

# **Council Budget Workshop**

**January 28, 2015**



City of  
**OAKLAND**  
California

# 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
<b>Net Over / (Under)</b>	<b>\$0</b>

## 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
<b>Net Over / (Under)</b>	<b>\$0</b>



# 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
<b>Grand Total</b>	<b>\$493,709,824</b>

## Revenues

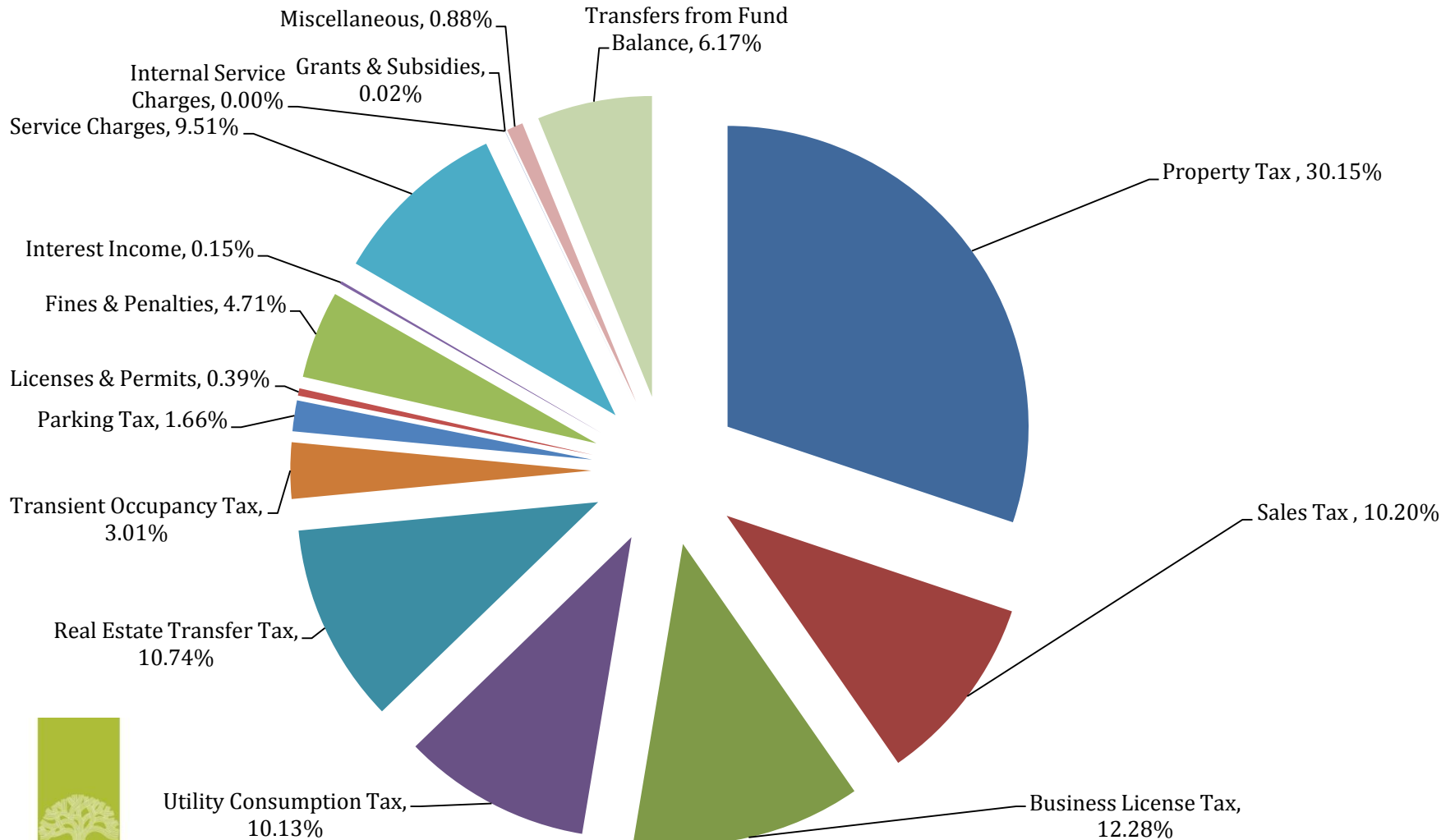
Revenue Category	FY 2014-15 Midcycle Budget
Property Tax	\$135,407,838
Redev Property Tax Trust Fund	\$13,438,162
<b>Property Tax subtotal</b>	<b>\$148,846,000</b>
Sales Tax	\$50,360,000
Business License Tax	\$60,616,020
Utility Consumption Tax	\$50,000,000
Real Estate Transfer Tax	\$53,000,000
Transient Occupancy Tax	\$14,883,000
Parking Tax	\$8,178,000
<b>Local Tax Subtotal</b>	<b>\$237,037,020</b>
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
<b>Transfer from Fund Balance</b>	<b>\$30,456,787</b>
<b>Grand Total</b>	<b>\$493,709,824</b>

