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OFFICE OF THE CITY CLERK
OAKLAND

2015 JAN 23 AM 9:07

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Kiran Bawa

SUBJECT: FY 2015-17 Budget Briefing Workshop

DATE: January 20, 2015

City Administrator
Approval

Date

1/21/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept this informational report on the Council Budget Briefing Workshop to be held on Wednesday, January 28, 2015.

OUTCOME

The report includes information for the Council Budget Briefing Workshop to (1) provide background information to initiate the FY 2015-17 budget development; and (2) meet the requirement of the budget development as specified in the Consolidated Fiscal Policy Ordinance No. 13279.

EXECUTIVE SUMMARY

Pursuant to the adoption of the Consolidated Fiscal Policy Ordinance No. 13279, the Mayor and City Council are required to hold a biennial budget workshop in January for a briefing on the City's estimated baseline and an overview of the budget process and timeline. *Attachment 1* provides information on the City's preliminary baseline expenditures and revenue projections along with the budget development milestones and timeline.

BACKGROUND/LEGISLATIVE HISTORY

On December 9, 2014, the City Council adopted the Consolidated Fiscal Policy (Ordinance No. 13279 CMS). Section 3.1 of the Consolidated Fiscal Policy requires a 'Council Initial Budget Briefing and Priorities Discussion' workshop to be held in January of the biennial budget development cycle.

Item: 4
Special City Council Workshop
January 28, 2015

The purpose of the workshop is to provide a budget briefing on baseline expenditures, preliminary revenue projections and an overview of the City's budget development process and timeline. The workshop will also provide the Mayor and Council with the opportunity to begin discussion on budget priorities for the FY 2015-17 operating budget. *Attachment 1* provides information on the City's preliminary baseline expenditures and revenue projections along with the budget development milestones and timeline.

PUBLIC OUTREACH/INTEREST

Not applicable.

COORDINATION

This report was prepared in coordination with the Controllers Bureau, Revenue Management Bureau, Treasury Bureau and Oakland Public Works.

COST SUMMARY/IMPLICATIONS

This is an informational report with no direct fiscal impact.

SUSTAINABLE OPPORTUNITIES

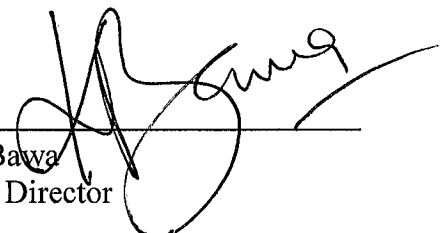
Economic: None.

Environmental: None.

Social Equity: None.

For questions regarding this report, please contact Kiran Bawa, Budget Director, at (510) 238-3671.

Respectfully submitted,



Kiran Bawa
Budget Director

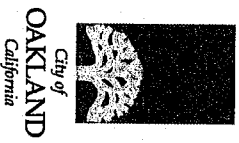
Reviewed By:
Donna Hom, Interim Assistant City Administrator
City Administrator's Office

Attachments:

1. Council Budget Briefing Workshop Presentation

Council Budget Workshop

January 28, 2015



Agenda

- I. Opening Remarks (Mayor/Interim City Administrator)**
- II. FY 2014-15 Midcycle Budget Overview (CAO-Budget)**
 - a) Overview
 - b) Expenditures vs Revenue
 - c) Reserve Summary
- III. FY 2015-17 Preliminary Baseline**
 - a) Summary (CAO-Budget)
 - b) Preliminary Baseline Expenditure Highlights (Controller)
 - c) Preliminary Baseline Revenue Highlights (Revenue)
 - d) Challenges (CAO-Budget)
- IV. Outstanding Debt and Long Term Obligations (Treasury/Controller)**
- V. FY 2015-17 Budget Development Process & Timeline (CAO-Budget)**
- VI. Capital Improvement Program (CAO-Budget)**
- VII. Council Priorities (Council)**
- VIII. Q & A**



FY 2014-15 Midcycle Budget

<http://www2.oaklandnet.com/oakca1/groups/ceda/documents/policy/oak050778.pdf>

General Purpose Fund Budget (page B-21)

	FY 2014-15 Midcycle Budget
Revenue	\$463,253,037
Expenditure	\$493,709,824
Over / (Under)	(\$30,456,787)
<i>One-time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$30,456,787
Net Over / (Under)	\$0

All Funds (page B-19)

	FY 2014-15 Midcycle Budget
Revenue	\$1,046,383,138
Expenditure	\$1,148,622,219
Over / (Under)	(\$102,239,081)
<i>One-time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$102,239,081
Net Over / (Under)	\$0



