



## Legislation Text

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**File #:** 003725, **Version:** 1

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**Subject:** Long-term Financial Planning Policy  
**From:** Financial Services Agency  
**Recommendation:** Adopt a Resolution regarding the City of Oakland Long-term Financial Planning Policy  
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CITY OF OAKLAND @ L .-. @. -)  
AGENDA REPORT 2903 JUN 12 PM 5:07  
**TO:** Office of the City Manager  
**ATTN:** Robert C. Bobb  
**FROM:** Budget Office  
**DATE:** June 24, 2003

**R\_E:** Adoption of Financial Poliev on Long-Term Financial Planning

### SUMMARY

This report proposes a formal policv on long-term financial planning and recommends that the Council adopt that policy. It is a follow up to an informational report presented to the Council on February 18, 200J. That report presented the recommendations of the Moving Oakland Forward (MOF) Team 44A, 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 the proposed policy. However, the policy would benefit the City's financial management by improving its long-term financial planning. Also, credit rating agencies are likely to favor the City's intention to plan ahead because such planning provides for greater financial stability, and signals a prudent approach to financial management. A positive credit rating leads to lower interest rates on borrowing, thus freeing up more funds for operations and services.

### BACKGROUND

Team #4A 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 sin-IC 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 94A 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. Long-term

financial planning was one of the policies discussed in the September report. The Budget Office currently prepares and annually updates a five-year Financial Plan, although there is no formal policy requiring this plan. item 10.2,-3 06  
ORA/Council  
July 15, 2003

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## KEY ISSUES AND IMPACTS

Long-term planning helps ensure that the City's commitments to long-term infrastructure are avoided unless revenue growth can reasonably be expected. Specifically, long-term financial planning improves the Council's ability to make informed decisions regarding economic development projects, tax policy and labor negotiations.

The Government Finance Officers Association (GFOA) recommends that governments at all levels forecast major revenues and expenditures for a period of three to five years beyond the adopted budget period. Also, credit rating agencies are likely to favor the City's intention to plan ahead because such planning provides for greater financial stability and signals a prudent approach to financial management. A positive credit rating leads to lower interest rates on borrowing, thus freeing up more funds for operations and services.

## DISCUSSION OF PROPOSED POLICY

### Purpose/Definition

The Five-Year Financial Plan ("Plan") forecasts the City's revenues and expenditures over a five-year period. The Plan focuses on the General Purpose Fund, and other major funds such as [the Landscape and Lighting Assessment District and the Oakland Redevelopment Agency]. The intent of the Plan is to allow the Council and the City Manager to put current funding decisions in the context of forecasted economic conditions. The Plan incorporates economic and demographic data at the national, local and state level, as well as other data that aids in forecasting.

### General Responsibilities

#### City Manager

The City Manager, shall be responsible for producing an updated Five-Year Financial Plan on an annual basis. The Plan shall be produced and distributed prior to the beginning of any annual budget deliberations by the Council. The Budget Office, under the supervision and direction of the City Manager currently performs this function.

#### Other Departments

Other departments shall be responsible to the City Manager for providing such information as the City Manager, requires to produce the Plan in a timely manner. Currently, the Budget Office under the supervision and direction of the City Manager oversees this process.

The City Council and the City Manager

The Council and the City Manager shall make use of the information contained in the Plan as they consider actions that would have a significant impact on the City's revenue or expenditures over a five-year period.

#### SUSTAINABLE OPPORTUNITIES

Adoption of the long-term financial planning policy would not directly impact economic, environmental or social equity opportunities. However, credit rating agencies are likely to favor the

Financial Policy, on Long-Term Planning Page 3

City's intention to plan ahead because such planning provides for greater financial stability, and ensures a prudent approach to financial management.

#### DISABILITY AND SENIOR CITIZEN ACCESS

Adoption of the long-term financial planning policy would not directly impact disability or senior citizen access.

#### ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Council adopt the attached resolution containing a policy on long-term financial planning.

Respectfully submitted,

MARIANNA MARYSHEVA  
ACTING BUDGET DIRECTOR

Prepared by:  
Kirby Smith, Financial Analyst  
Budget Office

APPROVED FOR FORWARDING TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

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OFFICE OF THE CITY MANAGER  
Item 10 - 2-5  
ORA/Council  
July 15, 2003

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RESOLUTION No. C. M. S.

## RESOLUTION ADOPTING THE CITY OF OAKLAND LONG-TERM FINANCIAL PLANNING POLICY

WHEREAS, the City of Oakland's Five-Year Financial Plan is the City Manager's best assessment of future revenues, expenditures and operating results over a five year forecast period; and

WHEREAS, the Five-Year Financial Plan includes analysis of economic and demographic data at the national, local and state level, and analyzes revenue and expenditure trends for the General Purpose Fund and other major funds such as the Landscape and Lighting Assessment District and the Oakland Redevelopment Agency; and

WHEREAS, the Five-Year Financial Plan forecasts major revenue and expenditure components of the aforementioned funds; and

WHEREAS, a long-term financial planning policy is intended to help the City make prudent and informed financial decisions on matters such as economic development, tax policy and labor negotiations; and

WHEREAS, the implementation of a long-term financial planning policy will help the City attain a favorable rating from credit rating agencies; and

WHEREAS, the implementation of a long-term financial planning policy should not result in significant increases in staff costs; 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. In order to insure that City of Oakland decision makers have the information to allow them to prudently manage the City's fiscal resources, the City Council hereby adopts the financial policy, as set forth below:

CITY OF OAKLAND LONG-TERM FINANCIAL PLANNING POLICY Item X.Wea

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Purpose/Definition July 15,2003

The Five-Year Financial Plan ("Plan") forecasts the City's revenues and expenditures over a five-year period. The Plan focuses on the General Purpose Fund, and other major funds such as the Landscape and Lighting Assessment District and the Oakland

Redevelopment Agency. The intent of the Plan is to allow the City Council and the City Manager to put current funding decisions in the context of forecasted economic conditions. Specifically, long-term financial planning improves the City's ability to make informed decisions regarding labor negotiations, economic development projects and tax policy. The Plan shall incorporate economic and demographic data at the national, local and state level, as well as other data that aids in forecasting.

Credit rating agencies are likely to favor the City's intention to plan ahead because such planning provides for greater financial stability, and signals a prudent approach to financial management. Five-Year Planning also brings the City into compliance with current "best practices" of other governmental entities.

it. General Responsibilities

City Manager

The City Manager, shall be responsible for producing an updated Five-Year Financial Plan on an annual basis. The Plan shall be produced and distributed prior to the beginning of any annual budget deliberations by the Council. The Budget Office, under the supervision and direction of the City Manager currently performs this function.

Other Departments

Other departments shall be responsible to the City Manager for providing such information as the City Manager requires to produce the Plan in a timely manner. Currently, the Budget Office under the supervision and direction of the City Manager oversees this process.

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The City Council and the City Manager

The City Council and City Manager shall make use of the information contained in the Plan as they consider any action that would have a significant impact on the City's revenue or expenditures over a five-year period.

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-

Item 116-Ud4!,  
ORA/Council  
July 15, 2003

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