<b>Increase from 2000 to 2014</b>	<b>32.80%</b>	<b>21.80%</b>
-----------------------------------	---------------	---------------



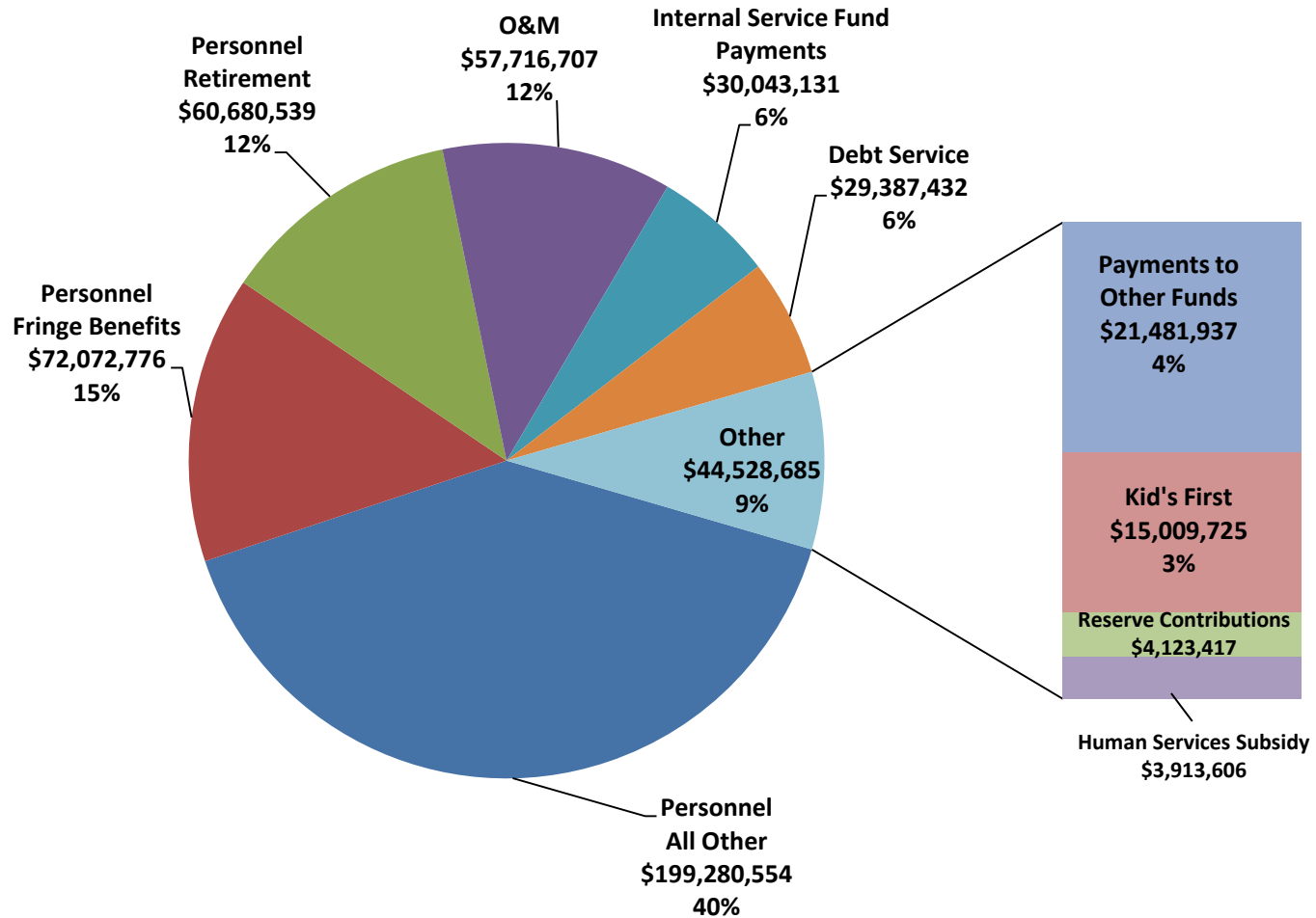
# FY 2014-15 Midcycle Revenues By Category