General Purpose Fund

Expenditures

Department	FY 2014-15 Midcycle Budget
Capital Improvement Projects	\$1,152,000
City Administrator	\$12,585,648
City Attorney	\$5,053,619
City Auditor	\$1,561,450
City Clerk	\$1,911,305
City Council	\$3,848,098
Economic & Workforce Development	\$2,981,069
Finance Department	\$22,067,838
Fire Department	\$114,480,957
Human Resources Mgmt.	\$4,133,661
Human Services	\$5,064,799
Information Technology	\$10,219,640
Library	\$9,263,806
Mayor	\$1,979,622
Non-Departmental	\$74,379,254
Parks & Recreation	\$13,807,719
Planning & Building	\$507,691
Police Department	\$203,718,152
Public Works	\$4,993,496
Grand Total	\$493,709,824

Revenues

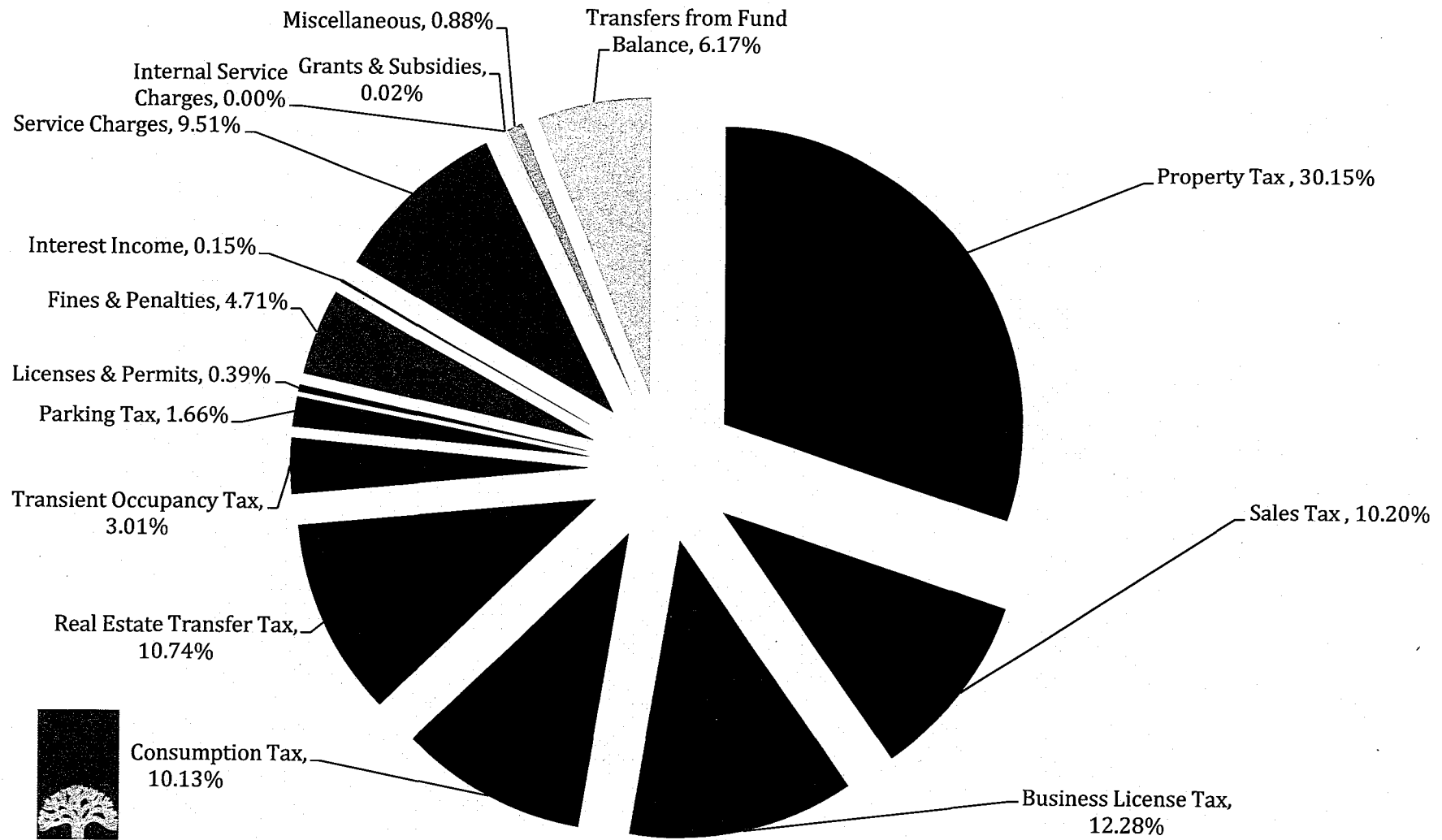
Revenue Category	FY 2014-15 Midcycle Budget
Property Tax	\$135,407,838
Redev Property Tax Trust Fund	\$13,438,162
Property Tax subtotal	\$148,846,000
Sales Tax	\$50,360,000
Business License Tax	\$60,616,020
Utility Consumption Tax	\$50,000,000
Real Estate Transfer Tax	\$53,000,000
Transient Occupancy Tax	\$14,883,000
Parking Tax	\$8,178,000
Local Tax Subtotal	\$237,037,020
Licenses & Permits	\$1,935,731
Fines & Penalties	\$23,268,807
Interest Income	\$740,482
Service Charges	\$46,956,242
Internal Service Funds	\$0
Grants & Subsidies	\$119,435
Miscellaneous Revenue	\$4,349,320
Transfer from Fund Balance	\$30,456,787
Grand Total	\$493,709,824

