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April 2, 2013

Honorable City Council President Kemighan & Members of the City Council,

As part of the planning process related to the development of the proposed FY 2013-15 two-year budget, the purpose of this budget workshop is to provide the City Council and the Oakland community with an overview of the current status of the City budget and other information that will help establish the baseline conditions relevant to the two-year budget proposal, which will be presented to the City Council for consideration during the week of April 15. The presentation will also include follow-up information in response to questions and requests made at the February 26 Finance Committee meeting regarding the Five Year Forecast.

This workshop marks the beginning of the budget development public hearings and provides an opportunity for the City Council to discuss details, ask questions, or provide feedback. No decisions or direction will be required of the City Council during this workshop, but input from the City Council will greatly assist the Administration with understanding the policy priorities of the City Council and establish a common set of facts about the City's budget condition.

The attached supporting documents will be presented and referred to during the discussion:

- State of the Budget (PowerPoint presentation);
- Economic indicators and trends;
- Revenue analysis and projections, including a five-year revenue forecast;
- Schedule of community engagement opportunities between April and the end of June;
- Various police costing scenarios;
- Alternative scenarios if ballot measures are passed (Measure Y and Wildfire Assessment District); and,
- Additional information about the Five-Year Forecast.

As we approach the FY 2013-15 budget development process, it is important to recognize that over the past five years, the City has made significant strides in stabilizing its financial conditions and we believe strongly that these actions must be maintained, such as:

- Instituting strong fiscal controls and strengthening financial policies;
- Proactively collecting revenues;
- Paying down negative fund balances, which have gone from \$138 million to an estimated level of \$98.9 million over a two-year period (this is internal debt that comes from inter-fund borrowing) for FY 2012-13;
- Fully funding the General Fund reserve to meet the level mandated by City Council policy for the first time in five years; and,
- Planning for anticipated additional fiscal impacts from the dissolution of Redevelopment.

These strong fiscal actions have yielded positive results. The financial markets are taking notice of Oakland's judicious and strategic approach to address both short-term and long-term financial challenges; just recently the credit rating agencies reaffirmed our AA credit rating, which means that the City is financially stable and pays a lower interest rate for its current debt or future borrowing.

Further, economic indicators are also showing positive trends:

- Unemployment in Oakland is down four points, from 16.6% in January 2011 when Mayor Quan took office to 12.5% in December 2012; and,
- Property tax, sales tax and business license tax revenues are all up, demonstrating that the economy is showing concrete signs of steady yet modest growth, which is having a positive impact on Oakland.

City employees have played a key role by providing financial contributions to help bridge five consecutive years of multi-million dollar deficits, as are the residents of Oakland, who have experienced reduced service levels and a declining police force as a result of these financial challenges.

Despite this progress, our expenditures and long-term financial liabilities continue to outpace our modest revenue growth. Last fall, the City prepared a five-year forecast to establish a clear roadmap of the financial obligations and challenges ahead, as presented to the Finance Committee on February 26, 2013. Based on historic trends and conservative assumptions, it outlined the long-term expenditures required to achieve a truly balanced budget, one that accounts for funding all prudent investments and financial obligations. These include retiree medical costs, pension costs and about \$100 million in critical deferred maintenance, including City building and road repair, technology upgrades and fleet and equipment replacement. It also includes costs associated with augmenting our police department by recruiting, training and hiring new police officers, which is a high priority for the community as well as the Mayor, City Council, and the Administration.

By developing and implementing a plan to fund these currently unfunded expenses, we will eventually reduce and/or eliminate the structural deficit the City has carried for many years. This will allow the City flexibility to reinvest in critical services and will mean that we are truly living within our means. Addressing the unfunded priorities and/or needs will not be an easy process; it will require strong commitment to a long-term strategy and will inevitably involve making difficult decisions and policy priority tradeoffs. But the end result is necessary and achievable.

As we look ahead to the budget development process, we are taking a balanced, three-pronged approach:

- 1) Maintain the financial stability we have begun to achieve,
- 2) Strategically eliminate the structural deficit which constrains our long-term growth, and
- 3) Maximize the economic relief on employees to the extent possible and within financial constraints.

Our goal is to work with the City Council over the next year to develop and implement a long-term plan that will ultimately reduce and/or eliminate this recurring, chronic shortfall every two years so that our expenditures are predictable and we plan ahead to provide a "cushion" to protect City services and the workforce against unforeseeable events. Simply said, our workforce and residents deserve predictability with respect to available resources to provide quality services.

### Budget Timeline

- Week of April 15:** Mayor Quan and the City Administrator Release the Proposed FY 2013-2015 Budget
- April 30:** Mayor Quan and the City Administrator formally present the Proposed FY 2013-2015 Budget to the City Council
- Month of May:** Budget Town Hall meetings to hear community input regarding the proposed budget-balancing measures, hear from neighborhoods across the City what their funding priorities are, and answer questions. Dates and times to be announced upon confirmation.
- June:** Formal City Council budget hearings to deliberate and reach final decisions. Dates and times to be announced upon Rules Committee action.
- June 30:** Final passage of the budget by City Council, as required by the City Charter.

### Community Engagement Opportunities

City staff has been working hard to open our government to wider public view and increase transparency. This year, for the first time, we will upload the budget to the newly launched open data platform which will allow visualization of budget data and community data "hacking." In addition, there are a number of public information tools and community engagement opportunities underway that will educate and inform the community about the budget and budget-balancing options. These include:

- Fact sheets in English, Spanish and Chinese;

- PowerPoint presentation;
- A community survey and community engagement opportunities on [EngageOakland.com](http://EngageOakland.com); and,
- Updated budget web page with all relevant budget documents and resource materials.

### Conclusion

This special Budget Development Workshop is an opportunity to receive an update on the FY 2013-2015 Proposed Budget planning process, hear information about the latest economic trends and revenue analysis, understand the relationship between various police costing scenarios and the size of the projected budget deficit, discuss alternative scenarios if ballot measure are passed, and hear additional information about the Five-Year Forecast.

City Council input will be important to inform the upcoming budget development process and establish priorities regarding the use of possible one-time revenues and ongoing funds to address the most critical service delivery, public safety and infrastructure needs. We look forward to an engaging and meaningful discussion.

Sincerely,



Mayor Jean Quan



City Administrator Deanna J. Santana

### Attachments:

- A) FY 2013-15 Budget Public Outreach Plan
- B) Five Year Financial Forecast Supplemental Report
- C) April 2 Special City Council Meeting PowerPoint Presentation

**Communications Action Plan**  
**FY 2013-15 Budget Roll-out**

# ATTACHMENT A

**Objectives**

To present the two-year budget proposal in a visually compelling way that is accessible to the public, clearly articulates how the Administration proposes to address the deficit, provides context for the decision-making options being considered and describes service impacts that will result from the cuts.

<b>Audience</b>	<b>Tools</b>	<b>Description</b>	<b>Date</b>
<b>General Public</b>	Fact Sheets (2)--English, Spanish, Chinese	#1: Backgrounder on revenue sources, GF allocation and constraints, history of deficits and cuts, budget process and milestones	4/2/2013
		#2: Summary of Proposed Policy Budget	4/19/2013
	Power Point Presentation	Budget background and overview of proposed budget	4/19/2013
<b>Online Resources</b>	EngageOakland.com	Community survey re: budget priorities	3/22/2013
	Budget Web Page	Compile and post all budget documents and fact sheets	4/2/2013
	Budget Challenge	On-line community priority-setting tool	4/19/2013
	Open Data Platform	Release raw budget data on Socrata open data platform	
		Baseline budget data	4/2/2013
Proposed Budget data	4/19/2013		
	Allows visualization of budget data.		
	OpenOakland is partnering with the Budget Advisory Committee to develop an open source code platform for value-added visualization of budget data.		
<b>Community</b>	Tribune advertorial	Full-page advertorial in Tribune	4/24/2013
	Budget Hearings	Mayor Quan and Administration present Proposed Budget to Council	4/30/2013
		Proposed City Council Budget Hearings	
		Hearing #1 (proposed date)	5/30/2013
		Hearing #2 (proposed date)	6/13/2013
	Proposed Final City Council Budget Hearing/Adoption	6/27/2013	
Community Town Hall Meetings	Budget Town Hall meetings citywide--dates and locations TBD	Month of May	



## AGENDA REPORT

**TO: DEANNA J. SANTANA**  
CITY ADMINISTRATOR

**FROM: Donna Hom**  
Budget Director

**SUBJECT: FIVE-YEAR FINANCIAL FORECAST**    **DATE: March 22, 2013**

City Administrator  
Approval

Date

3/22/13

**COUNCIL DISTRICT: City-Wide**

### RECOMMENDATION

Staff recommends that the City Council accept this supplemental agenda report on the Five-Year Financial Plan for FY 2013-14 through FY 2017-18.

### REASON FOR SUPPLEMENTAL REPORT

On February 26, 2013, the Finance and Management Committee received an informational report on the City's Five-Year Financial Plan. The presentation and discussion that followed provided a good opportunity to clarify the scope and intent of the report, which presents a forecast of the revenues, expenditures, and financial issues facing the City over a five-year horizon. The Committee accepted the report, forwarded it to the City Council, and asked staff to provide some limited additional information to be presented at the Special City Council meeting scheduled for April 2, 2013. The information requested by the Committee, as well as some additional information advanced by staff, is provided below.

### ADDITIONAL INFORMATION REQUESTED BY COMMITTEE

Explain the difference between the General Fund revenue figures presented in the Comprehensive Annual Financial Report (CAFR) and the General Purpose Fund revenue figures presented in the five-year financial forecast.

The City's Comprehensive Annual Financial Report (CAFR) follows specific professional accounting rules that result in a presentation of different figures in some cases compared to the five-year financial forecast. The forecast, revenue and expenditure reports, and budget are usually reporting on the General Purpose Fund, an individual fund within a group of funds referred to as the general fund group. The CAFR is reporting on the general fund group of funds as a whole when it refers to "General." The difference in the property tax amount observed in the CAFR compared to the forecast is that the property tax figure in the CAFR includes all property taxes that flow to all general fund group funds, including for the pension override tax that flows directly into the Pension Override Tax Revenue fund, one of the general fund group funds

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reported in the CAFR, but separate from the General Purpose Fund reported in the forecast. The pension override tax is a property tax passed by Oakland voters specifically to provide a funding source to fund the City's closed Police and Fire Retirement System (PFRS) obligations. It is referred to as "override" because it overrides the property tax limit of 1% of assessed value imposed by Proposition 13, which included an exception for overrides to pay for indebtedness approved by voters prior to July 1, 1978. The difference between the figures in the CAFR and forecast is illustrated in the table below using FY 2007-08 data, the specific year about which a City employee labor group raised this reconciliation question.

