00% over the next 3 years, which will impact the City’s next two-year budget
- Staff is analyzing the impact

# Long-Term Obligations (All Funds)

Unfunded Amount	Descriptions
\$860.0M	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$860M as of July 1, 2015. The City contributed \$25.4 million for FY 2015-16 for current (pay-as-you-go) obligations.
\$309.4M	Police and Fire Retirement System (PFRS), closed retirement system, unfunded balance as of July 1, 2016 payments will resume in FY 2017-18, estimated at \$44.9M. 100% Funding required by 2026. A tax override funding stream exists to fund PFRS Obligations (received approximately \$96.8M for FY 2015-16).
\$71.8M	Negative Funds – \$34.5 million of the negative funds have a repayment plan, \$23.4 million are reimbursement funds and \$13.9 million are funds with no repayment plan.
\$1,292.9M	California Public Employees Retirement System (Cal PERS) unfunded balance as of June 30, 2015. The Safety Plan has a \$575.1M unfunded liability and 67.2% funded ratio; the Miscellaneous (non-sworn) Plan has a \$717.8M unfunded liability and 70.2% funded ratio. The City annual pension cost for FY 2015-16 – \$111.7M.

Valuation Date	Fiscal Year for Required Contribution	Discount Rate
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%



# Capital Improvement Program Infrastructure (I)Bond

## **Streets and Sidewalks (\$350 million):**

- Repave streets and eliminate potholes
- Repair sidewalks
- Increase bicycle and pedestrian safety
- Make accessibility upgrades for people with disabilities
- Improve safety by calming traffic

## **City Facilities (\$150 million):**

- Upgrade and repair libraries (\$15M)
- Improve parks, recreational and senior facilities (\$35M)
- Renovate crumbling fire facilities (\$40M)
- Upgrade police facilities including building a new crime lab to improve the efficiency and success of crime investigation (\$40M)
- Invest in green energy, water, and seismic improvements (\$20M)

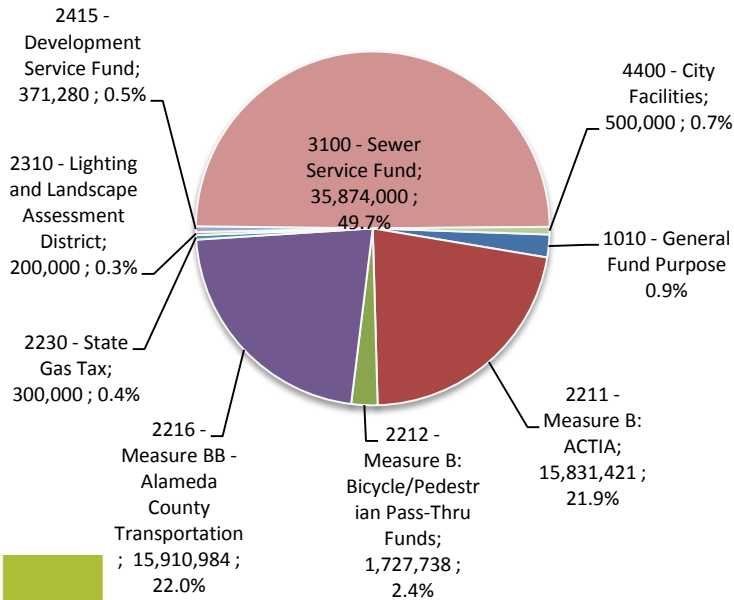
## **Anti-Displacement and Housing (\$100 million):**

- Protect long-term Oakland residents so they can stay in Oakland in safe, high quality and affordable housing
- Acquire and rehabilitate housing for vulnerable communities, including seniors, people with disabilities and veterans