Increase from 2000 to 2014	32.80%	21.80%
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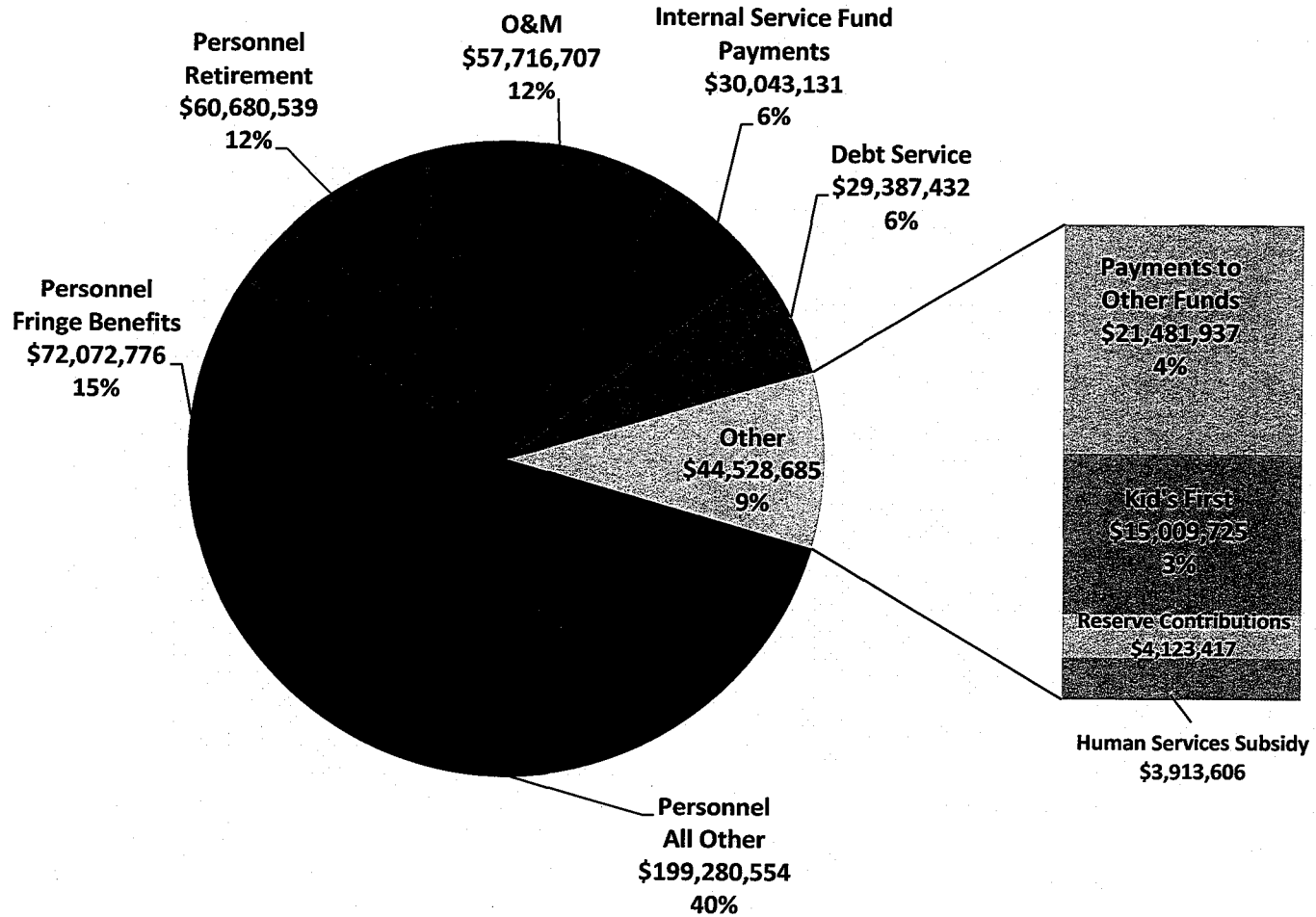
FY 2014-15 Midcycle Revenues By Category