**Comparison of CAFR General Fund to Five-Year Financial Forecast General Purpose Fund Property Tax**

Revenue Type	General Purpose Fund FY 2007-08 Property Tax	General Fund FY 2007-08 Property Tax (Rounded)	Difference Between Five-Year Financial Forecast Figure and CAFR Figure	Actual Pension Override Tax Revenue FY 2007-08
Value	\$131,744,660	\$201,765,000	\$70,020,340	\$70,020,948
Source	Five-year financial forecast, Table 8	Comprehensive Annual Financial Report (CAFR), FY 2007-08, Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds		City's Oracle financial system report of FY 2007-08 year end revenues for Pension Override Tax Revenue fund (1200)

Present a chart that illustrates the budgetary and service level impacts of different scenarios regarding the possible extension of local ballot measures, the Violence Prevention and Public Safety Act (Measure Y, 2004) and the Wildfire Prevention Assessment District.

The agenda report issued on November 15, 2012 regarding the five-year financial forecast included, as Attachment 2, a number of tables that illustrate the budgetary and service level impacts of different scenarios regarding the extension of Measure Y. Those tables are shown below. Measure Y raises approximately \$20 million of revenue per year through a combination of parking and parcel taxes. Of that, approximately \$14.5 million goes to police (63 officers) and fire services (two fire engine companies), and \$5.5 million goes to community grants. The five-year financial forecast assumed, conservatively, that Measure Y was not extended, but that the City continued to fund police and fire services out of the General Purpose Fund (GPF) based on current contract obligations. This assumption was made because it is completely subject to voter approval and not within the purview of the Council's authority to effectuate this revenue. As such, the loss of Measure Y funding but continuation of the related police and fire services paid for by the GPF creates a \$14.5 million annual shortfall in the GPF in future years relative to the continuation of Measure Y. If Measure Y is extended and the police and fire services and community grants are funded at current levels, there will be no net impact on the GPF. Note that as the forecasted surplus/ (shortfall) has been revised since the publication of the five-year

financial forecast, the budgetary impact shown below is relative to the revised “baseline” budget shortfall. The complete five-year revenue and expenditure forecast will be updated and published in the forthcoming budget proposal.

**Five-Year Financial Plan, Fiscal Year (FY) 2013-14 to FY 2017-18**

Assumptions: Police and fire activities cost \$14.5M; community grants \$5.5M; Measure Y funding totals \$20.0M; funding without extension is \$16.4M in FY 2014-15, \$0 thereafter. Sworn police staffing assumes two police academies per year, netting 32 officers as a result of 80 police academy graduates and attrition of 48.

**Scenario 1 - Measure Y sunsets and all activities (police, fire, and community grants) discontinued**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	666*	698	730
Fire engine companies**	30	30	32**	30	30	30
Community programs	\$5.5M	\$5.5M	\$1.9M	\$0	\$0	\$0
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	-\$14.5M	-\$14.5M	-\$14.5M

\* Loss of 63 Measure Y-funded officers, addition of 32 net academy graduates

\*\* Two additional fire engine companies come back into service in FY 2014-15 due to the end of brown outs, a labor concession

**Scenario 2 (FYFP baseline) - Measure Y sunsets, GPF supports police and fire, not community grants**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$1.9M	\$0	\$0	\$0
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M

**Scenario 3 - Measure Y sunsets, GPF supports police, fire, and community grants**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	+\$3.6M	+\$5.5M	+\$5.5M	+\$5.5M

**Scenario 4 - Measure Y extended by voters and all activities (police, fire, and community grants) continued**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Sworn police staffing (avg budgeted)	633	665	697	729	761	793
Fire engine companies	30	30	32	32	32	32
Community programs	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M	\$5.5M
Impact on Forecasted GPF Shortfall (Compared to FYFP Shortfall)	NA	\$0.0M	\$0.0M	-\$14.5M	-\$14.5M	-\$14.5M



Note that there were no tables in the agenda report attachment regarding the Wildfire Prevention Assessment District. The assessment raises approximately \$1.8 million annually to support various fire prevention activities. The five-year financial forecast assumed, conservatively, that the district would not be extended, and assumed that the City would not continue to fund the related services through other means. So, the forecast assumes no revenues and no expenditures for the fire prevention activities. If the district is extended, then the City will have those additional revenues to match the service expenditures, and it will have no net impact on projected GPF or all funds surplus or shortfall.

Provide additional information on the General Purpose Fund revenues forecasted in the five-year financial forecast relative to the forecast presented by International Federation of Professional and Technical Engineers (IFPTE) Local 21 at the February 26, 2013 hearing.

At the February 26, 2013 hearing, Budget Office staff presented the five-year financial forecast. Based on data available when the forecast was constructed in summer 2012, staff estimated that FY 2017-18 General Purpose Fund (GPF) revenues would total \$465.5 million. During public comment at the hearing, representatives of International Federation of Professional and Technical Engineers (IFPTE) Local 21 presented an alternate forecast that projected FY 2017-18 GPF revenues totaling approximately \$495.0 million.

Budget Office staff reviewed Local 21's chart and supporting materials and met with Local 21 to discuss them. Analysis revealed that Local 21 had arrived at a higher forecast because it assumed a higher FY 2011-12 base level of ongoing revenue upon which it forecasted future levels. The FY 2011-12 Fourth Quarter Revenue and Expenditure Report showed that the City ended the fiscal year with GPF revenue of \$449.5 million, \$34.8 million higher than budgeted. The report noted that \$24.4 million of this \$34.8 million surplus was due to one-time payments and early recognition of revenue. Local 21 took the FY 2011-12 ending actual revenue of \$449.5 million, removed \$24.0 million of one-time, and used the resulting figure of \$425.5 million as the ongoing base, to which it applied the same annual growth rates used in the five-year financial forecast. Based on this approach, Local 21 estimated FY 2017-18 GPF revenues of \$494.9 million, considerably higher than the \$465.5 million forecasted in the five-year financial plan.

Although \$24.4 million of the \$34.8 million overage was one time, that was not the total one time in FY 2011-12's revenues. The total amount of one-time was \$48.0 million. When this entire amount is appropriately removed from the \$449.5 million total revenue, it creates a base of \$401.5 million of ongoing revenue. When that is escalated at the growth rates in the five-year financial forecast, it results in a FY 2017-18 forecast almost equal to that in the five-year financial forecast, \$465.5 million.

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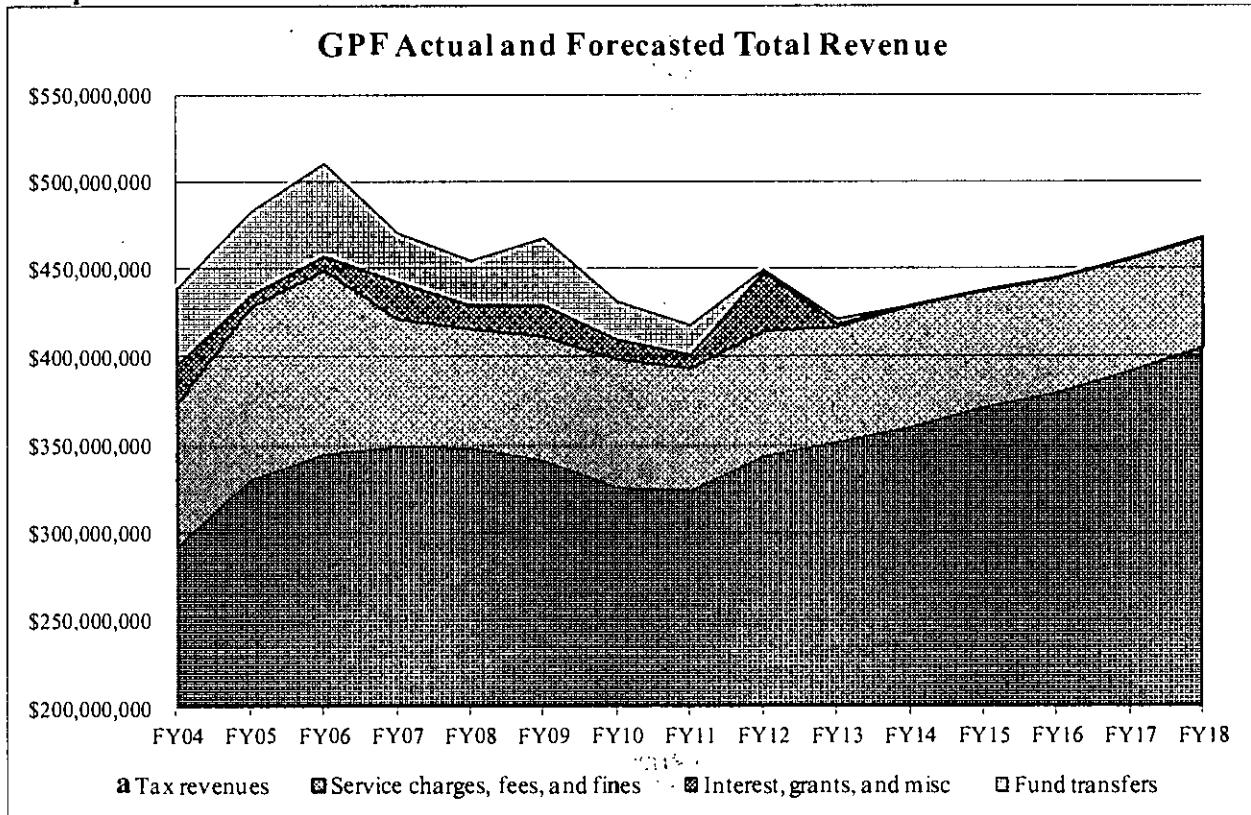
Explain why the total General Purpose Fund (GPF) revenues forecasted in the five-year financial forecast do not grow to match or exceed the levels of past fiscal years, despite the economic recovery.

A revised five-year forecast of GPF revenues and expenditures will be included in the forthcoming budget proposal. Expenditures will be forecasted using the proposed budget as the baseline. Forecasts become outdated as new information becomes available. We already know as a result of preparing the FY 2013-15 baseline budget that the revised expenditure forecast will be higher than that originally presented in the five-year financial forecast. We also expect that there will be changes in the revenue forecast.

One of the major reasons that recent GPF revenues and those forecasted for FY 2013-14 through FY 2017-18 have not achieved the same totals as those of FY 2004-05 and FY 2005-06, recent highs, is that a large share of budgeted GPF revenue in those years came from “fund transfers,” which are transfers from the positive balance of non-GPF funds into the GPF. For example, when GPF actual revenues totaled \$511 million in FY 2005-06, nearly \$54 million was from fund transfers. Similarly, when GPF revenues totaled \$468 million in FY 2008-09, nearly \$39 million of that revenue was from fund transfers. These transfers were in part comprised of transfers of fund balance from funds with positive balances, such as the internal service funds. This practice, borrowing from positive funds, was one of the causes of the negative fund balances the City now has. The City has stopped this practice of transferring resources from positive non-GPF funds into the GPF, and the five-year financial forecast projects \$0 in revenues from fund transfers during the forecast period, an appropriate budget practice. The chart below illustrates the role that fund transfers have historically played in supporting GPF expenditures.

The chart also illustrates that the five-year financial forecast is projecting steady growth in tax revenues (property tax, sales tax, business license tax, utility consumption tax, real estate transfer tax, transient occupancy tax, and parking tax), which are projected to be at their highest levels ever in FY 2012-13 and are projected to grow in subsequent years.