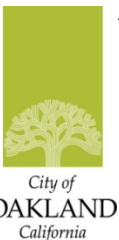
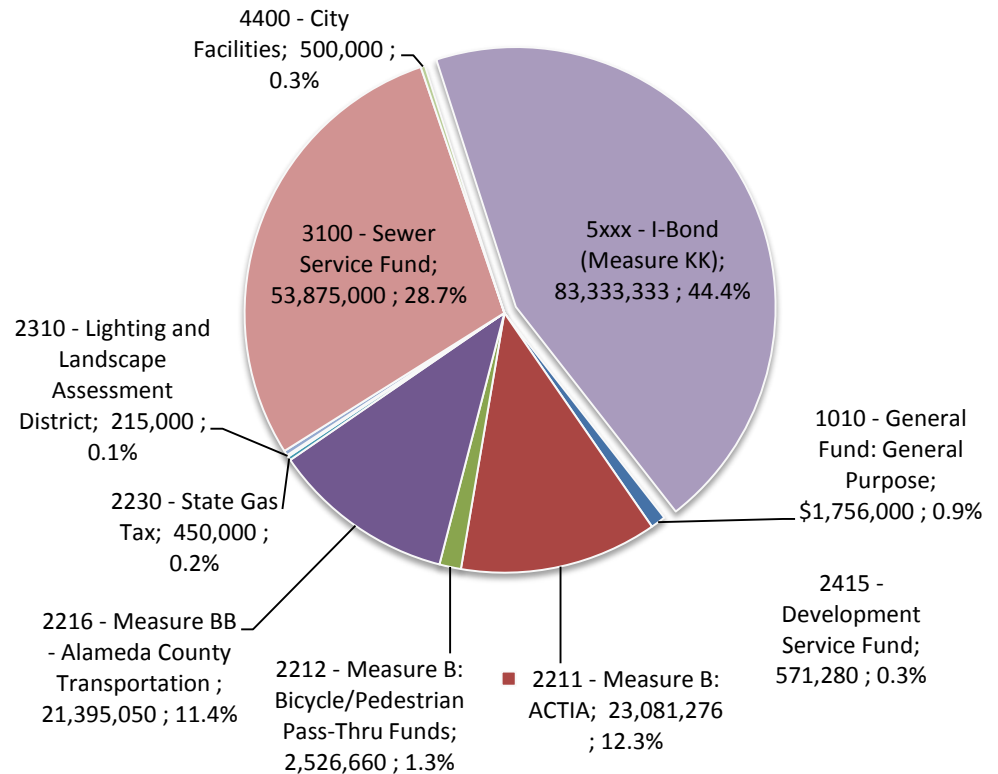


# Capital Improvement Program FY 2017-19 -- \$100M Scenario by Source

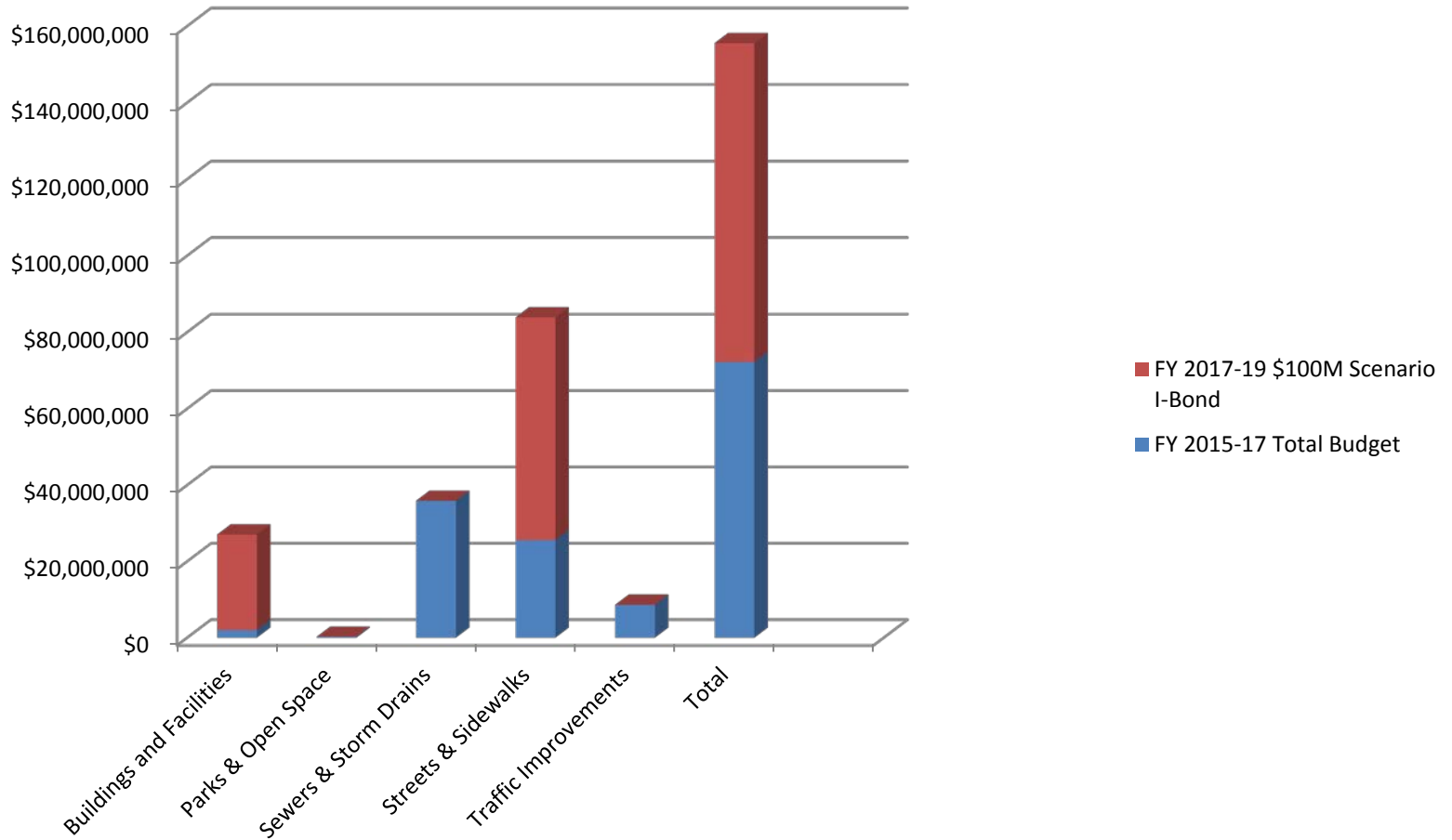
**FY 2015-17  
Summary by Source - City  
\$72,219,423**