General Purpose Fund (Total: \$494 million)



FY 2014-15 Midcycle Expenditures By Category

General Purpose Fund (Total: \$494 million)



Reserve Summary

Category	Amount
General Purpose Fund Emergency Reserve	\$37,128,098
Vital Service Stabilization Reserve	\$2,020,764
Library Reserve	\$1,000,000
Oakland Parks & Recreation Reserve *	\$800,000
Total	\$40,948,862

* Appropriation will be proposed at FY 2014-15 2nd Quarter Revenue & Expenditure Analysis to fund the minimum wage and spring/summer youth programs.



Preliminary Baseline Overview

General Purpose Fund Budget

	FY 2014-15 Midcycle Budget	FY 2015-16 Preliminary Baseline	FY 2016-17 Preliminary Baseline
Revenue	\$463,253,037	\$482,925,036	\$487,481,349
Expenditure	\$493,709,824	\$511,657,319	\$521,018,264
Over / (Under)	(\$30,456,787)	(\$28,732,283)	(\$33,536,915)
<i>One-time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$30,456,787	\$0	\$0
Net Over / (Under)	\$0	(\$28,732,283)	(\$33,536,915)

All Funds

	FY 2014-15 Midcycle Budget	FY 2015-16 Preliminary Baseline	FY 2016-17 Preliminary Baseline
Revenue	\$1,046,383,138	\$1,116,585,231	\$1,124,319,042
Expenditure	\$1,148,622,219	\$1,167,541,740	\$1,182,722,705
Over / (Under)	(\$102,239,081)	(\$50,956,509)	(\$58,403,663)
<i>One-time Revenue (Fund Balance, Excess RETT, etc.)</i>	\$102,239,081		
Net Over / (Under)	\$0	(\$50,956,509)	(\$58,403,663)



Preliminary Baseline Expenditure Highlights (General Purpose Fund)

- Escalating Retirement costs (\$9.3M)
- Grant Expirations – COPS I (\$4.5M); SAFER (\$3.9M)
- Match for new COPS Grant IV (\$2.5M)
- Public Ethics Measure (\$0.6M)
- Personnel cost increases for Local 55 per the negotiated contract (\$1.7M)
- Minimum Wage Ballot Measure (\$0.3M)
- Technology - Radio Financing (\$2.7M); IT ISF (\$6.8M)



Preliminary Baseline Expenditure Highlights (All Funds)

- Implementation of recently approved ballot measures
 - Measure Z - Violence Prevention, \$25M
 - Measure BB – Transit Funding, \$8M
 - Measure CC – Public Ethics (\$0.6M)
 - Measure FF – Minimum Wage (\$1.2M)
 - Measure DD – Redistricting (\$0.2M)
- Affordable Housing Trust Fund (\$4M)
- Escalating Retirement Costs (\$13.4M)
- IT Internal Service Fund (\$9M)
- Expiration of Grants (\$8.4M)



Preliminary Baseline Revenue Highlights (General Purpose Fund)

- Assessed valuation increased approximately \$2.6 billion dollars (5.85%)
- Rents increased approximately 20% (Avg. price / sq. ft. \$400)
- Pent-up need for new cars is fueling growth in sales tax related to auto sales (11.9% new; and 99.8% used)
- Higher hotel occupancy rates (77.7%)
- Affordable Housing Trust Fund per Resolution No. 13193 (\$4M)
- A “top 25” sales tax remitter moved out of Oakland
- Lower gas prices = lower sales tax
- Residential real estate sales are leveling off



Challenges

- Impact of upcoming labor negotiations except Local 55
- Address shortfall in other funds – Measure Q, HeadStart, Landscaping & Lighting Assessment District
- Additional Police Academies beyond 2 per fiscal year
- Address major unfunded capital needs & deferred maintenance on infrastructure, buildings and IT systems
- Escalating legal costs beyond repayment schedule for Self-Insurance Fund
- Sustainability of City finances related to Debt and Long-Term Obligations
- Prioritize service needs and projects
- Fire risk in the hills due to failure of Wildfire District renewal
- Reliance on external grant funds