**Composition of Total GPF Revenue**



**Present information on the timing and budgetary impact of achieving different Oakland Police Department staffing levels during the five-year forecast period (FY 2013-14 through FY 2017-18), including the following options:**

1. Conduct no additional academies following the completion of the 168<sup>th</sup> in March 2014;
2. Maintain sworn staffing at the FY 2012-13 level;
3. Conduct one academy per year;
4. Conduct two academies per year;
5. Achieve 830 sworn (recent historical high), restore critical civilian staff, and implement civilianization to the maximum extent feasible; and
6. Reach 925 sworn (required to increase staffing of the patrol function to the level recommended in the department's Strategic Plan), restore critical civilian staff, and implement civilianization to the maximum extent feasible.

**Given the critical importance of police staffing, the City Administrator's Budget Office and Controller's Office recently worked with the Police Department, Human Resources, Department**

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of Information Technology, and Public Works Agency to jointly develop updated, thorough estimates of the cost of police academies and the one-time and ongoing costs of new officers. This information will be detailed in the soon forthcoming information memorandum entitled Police Officer Academy Costs.

Note that in addition to the costs presented in the Police Officer Academy Costs memorandum, the Police Department has also identified, based on a needs assessment associated with the development of the Five-Year Financial Plan, that it currently has staffing shortages in a number of civilian positions to support the current number of sworn staff and current service demands, totaling 56.00 FTE positions. This includes 15 Police Evidence Technicians; five Police Records Specialists; one Police Records Supervisor; two Criminalist IIs; two Criminalist IIIs; one Latent Fingerprint Examiner II; 17 Police Communications Dispatchers; three Police Communications Supervisors; and 10 Administrative Analyst IIs for business intelligence and crime analysis. The annual cost for these 56 staff will total approximately \$5.6 million in FY 2013-14. The department will fine tune these figures following the conclusion of the organizational assessment currently underway. In addition, if the number of officers is increased, new sworn supervisory and support staff would be needed to support the new officers, as shown below.

The costs presented below are relative to the expenditures in the FY 2013-15 baseline budget, which includes just the 168<sup>th</sup> police academy, which will begin in September 2013, and the ongoing costs of its graduates.

No Additional Academies Beyond 168th

The FY 2013-15 baseline budget includes just the 168<sup>th</sup> academy and the ongoing costs of its graduates. As such, the staffing and budgetary impacts of this scenario, no academies beyond the 168<sup>th</sup>, are the same as those presented in the baseline two-year budget, and shown below.

**POLICE SWORN STAFF (ONE ACADEMY IN FY 2013-14, COSTS ABOVE BASELINE BUDGET)**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	0	-48	-48	-48	-48	
<b>Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)</b>	<b>665</b>	<b>617</b>	<b>569</b>	<b>521</b>	<b>473</b>	
Pre-Academy, Academy, and Field Training	\$0	\$0	\$0	\$0	\$0	\$0
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$0	\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Maintain Sworn Staffing at the FY 2012-13 Level; Conduct One Academy Per Year

At a general, planning level, conducting one academy per year roughly offsets attrition, as the 40 graduates of a single academy roughly equates in the short run to the average annual attrition of about 48. As such, these two scenarios, maintaining current staffing levels and one academy per

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year, are combined for costing purposes. The resulting staffing levels and costs, above baseline, of a single academy per year, are shown in the table below. Note that there are no additional supervisory or support staff needed in future years, beyond the initial 56.00 FTE, as the size of the sworn staff is not increasing in this scenario.

**POLICE SWORN STAFF (ONE ACADEMY PER YEAR, COSTS ABOVE BASELINE BUDGET)**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	0	-8	-8	-8	-8	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	665	657	649	641	633	
Pre-Academy, Academy, and Field Training	\$1,119,983	\$3,937,238	\$5,368,351	\$4,218,814	\$3,869,003	\$18,513,388
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$0	\$4,532,906	\$3,358,900	\$11,656,901	\$20,391,972	\$39,940,678
<b>GRAND TOTAL</b>	<b>\$1,119,983</b>	<b>\$8,470,144</b>	<b>\$8,727,250</b>	<b>\$15,875,714</b>	<b>\$24,260,975</b>	<b>\$58,454,066</b>

**56 ADDITIONAL SUPPORT STAFF**

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

Conduct Two Academies Per Year; Achieve 830 Sworn

Conducting two academies per year is forecasted to result in 833 sworn staff by the end of the fifth year, plus 22 additional sworn supervisory staff. As such, these two scenarios, conducting two academies per year and achieving sworn staffing of 830, are combined for costing purposes. The associated staffing and costs above baseline are presented in the table below. Note that as the department adds sworn staff, it will need to add 22 sworn supervisory staff and 12 non-sworn support staff beyond the 56.00 FTE support staff needed to support FY 2013-14 staffing and service demand levels.

**POLICE SWORN STAFF INCREASE TO 833 TOTAL (TWO ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	32	32	32	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	705	737	769	801	833	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$8,285,010	\$9,443,517	\$9,795,470	\$7,524,576	\$39,973,332
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$2,190,583	\$15,044,155	\$22,163,013	\$38,849,633	\$59,942,451	\$138,189,836
<b>GRAND TOTAL</b>	<b>\$7,115,342</b>	<b>\$23,329,164</b>	<b>\$31,606,531</b>	<b>\$48,645,104</b>	<b>\$67,467,027</b>	<b>\$178,163,168</b>

**56 ADDITIONAL SUPPORT STAFF**

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

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**ADDITIONAL SWORN SUPERVISORY AND CIVILIAN STAFF TO SUPPORT NEW OFFICERS**

Sworn Supervisory Staff (Sergeants and Lieutenants) to Maintain Span of Control	5.00	4.00	5.00	4.00	4.00	22.00
Non-Sworn Support Staff (Records, Evidence, Criminalist)	2.00	3.00	2.00	1.00	4.00	12.00
Supervisory and Support FTE Total	7.00	7.00	7.00	5.00	8.00	34.00
Cumulative Cost of Additional Supervisory and Support Staff	\$1,175,897	\$2,402,333	\$3,886,816	\$5,368,481	\$7,072,218	\$19,905,745

Reaching 925 Sworn

To achieve approximately 925 sworn staff would require holding two academies per year of 55 in/40 out in each of the first two years, four academies per year of 40 in/30 out in the following two years, and three academies of 40 in/30 out in the fifth year. The associated costs and staffing levels are illustrated in the table below. Note that as the department adds sworn staff, it will need to add 34 sworn supervisory staff and 18 non-sworn support staff beyond the 56.00 FTE support staff needed to support FY 2013-14 staffing and service demand levels.

**POLICE SWORN STAFF INCREASE TO 923 TOTAL (TWO TO FOUR ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	72	72	42	
Total Sworn at Fiscal Year End (665 FY 2013-14 baseline)	705	737	809	881	923	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$7,874,475	\$15,695,018	\$16,239,323	\$11,392,221	\$56,125,796
One-Time and Ongoing Personnel and O&M Costs Related to New Officers	\$2,190,583	\$15,044,155	\$25,927,067	\$50,618,388	\$75,749,119	\$169,529,312
<b>GRAND TOTAL</b>	<b>\$7,115,342</b>	<b>\$22,918,630</b>	<b>\$41,622,084</b>	<b>\$66,857,711</b>	<b>\$87,141,340</b>	<b>\$225,655,107</b>

**56 ADDITIONAL SUPPORT STAFF**

One Time Additional Support FTE Total	56.00	0.00	0.00	0.00	0.00	56.00
Cumulative Cost of Additional Support	\$5,585,909	\$5,865,204	\$6,158,465	\$6,466,388	\$6,789,707	\$30,865,673

**ADDITIONAL SWORN SUPERVISORY AND CIVILIAN STAFF TO SUPPORT NEW OFFICERS**

Sworn Supervisory Staff (Sergeants and Lieutenants) to Maintain Span of Control	5.00	4.00	10.00	9.00	6.00	34.00
Non-Sworn Support Staff (Records, Evidence, Criminalist)	2.00	4.00	5.00	2.00	5.00	18.00
Supervisory and Support FTE Total	7.00	8.00	15.00	11.00	11.00	52.00
Cumulative Cost of Additional Supervisory and Support Staff	\$1,175,897	\$2,474,569	\$5,417,633	\$8,011,337	\$10,510,569	\$27,590,004

Note that these costing figures might be revised as additional analysis is conducted regarding the cost impacts of attrition.

**ADDITIONAL INFORMATION ADVANCED BY THE ADMINISTRATION**

The five-year financial forecast estimated General Purpose Fund (GPF) revenues over the forecast period. Based on information at a single point in time, forecasts become outdated as new information becomes available. Since the forecast was issued in October 2012, the City has received additional information about revenue trends that enable an update to the forecast for the upcoming two-year budget period. Presented below is a comparison of GPF revenue for FY 2013-14 and FY 2014-15 as forecasted in the five-year financial forecast and an updated, revised forecast as of March 2013, with explanation.

Note that the expenditure forecast for the upcoming two-year budget period has also been revised since the five-year financial forecast was issued in October 2012, such that the two-year baseline budget for FY 2013-14 and FY 2014-15 shows significantly higher expenditures.

The five-year financial forecast projected total GPF revenue of approximately \$418.0 million in FY 2013-14 and approximately \$430.1 million in FY 2014-15. Based on more recent information on revenue trends, as of March 2013 those estimates have been revised to \$429.5 million and \$438.1 million respectively, as shown below.

**General Purpose Fund Revenue Forecast, Five-Year Financial Forecast (FYFF) and March 2013 Updated Revised Forecast, FY 2013-14 and FY 2014-15**

Revenue Sources	FYFF FY 2013-14	Revised Forecast FY 2013-14	Variance	FYFF FY 2014-15	Revised Forecast FY 2014-15	Variance
Property Tax	5141,792,163	\$ 144,048,853	\$ 2,256,690	\$ 148,226,953	\$ 150,528,777	\$ 2,301,824
Sales Tax	\$ 45,178,542	\$ 47,208,326	\$ 2,029,784	\$ 46,533,898	\$ 48,624,576	\$ 2,090,677
Business License Tax	\$ 56,940,686	\$ 58,486,270	\$ 1,545,584	\$ 59,194,313	\$ 60,240,858	\$ 1,046,545
Utility Consumption Tax	\$ 51,434,031	\$ 50,588,732	\$(845,299)	\$ 51,691,201	\$ 50,588,732	\$(1,102,469)
Real Estate Transfer Tax	\$ 31,429,501	\$ 39,453,990	\$ 8,024,489	\$ 32,372,386	\$ 40,637,610	\$ 8,265,224
Transient Occupancy Tax	\$ 10,949,655	\$ 12,006,316	\$ 1,056,661	\$ 11,190,547	\$ 12,246,442	\$ 1,055,895
Parking Tax	\$ 8,364,124	\$ 8,531,028	\$ 166,904	\$ 8,548,135	\$ 8,701,649	\$ 153,514
Licenses & Permits	\$ 1,184,140	\$ 1,386,725	\$ 202,584	\$ 1,210,191	\$ 1,414,459	\$ 204,268
Fines & Penalties	\$ 24,387,799	\$ 23,488,994	\$(898,805)	\$ 24,387,799	\$ 20,558,805	\$(3,828,994)
Interest Income	\$ 731,942	\$ 740,482	\$ 8,540	\$ 731,942	\$ 740,482	\$ 8,540
Service Charges	\$ 42,870,838	\$ 43,363,300	\$ 492,461	\$ 43,254,298	\$ 43,635,681	\$ 381,383
Grants & Subsidies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Internal Service Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue	\$ 1,715,986	\$ 199,320	\$(1,516,666)	\$ 1,715,986	\$ 199,320	\$(1,516,666)
Inter-Fund Transfers	\$ 1,008,000	\$ 0	\$(1,008,000)	\$ 1,008,000	\$ 0	\$(1,008,000)
Sub-Total	\$ 417,987,408	\$ 429,502,335	\$ 11,514,927	\$ 430,065,651	\$ 438,117,391	\$ 8,051,740
Transfers from Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Grand Total</b>	<b>\$ 417,987,408</b>	<b>\$ 429,502,335</b>	<b>\$ 11,514,927</b>	<b>\$ 430,065,651</b>	<b>\$ 438,117,391</b>	<b>\$ 8,051,740</b>

The explanation of the changes in the revenue projection from the five-year financial forecast to the March 2013 revision is as follows.

