



# City of Oakland

Office of the City Clerk  
Oakland City Hall,  
1 Frank H. Ogawa Plaza,  
Room 201  
Oakland, California 94612

## Legislation Text

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**File #:** 003724, **Version:** 1

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**Subject:** Operating Budget Policy  
**From:** Financial Services Agency  
**Recommendation:** Adopt a Resolution regarding the City of Oakland's Policy on Balanced Budgets  
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CITY OF OAKLAND L  
A GEIVDA REPORT  
2003 JUN 1 2 PM 5: 0 6  
**TO:** Office of the City Manager  
**ATTN:** Robert C. Bobb  
**FROM:** Budaet Office  
**DATE:** June 24, 2003

**RE:** Adoption of Financial Policy on Balanced Budgets

### SUMMARY

The purpose of this report is to propose a formal financial policy requiring that the City Council always adopt a balanced budget. It is a follow up to an informational report presented to the Council on February 18, 2003). That report presented the recommendations of the Moving Oakland Forward (MOF) Team #4A, on the adoption of a comprehensive set of financial policies by the City. The Council requested that staff provide more detailed analysis and recommendations regarding each proposed policy; this report is a response to that Council request.

### FISCAL IMPACT

There would be no direct fiscal impact from implementing this policy. If adopted and implemented, the policy will ensure that the City always has a balanced budget in place. A requirement to have a balanced budget in place is likely to help ensure that the annual cost of services provided by the City does not exceed the annual amount of resources received by the City.

### BACKGROUND

The City currently does not have a formal policy requiring balanced budgets, or defining what constitutes a balanced budget.

Team 94A of Moving Oakland Forward was established to review and make recommendations regarding the City's financial policies. One of Team #4A's findings was that the City's current financial policies are not consolidated under one authority, and cannot be found in a single location: some are Council-adopted, some are reflected within Administrative Instructions, and others are followed in practice but lack formal authority.

In September 2002, Team 44A presented a report recommending steps the City should take in order to adopt and consolidate a comprehensive set of financial policies, and a process for staff to report to the Council on the extent to which City operations are in compliance with these policies. A formal policy on balanced budgets was one of the policies discussed in the September

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## KEY ISSUES AND IMPACTS

The Government Finance Officers Association (GFOA) recommends that jurisdictions adopt policies that define a balanced budget, encourage commitment to balanced budgets under normal circumstances, and provide for disclosure when a deviation from a balanced budget is planned, or when it occurs.

Over time, unbalanced budgets can lead to the creation of large fund deficits, which can curtail the City's future ability to provide operations and services. In addition, unbalanced budgets can lead to financing charges and lost interest earnings, both of which also reduce funds available for operations and services.

## DISCUSSION OF PROPOSED POLICY

### Purpose/Definition

The City shall adopt balanced budgets, i.e., budgets where appropriated revenues equal to appropriated expenditures. This policy entails the following, additional definitions and qualifications:

1. The budget must be balanced at an individual fund level.
2. City policies on reserve requirements for individual funds must be taken into account. The appropriated expenditures to be included in the balanced budget equation must include the appropriations necessary to achieve or maintain an individual fund's reserve target.
3. Appropriated revenues can include transfers from fund balance where Such fund balance is reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. Transfers from fund balance are not to be counted as revenue if the fund balance is not reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. (Note: The precise definition of 'fund balance' will vary from fund to fund, depending on the fund's characteristics and accounting treatment.)

### General Responsibilities

The City Manager shall be responsible for ensuring that the budget proposed to the City Council by the Mayor/ City Manager adheres to the balanced budget policy. Currently, the Budget Office under

the supervision and direction of the City Manager, performs this function.

#### Annual Monitoring & Reporting

Each fiscal year, once prior year information has been made available by the Controller's Office, the City Manager, shall produce a balanced budget report to the Council. The report shall state, for each fund in which current year appropriations exist, whether the actual year-end data from the prior year has caused any individual fund to be in violation of the balanced budget policy. If so, the City Manager, shall recommend steps to be taken to bring that fund back into compliance with the policy. Currently, the Budget Office, under the supervision and direction of the City Manager performs these functions.

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#### SUSTAINABLE OPPORTUNITIES

Adoption of the balanced budget policy would not directly impact economic, environmental or social equity opportunities. However, a requirement to have a balanced budget in place is likely to help ensure that the annual cost of services provided by the City does not exceed the annual amount of resources received by the City.

#### DISABILITY AND SENIOR CITIZEN ACCESS

There is no impact on disability or senior citizen access resulting from the attached resolution.

#### ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Council adopt the attached resolution containing a financial policy on balanced budgets.

Respectfully submitted,

-@NLXRLANNA MAR`@SHEVA  
ACTING BUDGET DIRECTOR

Prepared by:  
Kirby Smith, Financial Analyst  
Budget Office

APPROVED FOR FORWARDING TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

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July 15, 2003  
OFFICE OF THE CITY MANAGER

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RESOLUTION No. C. M. S.

## RESOLUTION ADOPTING THE CITY OF OAKLAND'S POLICY ON BALANCED BUDGETS

WHEREAS, the Government Finance Officers Association (GFOA) recommends that jurisdictions adopt policies that define a balanced budget, encourage commitment to balanced budgets under normal circumstances, and provide for disclosure when a deviation from a balanced budget is planned, or when it occurs; and

WHEREAS, unbalanced budgets can lead to increased interest charges, which reduces monies available for operations and services: and

WHEREAS, balanced budgets ensure responsible use of the taxpayers' dollars to provide City services; now therefore, be it

RESOLVED: that the City Council of the City of Oakland hereby finds, determines, declares and resolves as follows:

Section 1. All of the recitals set forth above are true and correct.

Section 2. The City Council hereby adopts a balanced budget policy, as set forth below@

### CITY OF OAKLAND'S POLICY ON BALANCED BUDGETS

#### Purpose/Definition

The City shall adopt balanced budgets, i.e., containing appropriated revenues equal to appropriated expenditures. This policy entails the following additional definitions and qualifications:

1 . The budget must be balanced at an individual fund level.

2. City policies on reserve requirements for individual funds must be taken into account. The appropriated expenditures to be included in the balanced budget equation must include the appropriations necessary to achieve or maintain an individual fund's reserve target.

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In Council, Oakland, California, 2003

PASSED BY THE FOLLOWING VOTE:

Ayes- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND

PRESIDENT DE LA FUENTE

Noes-

Absent-

Abstention-

Attest:

Ceda Floyd  
City Clerk and Clerk of the  
Council of the City of  
Oakland, California

Item 10. Z2.m  
ORA/Council  
July 15, 2003

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