Summary of Outstanding Debt

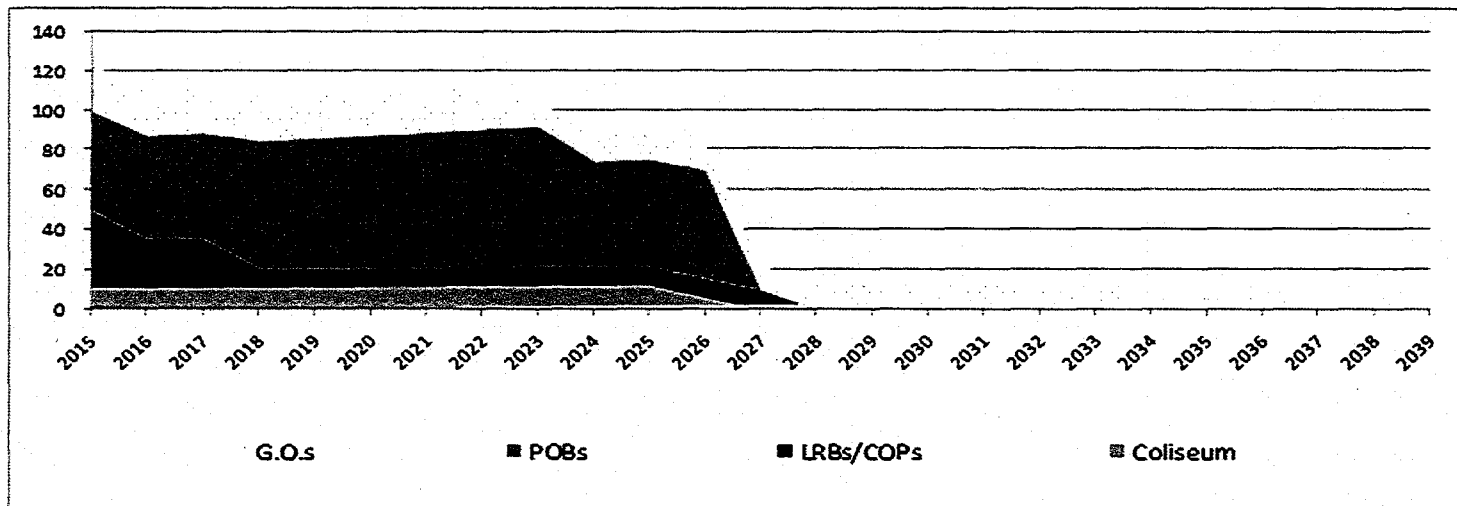
Debt Summary as of July 1, 2014

Debt	Total	Type
General Obligation Bonds	\$224.1 Million	100% Fixed Rate
Lease Obligation	\$141.6 Million	100% Fixed Rate
Coliseum Authority LRBs ⁽¹⁾⁽²⁾	\$95.7 Million	45% Var / 55% Fixed
Pension Obligation Bonds	\$348.5 Million	100% Fixed Rate
Total	\$809.9 Million	
Max Annual Debt Service	\$123.4 Million	FY 2015

(1) Represents City's share of OACCA debt (50%)

(2) \$42.4 million of Outstanding Coliseum Authority LRBs represents the City's only variable rate debt (5% of total outstanding debt)

Debt Service Profile (in Millions)



City's Credit Rating

The City's current ratings are as follows:

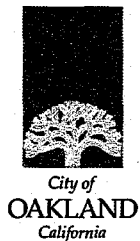
Type of Bond	Ratings		
	Moody's	S&P	Fitch
General Obligation Bonds	Aa2/Stable	AA-/Stable	A+/Stable
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable	A/Stable
Tax Allocation Bonds	A3 ¹ :Ba1 ²	A+:A:A-/Stable	N/A

¹ Rating as of May 21, 2014, based on Insured Rating

² Rating as of September 5, 2013

Importance of credit ratings to the City

- A credit rating is important to the City for the following reasons:
 - Ensures low interest cost to the City
 - Demonstrates strong financial management & condition to potential investors
 - Ability to attract potential investors
 - Ability to sell bonds
 - Yields savings on debt service



Long-Term Obligations (All Funds)