Property tax revenue is forecasted to be \$2.3 million higher than originally forecasted in both FY 2013-14 and FY 2014-15. This increase is based on higher-than-expected property tax receipts in the first disbursement of 2012-13 property tax in winter 2012, due to lower delinquency rates and other factors.

Sales tax revenue is forecasted to be \$2.0 million higher than originally forecasted. This increase is largely due to higher-than-expected growth of the local economy, particularly regarding auto sales, and higher-than-expected fuel prices. These revised estimates are consistent with similar revisions recommended by the City's economic consultants.

Business license tax (BLT) revenue is forecasted to be \$1.5 million higher than originally forecasted in FY 2013-14 and \$1.0 million higher in FY 2014-15. This increase is largely due to



growth in local gross receipts, increased rental rates for commercial and residential properties, and planned efforts to increase enforcement of tax payments.

Utility consumption tax (UCT) revenue is forecasted to be \$0.8 million lower than originally forecasted FY 2013-14 and \$1.1 million lower in FY 2014-15. This decrease is due to continued erosion in the UCT tax base from changes to communications technology use and the implementation of energy efficiency measures, which reduces energy consumption upon which the tax is partially based.

Real estate transfer tax (RETT) revenue is forecasted to be \$8.0 million higher than originally forecasted in FY 2013-14 and \$8.3 million higher in FY 2014-15. This increase in the forecast is largely due to very robust growth in the prices of sold properties over the past 5 months, although it should be noted that the volume of transactions has not significantly increased over this time period.

Transient occupancy tax (TOT) revenue is forecasted to be \$1.1 million higher than originally forecasted in both FY 2013-14 and FY 2014-15. This increase is largely due to significant increases in the average daily room rates of Oakland's hotels. These rate increases are driven by a recovery in the travel industry and very tight local supply of rooms.

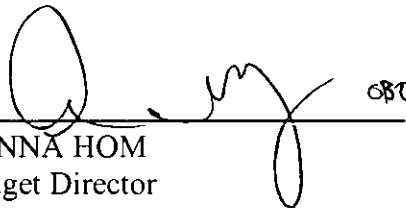
Fines and penalties revenue is forecasted to be \$0.9 million lower than originally forecasted in FY 2013-14 and \$3.8 million lower in FY 2014-15. This decrease in the first year is attributable to falling parking citation revenue due to winter parking holidays, the "parkmobile" pilot program, and the five-minute grace period. The decrease in the second year is due in large part to the planned installation of new debit/credit parking meters, which will lead to higher rates of payment, and has led to significantly lower levels of parking citations in other jurisdictions that have implemented these meters.

Miscellaneous revenue is expected to decline by \$1.5 million from the original forecast in both years as the City is not expecting to achieve billboard revenues that it had earlier assumed.

Inter-fund transfers revenue is expected to decline by \$1.0 million from the original forecast due to the reclassification of one payment to the GPF totaling \$0.6 million from fund transfer to service charge. The City is also forecasting that a historic transfer from another fund totaling \$0.4 million will be discontinued due to updated accounting practices and the challenging fiscal condition of the contributing fund.

For questions regarding this report, please contact me at 510-238-2038.

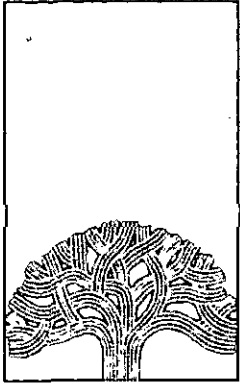
Respectfully submitted,



DONNA HOM  
Budget Director

Prepared by:  
Andrew Murray, Assistant to the City Administrator

Item: \_\_\_\_\_  
City Council  
April 2, 2013



City of  
**OAKLAND**  
California



# City of Oakland Special City Council Meeting

April 2, 2013

# Table of Contents

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- I. **Review of Past Budget Conditions**
- II. **Review of Current Budget Conditions**
- III. **Review of Proposed Budget Baseline**
- IV. **Budget Process and Timeline**

***Information presented is to the best of our knowledge as of March 2013 and subject to change.***



City of  
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California

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# Past Budget Conditions

# Background– Past Budget Conditions

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- ▶ Shortfalls totaling **\$317.8** Million over last 6 years
- ▶ Workforce reduction equivalent to **720** full-time positions (20%) over last 6 years
- ▶ Service reductions appear not equivalent to staff reductions - challenge trying to sustain traditional service levels with diminishing staff and resources
- ▶ Internal service departments critical to sustaining quality service and have been cut dramatically to preserve front-line services
- ▶ Employees & residents have been major part of the solution

*Source: Council meeting materials and adopted budget document*

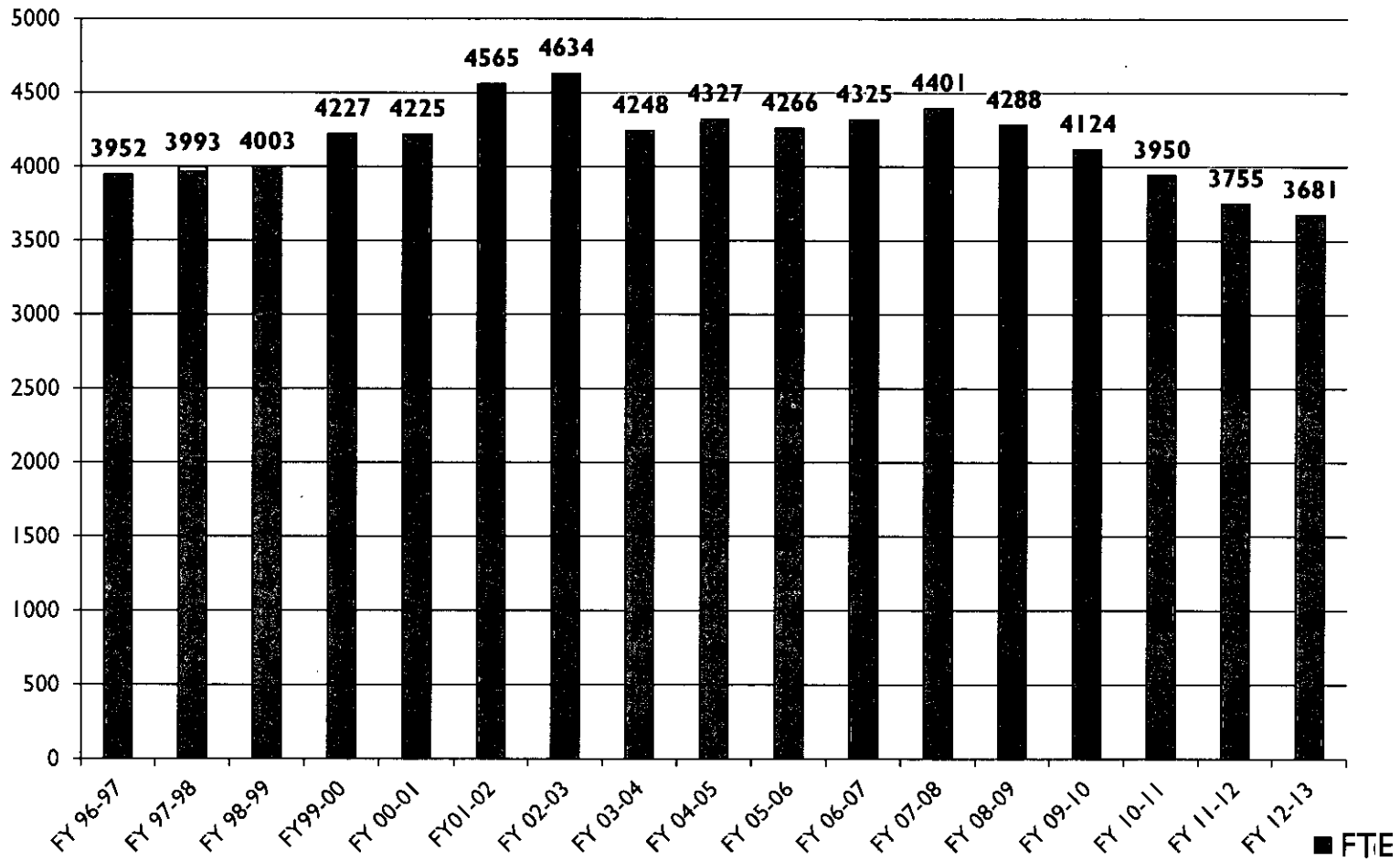


City of  
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California

# Full-Time Equivalent (FTE) History

4,634 → 3,681 FTEs (All Time Low)\*

Totals: 354 layoffs; and, 653 impacted positions



\*Source: Adopted Budget documents



# Past Challenges

▶ All-Funds budget shortfall and position eliminations

	<u>Reduction Amt. (Millions)</u>	<u>FTEs Eliminated*</u>
FY 2007-08	(\$ 7.5)	
FY 2008-09	(\$ 45.3)	(113)
FY 2009-10	(\$ 50.9)	(164)
FY 2010-11	(\$ 52.1)	(174)
FY 2011-12	(\$ 58.0)	(195)
FY 2012-13	(\$ 76.0)	
FY Jan. 2012 (ORA Dissolution)	(\$ 28.0)	(74)
<b>Total:</b>	<b>(\$317.8M)</b>	<b>(720 FTEs)</b>