**FY 2017-19 \$100M Scenario  
Summary by Source - City  
\$187,706,599**



# Capital Improvement Program FY 2017-19 -- \$100M Scenario by Category



# Capital Improvement Program I-Bond

In addition to the Capital Improvement Plan development process, the City Council is required to review the specific projects before every bond issuance for:

- How the projects address social and geographic equity, provide greater benefit to under-served populations and in geographic areas of greatest need;
- How the projects address improvements to the City's existing core capital assets;
- How the projects maintain or decrease the City's existing operations and maintenance costs; and
- How the projects address improvements to energy consumption, resiliency and mobility.



# Capital Improvement Program

## I-Bond Next Steps

### Infrastructure Community Working Group

- January 19, 2017: Kickoff, included “Beta” mapping methodology starting with the MTC “Communities of Concern”
- February 9<sup>th</sup>/23<sup>rd</sup>, 2017: Next meetings
- March 2017: Present outcome of the Working Group to the City Council
  - Prioritized criteria for each category
  - How the unfunded projects rank
- May 1, 2017: Proposed CIP

# FY 2017-19 Budget Process & Timeline

- January 31, 2017 – Special Council Meeting on budget, polling & Mayor/Council Priorities
- February 28, 2017 – Release of the FY 2016-17 2<sup>nd</sup> Quarter R&E Report and Five-Year Forecast
- By March 15, 2017 – Councilmember Expenditure Priorities
- Late April 2017 – Release of the Mayor’s Proposed Budget and Factsheet
- May 1 to June 10, 2017 – Community Budget Forums
- May 9, 2017 – Presentation of Proposed Budget
- May 23, 2017 – Release of the 3<sup>rd</sup> Quarter R&E Report
- May 30, 2017 – 5<sup>th</sup> Tuesday, Budget Hearing
- June 1, 2017 – Budget Advisory Committee’s Report
- June 17, 2017 – Council President amendments
- June 2017 – Council Deliberations, Budget Amendments, and Budget Adoption by June 30<sup>th</sup>



# FY 2015–17

## MAYOR AND CITY COUNCIL PRIORITIES

- **A Safe City:** that invests in Holistic Community Safety strategies.
- **A Vibrant City:** that makes strategic investments in infrastructure, public works and the arts to protect and enhance the quality of life for all neighborhoods.
- **A Just City:** that promotes equitable jobs and housing that protects and nurtures a diverse and inclusive community that cares for its youth, elderly, families, and the vulnerable.
- **A Prosperous City:** that values workers and fosters a diverse economy that creates equitable economic growth, jobs, and housing.
- **Trustworthy Government:** that provides quality municipal services, efficiency, transparency, and accountability, as well as respects municipal employees.



# Q & A

## Thank you

### Contact:

Email: [BudgetSuggestions@oaklandnet.com](mailto:BudgetSuggestions@oaklandnet.com)

<http://www2.oaklandnet.com/Government/o/CityAdministration/d/BudgetOffice/index.htm>