Unfunded Amount	Descriptions
\$1,135M ¹	California Public Employees Retirement System (Cal PERS) unfunded balance as of June 30, 2013. The Public Safety Plan has a \$478M unfunded liability and 67.9% funded ratio; the Miscellaneous (non-sworn) Plan has a \$657M unfunded liability and 69.5% funded ratio. The City annual pension cost for FY 2013-14 – \$98.6 million.
\$463M ²	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$463M as of July 1, 2013. The City contributed \$20.6 million for FY 2013-14.
\$215M ³	Police and Fire Retirement System (PFRS), closed retirement system, unfunded balance as of July 1, 2013 payments will resume in FY 2017-18, estimated at \$25M. 100% Funding required by 2026. A separate tax override funding stream exists until 2026.
\$98.7M	Negative Funds – \$62.3 million of the negative funds have a repayment plan, \$22.9 million are reimbursement funds and \$13.5 million are funds with no repayment plan.
\$40.3M	Accrued Leaves are approximately \$40.3M unfunded as of June 30, 2014.

¹ The City annual pension cost is funded per CalPERS annual required contribution (ARC)

² The City is on a pay-as-you go funding progress. As of June 30, 2014, the City began to partially pre-fund the ARC to California Employer's Retiree Benefit Trust ("CERBT") per resolution no. 85016. The UAAL is defined as the difference between the present value of projected future benefits earned by employees to date and the actuarial value of assets accumulated to finance those benefits.

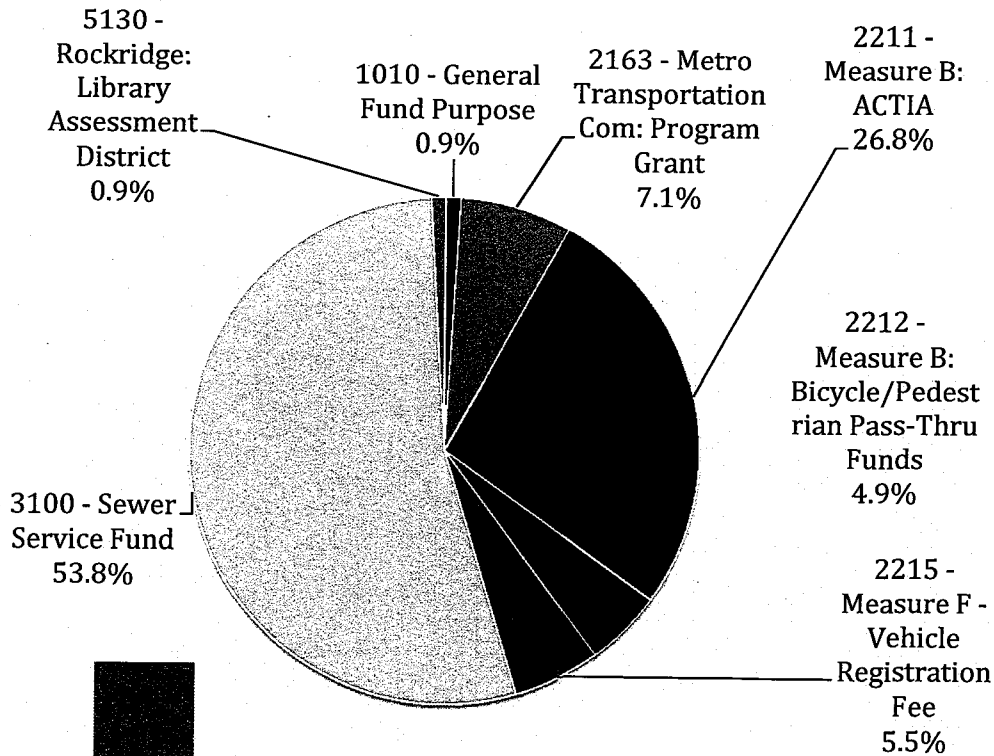
³ Tax override funding stream exists until 2026. On July 1, 2012, the City issued \$210 million in additional Pension Obligation Bonds (Series 2012). As a result of a funding agreement was entered into between the PFRS Board and the City and therefore, no annual contributions until July 1, 2017.