Source: Council meeting materials and adopted budget documents





# Service Reductions—Public Safety

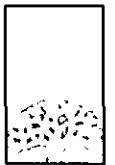
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- Closed two fire engine companies—Rolling Brown Outs
  - 2 out of 25 Engines, 7 Trucks remain
- Sworn OPD workforce reduced **27%** from 837 to 611 officers
- Civilian OPD workforce reduced **34%** in the last 6 years from 394 to 261 (*Does not include Parking Reorganization*)
- Loss of a variety of OPD resources:
  - Patrol staffing level
  - Slower Response Time for 911 Calls for Service/Dispatcher Staffing Shortage
  - Horse Mounted Unit Eliminated
  - Traffic Units Eliminated
  - Investigation Staff Reduced

# Service Reductions—Comty. Services

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- Staff spread “more thin” throughout the City to provide services, especially in the general administrative functions such as IT, HR, Finance/Budget, record keeping, etc. These services are KEY to quality services provided to the community.
- Staffing reductions at Oaklanders Assistance Center
- Reduced branch library hours from 6 to 5 days/week
- Reduced recreation center hours

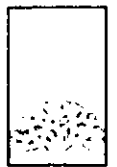


# Service Reductions—Comty. Services

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Loss of redevelopment funding and continued shortfalls have resulted in loss of key programs, and resources, for example:

- Paving & Street Repairs
- Code Enforcement Staffing Levels
- Planning Staffing Levels
- Development Staff
- Cultural Arts Staff
- Film Permitting
- Allocations to non-profits
- Façade and Tenant Improvement Grants
- Neighborhood Project Initiative Program (NPI)
- Graffiti abatement (private property)
- Tough on Blight (Code Enforcement)
- Extra Police Patrols
- Low Mod Housing
- Eliminated Illegal dumping
- Tree Trimming
- Homeless Services
- Street and Sidewalk Maintenance (potholes and paving)
- Park, Median and Grounds Maintenance
- Building Maintenance and Custodial
- Open Space Maintenance



# Past Solutions to Balance the Budget

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## Short-Term

- Employee contributions
- Deferred Maintenance
- Controlled & reduced expenditures (hiring freeze & selected hiring)
- Restricted travel, reduced training
- Financial assistance (e.g., grants)
- Reduced use of city vehicles
- Rotating Fire Station brownouts
- Funding shifts for expenditures (to mitigate impacts to GPF)
- Issue bond (PFRS)
- Property and land sales

## Long-Term

- Service eliminations/reductions (e.g., operating hours for Comty Centers, Libraries, etc.)
- Reduced workforce
- Increase employee's share of retirement contribution
- Two-tier Retirement System
- Reorganized city structure
- Economic development investment & strategies
- Increased fees

# Labor Agreements

## Employee Contributions Schedule - Estimated All Funds Savings

Contribution	Union	FY 2012-13	FY 2013-14	FY 2014-15
End of Mandatory Leave Without Pay (MLWOP) and Floating Mandatory Leave Without Pay (FMLWOP)	Civilian	\$15.7M	Sunset	Sunset
Salary step freeze	Civilian	\$2.7M	Sunset	Sunset
Additional retirement contribution	Civilian	\$2.7M	Sunset	Sunset
8.85% temporary salary reduction	IAFF	\$8.4M	\$8.8M	Sunset
Vacation reduction	IAFF	\$0.9M	\$1.0M	Sunset
Brown out of two companies	IAFF	\$4.0M	\$4.0M	Sunset
4% COLA delay	OPOA	\$2.2M	\$4.1M	\$1.0M
Suspend reinstatement of holidays	OPOA	\$0.4M	\$0.4M	\$0.4M
<b>Total Expiring Employee Contributions</b>		<b>\$37.0M</b>	<b>\$18.3M</b>	<b>\$1.4M</b>

Note: OPOA 9% employee pension contribution, lower Step one and trainee pay do not sunset after expiration of the current contract.



# Labor Agreements–GPF Savings

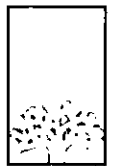
## Employee Contributions Schedule

Contribution	Union	FY 2012-13	FY 2013-14	FY 2014-15
Mandatory Leave Without Pay (MLWOP) and Floating Mandatory Leave Without Pay (FMLWOP)	Misc	\$5.6M	Sunset	Sunset
Salary step freeze	Misc	\$1.5M	Sunset	Sunset
Additional retirement contribution	Misc	\$1.0M	Sunset	Sunset
8.85% temporary salary reduction	IAFF	\$8.3M	\$8.5M	Sunset
Vacation reduction	IAFF	\$0.9M	\$1.0M	Sunset
Brown out of two companies	IAFF	\$4.0M	\$4.0M	Sunset
4% COLA delay	OPOA	\$1.9M	\$3.6M	\$1.0M
Suspend reinstatement of holidays	OPOA	\$0.4M	\$0.4M	\$0.4M
<b>Total Expiring Employee Contributions</b>		<b>\$23.6M</b>	<b>\$17.5M</b>	<b>\$1.4M</b>

Note: OPOA 9% employee pension contribution and lower Step one and trainee pay do not sunset after expiration of the current contract.

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# **Current Budget Conditions FY 2012-2013**



# City's Credit Rating

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- ▶ The City's underlying ratings for its general obligation bonds are as follows:

Rating Agency	Rating Action Date	Rating	Outlook
Moody's	6/19/2012	Aa2	Stable Outlook
S&P	6/13/2012	AA-	Stable Outlook
Fitch	8/20/2012	A+	Stable Outlook

- ▶ These ratings reflect the City's credit strengths which are embodied in:
  - ✓ Strong financial management practices, many of which are enshrined in council-adopted policy
  - ✓ Very deep and diversified economic base that contributes to and participates in the Bay Area regional economy
  - ✓ Positive views of budget actions that have allowed the City to retain a very strong general fund balance
  - ✓ Cash flows and liquidity levels that are closely monitored and managed throughout the fiscal year and management's emphasis on maintaining healthy general fund reserves
  - ✓ Very strong reserves





# Negative Other Fund Balance Summary

(FYs 2009-10 through 2012-13)

Negative Year-End Fund Balances Summary for FY 2009-10 through FY 2012- 13				
	Ending	Ending	Ending	Estimated
	Fund Balances	Fund Balances	Fund Balances	Fund Balances
Negative Fund Category	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
1 Negative Funds with Repayment Plan	(98,175,474)	(94,379,909)	(78,766,947)	(69,755,454)
2 Reimbursable Negative Funds	(22,448,746)	(13,525,732)	(18,692,300)	(14,629,751)
3 Non-Reimbursable Negative Funds without Repayment Plan	(17,542,656)	(13,441,408)	(14,031,629)	(14,531,629)
<b>Total Negative Funds</b>	<b>\$ (138,166,876)</b>	<b>\$ (121,347,049)</b>	<b>\$ (111,490,876)</b>	<b>\$ (98,916,834)</b>
FY 2010-10 to FY 2012-13 repayment amount	\$ (39,250,042)			

**Note:**

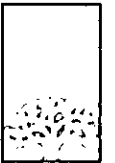
1. Ending Fund Balances for FY 2011-12 in the amount of \$111,490,876 is revised to actual per audit of the FY 11-12 Comprehensive Annual Financial Report (CAFR)



# Unfunded & Long-Term Liabilities

Unfunded Amount	Descriptions
\$743K	Oakland Municipal Employees Retirement System (OMERS), closed retirement system, unfunded balance as of June 30, 2011
\$743M	California Public Employees Retirement System (Cal PERS), 75% funded. Unfunded balance as of June 30, 2011
\$216M	Police and Fire Retirement System (PFRS), closed retirement system, unfunded balance as of June 30, 2012 was \$426M; issued a bond in July 2012, the current unfunded balance is \$216M, will start the payment in FY 2017-18, \$24.24M
\$520M	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$520M as of June 30, 2011
\$29.5M	Accrued leaves are funded at 28.7% level, which leaves approximately \$29.5M unfunded as of June 30, 2012 (unaudited)
\$105M	Of the 173 funds, 54 has negative fund balance as of June 30, 2012 (unaudited). Of which, \$79M is in the repayment schedule, \$26M is not.

*GASB Statement 45 requires government employers to measure and report other post-employment benefits (other than pension)*



## Audited General Fund Reserve/Undesignated Fund Balance Update

	June 30, 2012 Un-Audited	March 2013 Audited & Council Actions
Gross ending Fund Balance	\$ 82,900,000	\$ 84,600,000
Jun-Dec ROPS (Residual Prop. Tax Trust (RP, TT) already included in 12-13 Budget \$8.78M for 12-13 budget (property sales)	\$ (3,700,000)	\$ (3,700,000)
\$1.8M for Coliseum City EIR contract award (\$250K CDBG)	\$ (8,782,521)	\$ (8,782,521)
Project Carry Forward & Encumbrance	\$ (1,800,000)	\$ (400,000)
<b>Net Available Ending Fund Balance:</b>	<b>\$ 63,517,479</b>	<b>\$ 66,617,479</b>
<b>RESERVE 7.5% GPF PER COUNCIL POLICY</b>	<b>(\$ 30,200,000)</b>	<b>(\$ 30,200,000)</b>
<b>NET AVAILABLE ENDING FB</b>	<b>\$ 33,317,479</b>	<b>\$ 36,417,479</b>
July 1, 2012 Beginning Fund Balance:	\$ 33,317,479	\$ 36,417,479
Sierra Systems (Council action 12/2012)	\$ -	\$ (900,000)
20 PST II & 1 Latent Print Examiner III (Council action 1/2013)	\$ -	\$ (809,898)
Contract with Wasserman (Council action 1/2013)	\$ -	\$ (250,000)
Contract with Alameda County Sheriff's Office (Council action 1/2013)	\$ -	\$ (530,000)
VMA Security Service Contract (Council action 1/2013)	\$ -	\$ (100,000)
Low/Mod Housing & Admin. Cost ROPS Denial	\$ -	\$ (3,081,089)
Received Property Tax Distribution	\$ -	\$ 2,480,000
Contract with CHP (Council action 2/2013)	\$ -	\$ (162,000)
Compliance Director per Federal Court Order (Salary only, Term of NSA is 12/2014)	\$ -	\$ (540,000)
<b>General Fund Balance w/ Known Council Action:</b>	<b>\$ 33,317,479</b>	<b>\$ 32,524,492</b>

**Notes:**

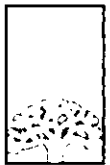
1. Some fund balance will be required for NSA/Compliance Director –Court Order Implementation (e.g., CD staffing, space, compliance initiatives) (\$TBD)
2. Fiscal impact of additional State actions regarding DOF/Controller's Office review have a potential impact of approximately \$35M for land sale reversals (not included) and additional ROPS review may have an additional fiscal impact (\$TBD).
3. Fiscal impact from pending litigation settlement agreements (Minimum is estimated at \$4.3M)
4. City Council has appropriated and/or recognized \$6,372,987 of Undesignated Fund Balance as of July 1, 2012 and will realize \$2,480,000 of Tax Distribution. The Council may return \$14.28M of one-time funds transferred to balance FY 2012-13 budget (as of June 30) due to revenue growth or allocate them as part of the budget process.
5. Anticipate allocating at least approximately \$8M for Police Overtime to close out a balanced FY 2012-13 operating budget.

# Budget At A Glance

(as of July 1, 2012)

Adopted Budget		
	GPF	All Funds
Revenue	\$409 million	\$1,004 million
Expenditure	\$409 million	\$984 million
FTEs		3,680.69

Note: For revised budget figures, see the 2<sup>nd</sup> Quarter Report that will be heard at the April 9 Finance & Management Committee Meeting.



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# FY 2012-13 Appropriation by Department

(as of July 1, 2012)

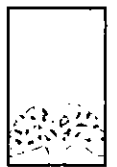
Departments	GPF		All Funds	
	Appropriations	%	Appropriations	%
Mayor	1,302,162	0.32%	1,546,515	0.16%
City Council	2,898,046	0.71%	3,419,414	0.35%
City Administrator	24,517,450	5.99%	50,431,169	5.12%
City Attorney	4,311,203	1.05%	12,058,374	1.23%
City Auditor	900,535	0.22%	900,535	0.09%
City Clerk	1,930,089	0.47%	2,108,852	0.21%
Administrative Services	17,192,769	4.20%	30,909,620	3.14%
Police Services	168,711,136	41.23%	194,952,142	19.81%
Fire Services	95,082,296	23.24%	108,509,408	11.03%
Library	9,059,989	2.21%	24,599,505	2.50%
Community Services	17,290,866	4.23%	75,264,767	7.65%
Public Works	816,207	0.20%	121,211,128	12.32%
Housing & Community Development	-	0.00%	13,312,193	1.35%
Planning, Building & Neighborhood Preservation	-	0.00%	20,708,482	2.10%
Non Departmental	64,654,586	15.80%	290,658,010	29.54%
Capital Improvement	502,000	0.12%	33,512,000	3.41%
<b>Total:</b>	<b>409,169,334</b>	<b>100.00%</b>	<b>984,102,114</b>	<b>100.00%</b>

Note: For revised budget figures, see the 2<sup>nd</sup> Quarter Report that will be heard at the April 9 Finance & Management Committee Meeting.

# Current Budget Conditions

(as of March 15, 2013)

- 
- ▶ Maintains prudent fiscal control & management
  - ▶ Carry forwards fund balance from prior year at \$84.6M (Audited)
  - ▶ Achieves City Council 7.5% Reserve Policy
  - ▶ Undesignated Fund Balance at approximately \$30M exists, but fiscal uncertainties exceed the amount of the Undesignated Fund Balance
  - ▶ \$6,372,987 (as of 3/15/2013) of Undesignated Fund Balance has been committed after July 1, 2012 and will realize \$2,480,000 of Tax Distribution (Net expenditure of \$3,892,987)
  - ▶ Paying down the negative fund balance (\$138M to \$98.9M—projected estimate for FY 2012-13)
  - ▶ FY 2012-13 Mid-Cycle Adopted Budget—Reinvested in some essential services:
    - ▶ Community Centers
    - ▶ Senior Center Hours
    - ▶ Paving Crew
    - ▶ OPD Academies



# Current Budget Conditions

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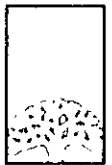
- ▶ **Strategies to Address Workforce and Community Needs**
  - ▶ Created contingency plan for unanticipated expenditures, which provides a fiscal source to pay for fiscal uncertainties
  - ▶ Public Safety investments
  - ▶ Investment in economic development and job growth
  - ▶ Investment in City's infrastructure and information technology
  - ▶ Continued to stabilize service levels

# Current Budget Conditions

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## **Fiscal Uncertainties –Outside of Local Control**

- Potential fiscal impact for RDA transaction reversal (land sales)
- ROPS denial of \$3M+ staff/program expenditures & more reviews underway
- Undesignated cost of NSA mandates
- Litigation Settlements
- Sequestration





# Current Budget Conditions

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## Service Challenges

- Public Safety – Crime Increase AND Sworn Decrease
- Modest Revenue Growth/ But Expenditures Exceed Pace
- 5 Year Forecast Shows Structural Budget Gap (with or without academies)
- Key Ballot Measures Expire (Measure Y, Wildfire Assessment) – Planning underway in CFY to stabilize future budgets
- Deferred Capital Investments
- Deferred Capital Maintenance/Expenditures
- Some projects do not have O&M Budget (e.g. Lake Merritt, West Oakland Youth Center, transferred RDA projects/properties)

# Measure Y & Wildfire District Sunset

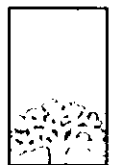
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## **Measure Y -- Violence Prevention and Public Safety Act of 2004, 10 years (expires on December 31, 2014)**

- ▶ Funded two fire engine companies, or 32 FTEs (minimum service level required-25 Engines 7 trucks)
- ▶ No less than 40% of proceeds spent on social service programs, 11.9 FTEs
- ▶ Funded 63 police officers (minimum staff required)
- ▶ Measure BB of 2010
  - ▶ Removed minimum service level for fire service
  - ▶ Removed minimum staffing level for FD
- ▶ Revenue from parcel tax and parking tax total approximately \$20M
- ▶ Property tax will cover until June 30, 2015, but parking tax will end on December 31, 2014

## **Wildfire Prevention Assessment District, 10 Years (Expires June 30, 2014)**

- Goat grazing program
- Chipping program
- Vegetation removal
- Public education
- 1 FTE
- Revenue will end on June 30, 2014, proposal to City Council for a ballot measure to be held in 2013



# FY 2012-13 Mid-Cycle Adopted Budget

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- ▶ In July 2012, first time in 4 years: no layoffs and no additional cuts in FY 2012-13 Amended Adopted Budget, and the City Council adopted the return of 1 day value of furlough to all unions subject to negotiation with all bargaining groups
- ▶ Restored Some Services: senior centers hours, recreation center hours, day laborer program, etc.
- ▶ Funded additional police academy and other law enforcement strategies
- ▶ Investment in economic development and job growth
- ▶ Replace and expand parking meters

# Continued Challenges

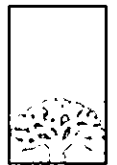
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- ▶ Unfunded and long-term liabilities (e.g. pension, OPEB, accrued leave)
- ▶ Deferred capital investments
- ▶ Negative Fund Balances
- ▶ Gaps between available resources and service demands/  
Multi-Year Deficits and Service Reductions/Eliminations
- ▶ Crime and Violence in our Community impact quality of life



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# Proposed Budget Baseline FY 2013-2015

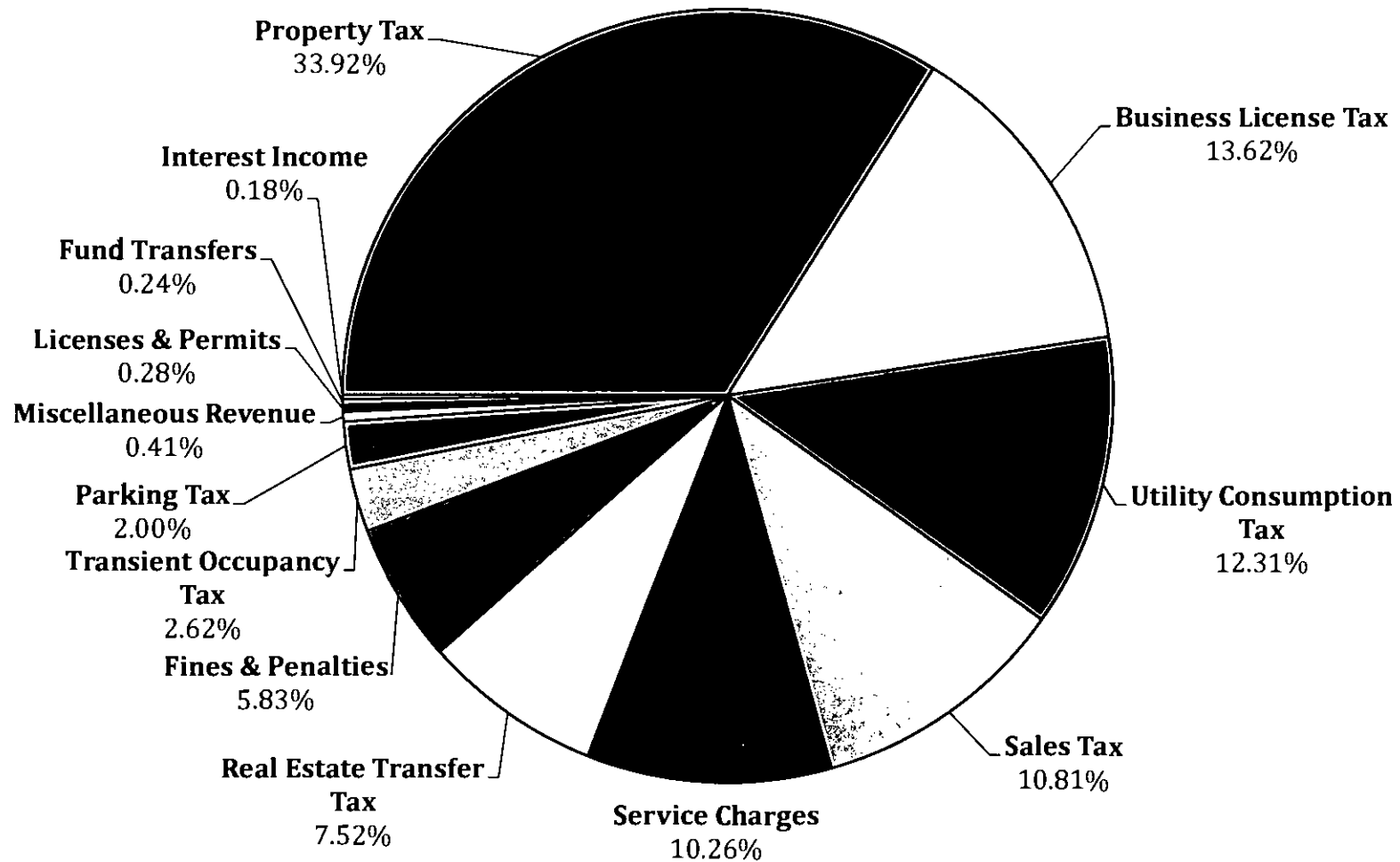


**FY 2013-14 General Purpose Fund  
Prpjected Reyvenue by Category**

<b>Categories</b>	<b>Amount</b>	<b>%</b>
Property Tax	\$ 141,792,163	33.92%
Business License Tax	\$ 56,940,686	13.62%
Utility Consumption Tax	\$ 51,434,031	12.31%
Sales Tax	\$ 45,178,542	10.81%
Service Charges	\$ 42,870,838	10.26%
Real Estate Transfer Tax	\$ 31,429,501	7.52%
Fines & Penalties	\$ 24,387,799	5.83%
Transient Occupancy Tax	\$ 10,949,655	2.62%
Parking Tax	\$ 8,364,124	2.00%
Miscellaneous Revenue	\$ 1,715,986	0.41%
Licenses & Permits	\$ 1,184,140	0.28%
Fund Transfers	\$ 1,008,000	0.24%
Interest Income	\$ 731,942	0.18%
<b>Total:</b>	<b>\$ 417,987,408</b>	<b>100.00%</b>

# Five Year Financial Plan - Forecast Revenue

## General Purppse Fund Fiscal Year 13-14



## Two-Year Budget Projected Shortfall (in Millions)

Descriptions	FY 2013-14	FY 2014-15
<b>Total Projected General Fund Expenditures</b>	See Next Slide*	See Next Slide*
<b>Total Projected General Fund Revenue</b>	\$417.99M	\$430.06M
<b>Projected General Fund Shortfall</b>	See Next Slide	See Next Slide

\*These expenditure figures include more precise projections than those included in the Five-Year Financial Plan; ongoing expenditures recently approved by the City Council; and some additional proposed critical expenditures (police academies, IT upgrades, and emergency capital repair) not yet approved by City Council, as detailed on a following slide.