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

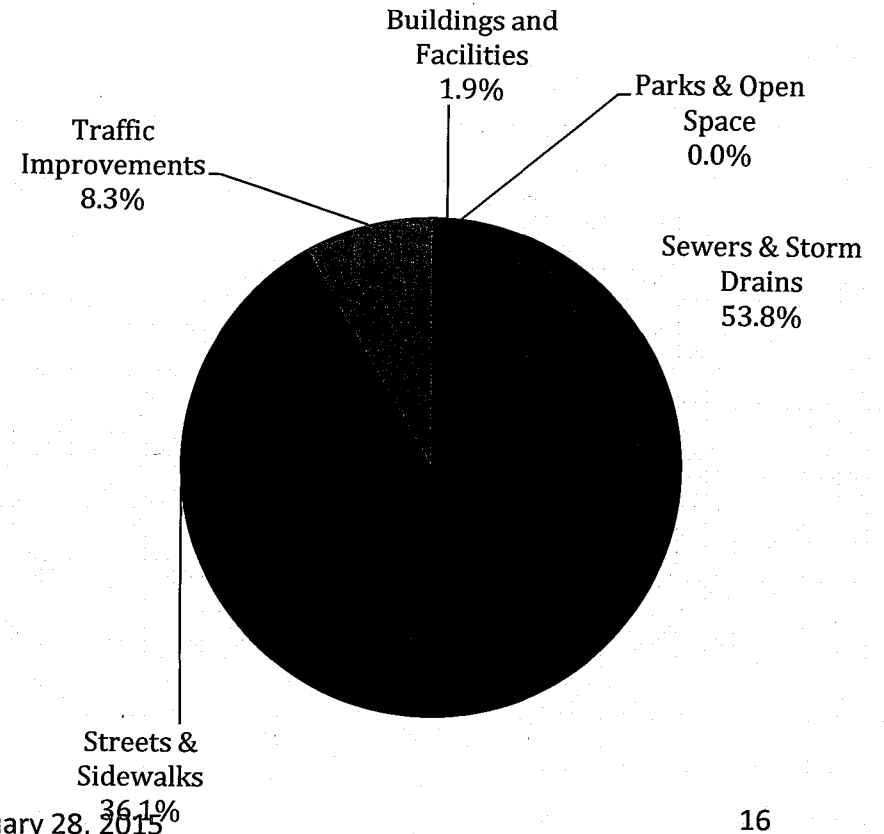


Capital Improvement Program FY 2013-15

Summary by Fund Source
\$54,163,500



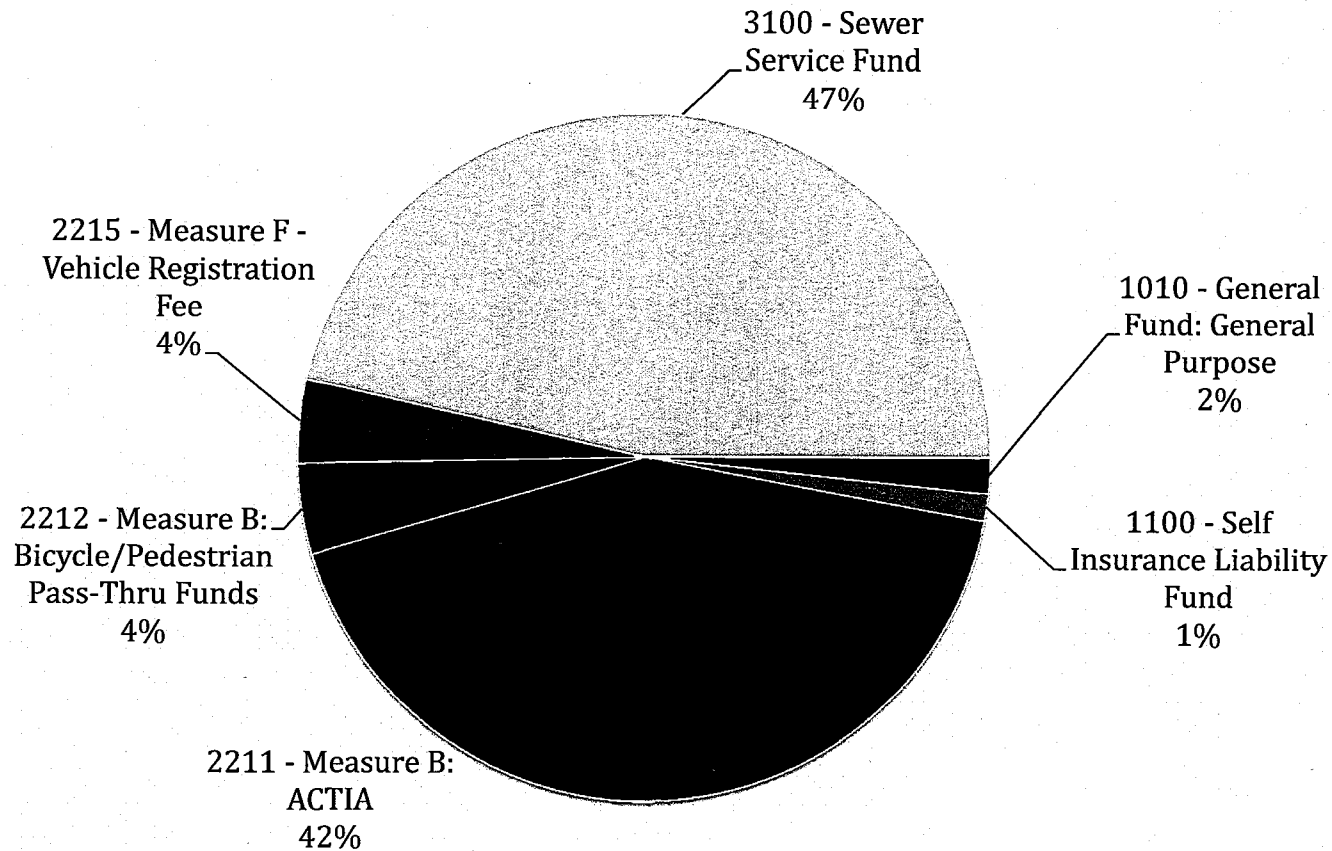
Summary by Category
\$54,163,500



City of
OAKLAND
California

Preliminary Capital Improvement Program FY 2015-17

Anticipated Fund Sources
Approx. \$77 million



Capital Improvement Program Expected Changes & Challenges

- Expected Changes
 - Increased Capital Funds Available for Streets, Sidewalks, and Traffic Improvements due to Measure BB passage offset by a periodic & planned reduction in Metro Transportation Community Grants
- Challenges
 - Address major unfunded capital needs & deferred maintenance
 - Most CIP Funding is for Infrastructure out of Restricted Funds



FY 2015-17 Budget Process & Timeline

- January 2015 – Council Meeting on budget priorities
- Feb 24, 2015 – Release of Public Poll on Budget Priorities
- February 24, 2015 – Release of the FY 2014-15 2nd Quarter R&E Report and Five-Year Forecast
- March 15, 2015 – Statement of Councilmember Priorities
- April 15, 2015 – CAO Budget Outlook Message & Calendar Report
- Late April 2015 – Release of the Mayor’s Proposed Budget and Factsheet
- May 1 to June 10, 2015 – Community Budget Forums
- May 26, 2015 – Release of the 3rd Quarter R&E Report
- June 1 – Budget Advisory Committee’s Report
- June 2015 – Council Deliberations, Budget Amendments, and Budget Adoption by June 30th



FY 2013-15 Priorities

Mayor Priorities	City Council's Priorities (Resolution #84466 C.M.S.)
<ul style="list-style-type: none"> ➤ Invest in public safety ➤ Create jobs and promote economic development ➤ Bolster job-training services so that Oaklanders are a competitive and thriving workforce 	<ul style="list-style-type: none"> ➤ A Safe City – a City in which safety is defined by more than just police