Fund	13-14 Rev	13-14 Exp	FY 13-14 Diff	14-15 Rev	14-15 Exp	FY 14-15 Diff
Multipurpose Res (1750)	\$4.78	\$5.17	(\$0.39)	\$4.77	\$5.21	(\$0.44)
HUD – CDBG (2108)	\$7.75	\$9.25	(\$1.50)	\$7.75	\$9.35	(\$1.60)
Workforce Inv Act (2195)	\$5.73	\$6.42	(\$0.69)	\$5.73	\$6.46	(\$0.73)
Develop Serv Fund (2415)	\$24.02	\$25.45	(\$1.43)	\$24.02	\$25.75	(\$1.73)
<b>Non-General Fund Sub-Total:</b>			(\$4.01)			(\$4.50)
<b>Total All-Fund Projected Shortfall</b>			<b>TBD</b>			<b>TBD</b>

Other non-General Purpose Fund concerns:

- Library Measure Q (2241) structural imbalance (fund balance can cover the shortfall in FY 2013-15, but not thereafter)
- Pending litigation (settlements will add to negative fund balance in Self Insurance Liability fund (1100))



Obsolete as of  
3/7/2013

# Budget Deficit Scenarios

(Based on Policy Goals re: Police Staffing Levels)

Description	FY 2013-14	FY 2014-15
GF Revenue	\$417.99MM	\$430.07M
GF Expenditure: Scenario 1 (168 <sup>th</sup> Academy and No Additional Academies)	\$436.63M (18.64M Shortfall)	\$457.93 (27.86M Shortfall)
GF Expenditure: Scenario 2 1 Academy/FY: Y1: 168-Sept. 2013 Y2: 169 <sup>th</sup> -Sept. 2014	\$438.13M (21.14M Shortfall)	\$465.53M (35.46M Shortfall)
GF Expenditure: Scenario 3 2 Academies/FY: Y1: 168 <sup>th</sup> + 169 <sup>th</sup> ; Y2: 170 <sup>th</sup> + 171 <sup>st</sup>	\$447.23M (29.24M Shortfall)	\$481.73M (51.66M Shortfall)

See next slide for more complete information.

Revised as of  
3/18/2013

# Budget Deficit Scenarios

(Based on Policy Goals re Police Staffing Levels)

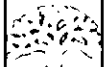
Description	FY 2013-14	FY 2014-15
GF Revenue	\$417.99M	\$430.07M
Scenario 1 = Y1: 665; Y2: 617 Officers Only 1 Academy in 2 years -Y1: 168 <sup>th</sup> Academy (Sept. 2013) -Y2: No Academies	\$436.63M (18.64M Shortfall)	\$457.93M (27.86M Shortfall)
Scenario 2 = Y1: 665; Y2: 657 Officers 1 Academy/FY -Y1: 168 <sup>th</sup> (Sept. 2013) -Y2: 169 <sup>th</sup> (Sept. 2014)	\$437.75M (\$19.76M Shortfall)	\$465.26M (\$35.19M Shortfall)
Scenario 3 = Y1: 705; Y2: 737 Officers 2 Academies/FY -Y1: 168 <sup>th</sup> (Sept. 13) + 169 <sup>th</sup> (Dec. 13) -Y2: 170 <sup>th</sup> (July 14) + 171 <sup>st</sup> (Dec. 14)	\$443.75M (\$25.76M Shortfall)	\$479.71M (\$49.64M Shortfall)
Scenario 4 = Y1: 665; Y2: 677 Officers 1 Academy/FY + Lateral -Y1: 168 (Sept. 2013) -Y2: 169 <sup>th</sup> (Sept. 2014, 20 PO Lateral) (County Sheriff + CHP Contracts)	\$440.15M (\$22.16M Shortfall)	\$472.90M (\$42.83M Shortfall)

# Police Sworn Staffing Increase - 833

## POlice SWORN STAFF INCREASE TO 833 TOTAL (TWO ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)

	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	32	32	32	
Total Sworn at FYE (665 FY 2013-14 baseline)	705	737	769	801	833	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$8,307,409	\$9,466,365	\$9,818,775	\$7,536,461	\$40,053,770
Costs related to new officers first year	\$2,190,583	\$7,235,383	\$7,528,106	\$7,833,393	\$8,370,781	\$33,158,246
On-Going Post Academy Total	\$0	\$7,808,772	\$14,634,908	\$31,016,240	\$51,571,670	\$105,031,590
<b>GRAND TOTAL</b>	<b>\$7,115,342</b>	<b>\$23,351,564</b>	<b>\$31,629,378</b>	<b>\$48,668,409</b>	<b>\$67,478,912</b>	<b>\$178,243,606</b>

Note: The original referral from the Finance & Management Committee requested the costing information for Police Sworn Staffing Increases at 830 Officers and 925 Officers respectively. However, this chart and the chart on the next slide assume Police Sworn Staffing Increase at 833 Officers and 923 Officers respectively because staff assumes each Police Academy starts with 55 individuals, however, only 40 end up actually graduating the Academy. In addition, it is assumed that 48 attributions will occur annually. With these assumptions, staff is using the closest numbers possible—833 (F&M Referral-830) and 923 (F&M Referral-925).

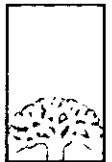


# Police Sworn Staffing Increase - 923

## POUCE SWORN STAFF INCREASE TO 923 TOTAL (TWO TO FOUR ACADEMIES PER YEAR, COSTS ABOVE BASELINE BUDGET)

	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	Grand Total
New Officers (Net Attrition of 48 Per Year)	40	32	72	72	42	
Total Sworn at FYE (665 FY 2013-14 baseline)	705	737	809	881	923	
Pre-Academy, Academy, and Field Training	\$4,924,759	\$7,874,475	\$15,695,018	\$16,239,323	\$11,392,221	\$56,125,796
Costs related to new officers first year	\$2,190,583	\$7,235,383	\$11,292,159	\$11,750,090	\$10,343,836	\$42,812,051
On-Going Post Academy Total	\$0	\$7,808,772	\$14,634,908	\$38,868,298	\$65,405,283	\$126,717,261
<b>GRAND TOTAL</b>	<b>\$7,115,342</b>	<b>\$22,918,630</b>	<b>\$41,622,084</b>	<b>\$66,857,711</b>	<b>\$87,141,340</b>	<b>\$225,655,107</b>

Note: The original referral from the Finance & Management Committee requested the costing information for a Police Sworn Staffing Increases at 830 Officers and 925 Officers respectively. However, this chart and the chart on the previous slide assume Police Sworn Staffing Increase at 833 Officers and 923 Officers respectively because staff assumes each Police Academy starts with 55 individuals, however, only 40 end up actually graduating the Academy. In addition, it is assumed that 48 attributions will occur annually. With these assumptions, staff is using the closest numbers possible—833 (F&M Referral-830) and 923 (F&M Referral-925).



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California

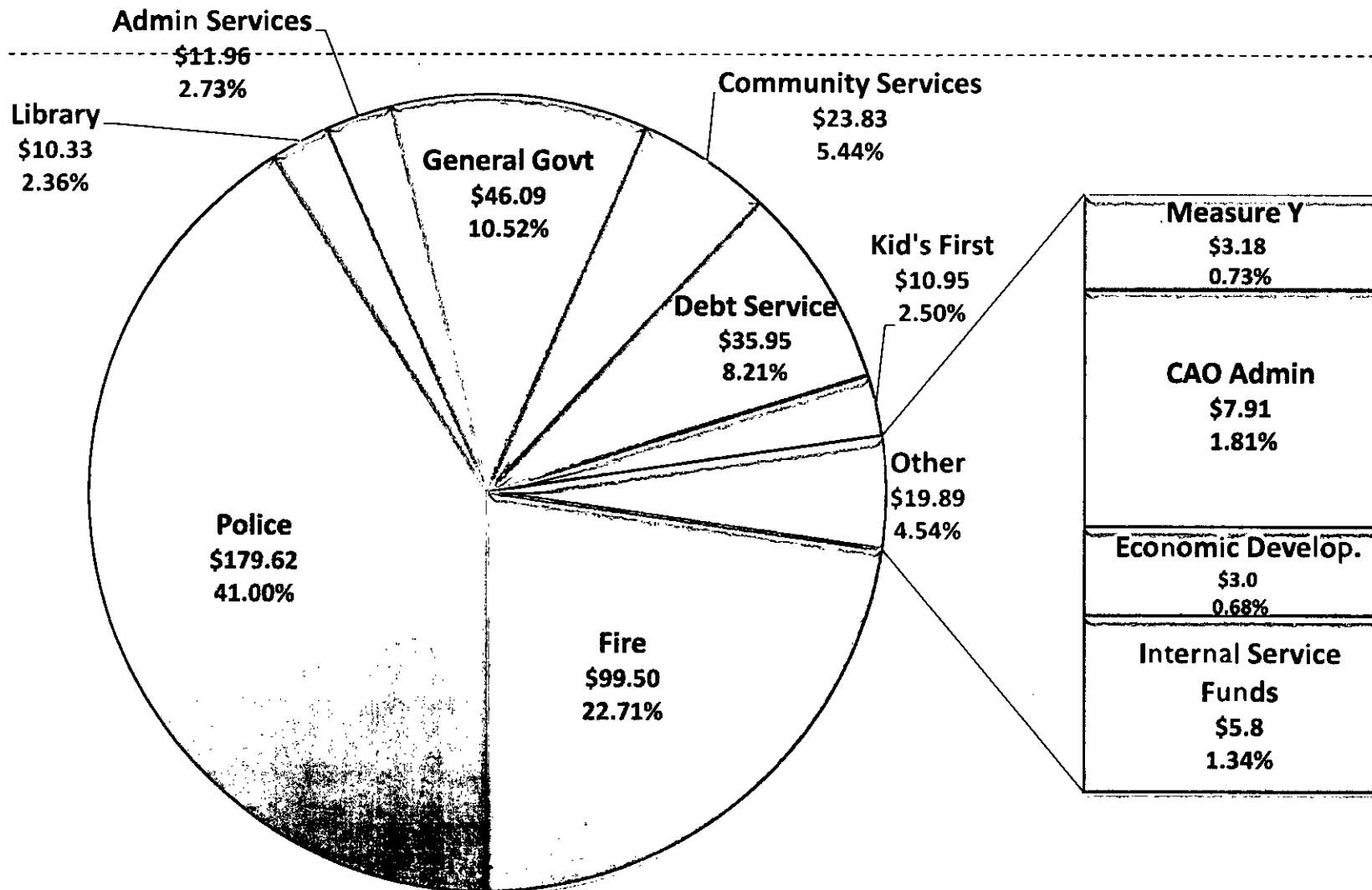
# FY 2013-14 GPF Allocation by Service Function

*(Assumes Scenario 4)*

Service Descriptons	Amount (In Millions)	%
Fire	\$99.50	22.61%
Police	\$181.64	41.27%
Library	\$10.33	2.35%
Admin Services	\$11.96	2.72%
General Govt	\$46.09	10.47%
Community Services	\$23.83	5.41%
Debt Service	\$35.95	8.17%
Kid's First	\$10.95	2.49%
Measure Y	\$3.18	0.72%
CAO Admin	\$7.91	1.80%
Economic Development	\$2.95	0.67%
Internal Service Funds	\$5.84	1.33%
<b>Total GPF:</b>	<b>\$440.15</b>	<b>100.00%</b>



# FY 13-14 GF Allocation by Service Functions--\$440.15 Million



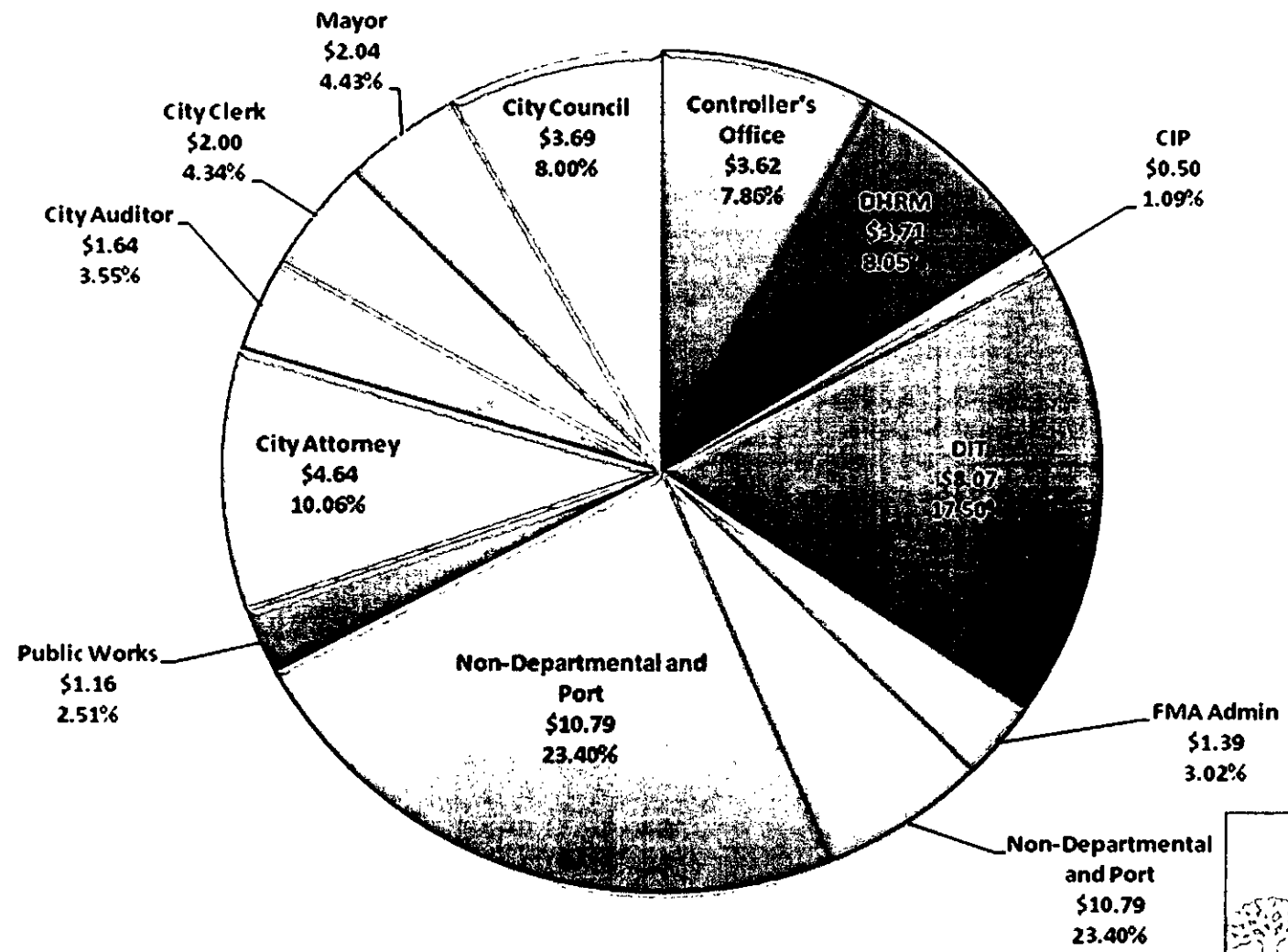
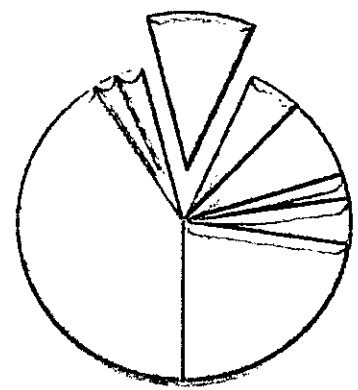
\*General Government expenditures include Elected Officials' Offices, City Clerk and CAO Administration

\*\* Admin. Serv. Expenditures include finance, human resources, information technology, and various other citywide services.



City of  
**OAKLAND**  
California

# FY 13-14 GF Allocation - General Government - \$46.09 million

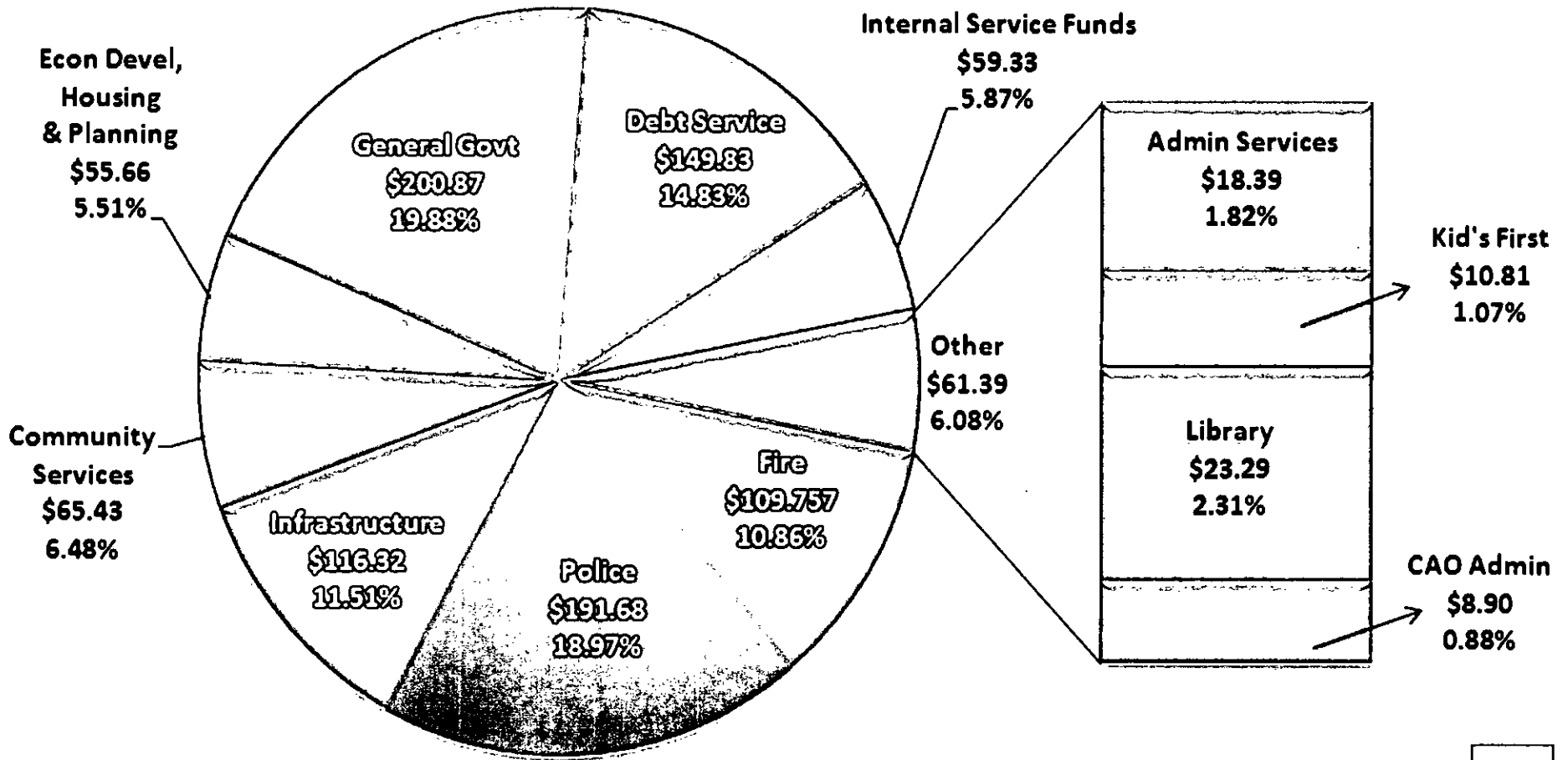


## FY 13-14 All-Fund Allocation by Service Functions-- \$1,010.28 Million

FY 2013-14 All-Fund by Service	Allocation (in Millions)	%
Fire	\$109.76	10.86%
Police	\$193.70	19.17%
Infrastructure	\$116.32	11.51%
Community Services	\$65.43	6.48%
Econ Devel, Housing & Planning	\$55.66	5.51%
General Govt	\$200.87	19.88%
Debt Service	\$149.83	14.83%
Internal Service Funds	\$59.33	5.87%
Admin Services	\$18.39	1.82%
Kid's First	\$10.81	1.07%
Library	\$23.29	2.31%
CAO Admin	\$8.90	0.88%
<b>Total All-Fund Allocation:</b>	<b>\$1,010.28</b>	<b>100.20%</b>



# FY 13-14 Total All-Fund Allocation by Service Areas (\$1,010.28 Millions)



# FY 2013-15 Budget Process & Timeline

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- **April 2:** Council budget workshop; City Employee Feedback Due
- **April 15-19:** Public Release of Proposed Budget
- **April 30:** Presentation of Proposed Budget to City Council
- **May:** Budget Town Hall Meetings Citywide
- **May 30:** Proposed City Council Budget Hearing #1
- **June 13:** Proposed City Council Budget Hearing #2
- **June 27:** Proposed Final City Council Budget Hearing/Adoption
- **July 1:** Implementation of FY **13-15** Adopted Budget



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# Questions & Answers