<ul style="list-style-type: none"> ➤ Build and restore our infrastructure and the physical environment of Oakland 	<ul style="list-style-type: none"> ➤ A Clean City – A City in which we swiftly address quality of life issues such as graffiti, blight, and illegal dumping in all of our neighborhoods
<ul style="list-style-type: none"> ➤ Foster Oakland youth and care for our most vulnerable populations 	<ul style="list-style-type: none"> ➤ A Livable City – A City that respects and provides safe space for its children and seniors
<ul style="list-style-type: none"> ➤ Achieve long-term fiscal stability for the City 	
<ul style="list-style-type: none"> ➤ A City that honors and respects its employees – restoring Employee Contributions and Furlough Days 	<ul style="list-style-type: none"> ➤ A City that honors and respects its employees – restoring Employee Contributions and Furlough Days



Future Priorities

What are your priorities for
the next Budget Cycle?



Best Practices for Setting Priorities

Practices recommended by the Government Finance Officer's Association (GFOA) or by the UC Berkeley, Goldman School of Public Policy (GSPP) report on Oakland's Budget Process

Priorities should be :

- Shared – One Citywide List
- Priorities Should be Ranked - Ordered by Importance
- Expressed in terms of results or outcomes
 - Specific enough to be meaningful & measurable
 - But not prescriptive regarding the mechanism by which the result will be achieved



Q & A

Thank you

Contact:

Email: BudgetSuggestions@oaklandnet.com

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

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City of
OAKLAND
California