## 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
<b>Total</b>	<b>\$40,948,862</b>

\* Appropriation will be proposed at FY 2014-15 2<sup>nd</sup> 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 Funds (Fund Balance, Excess RETT, etc.)</i>	\$30,456,787	\$0	\$0
<b>Net Over / (Under)</b>	<b>\$0</b>	<b>(\$28,732,283)</b>	<b>(\$33,536,915)</b>

## 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 Funds (Fund Balance, Excess RETT, etc.)</i>	\$102,239,081		
<b>Net Over / (Under)</b>	<b>\$0</b>	<b>(\$50,956,509)</b>	<b>(\$58,403,663)</b>





# 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 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)
- Escalating Retirement Costs (\$13.4M)
- IT Internal Service Fund (\$9M); Radio Financing (\$3.4M)
- 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 Ordinance 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 Long-Term Obligations
- Prioritize service needs and projects
- Fire risk in the hills due to failure of Wildfire District
- Reliance on external grant funds



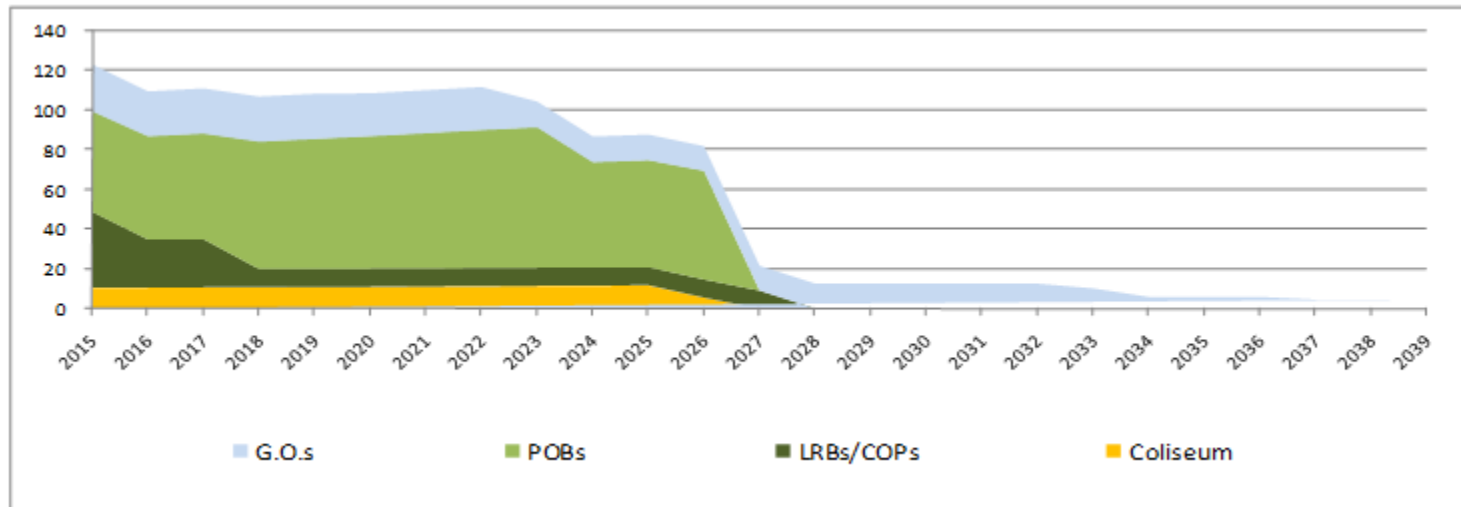
# Summary of Outstanding Debt

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 <sup>(1)(2)</sup>	\$95.7 Million	45% Var / 55% Fixed
Pension Obligation Bonds	\$348.5 Million	100% Fixed Rate
<b>Total</b>	<b>\$809.9 Million</b>	
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 <sup>1</sup> :Ba1 <sup>2</sup>	A+:A:A-/Stable	N/A

<sup>1</sup> Rating as of May 21, 2014, based on Insured Rating

<sup>2</sup> 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 <sup>1</sup>	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. <b>The City annual pension cost for FY 2013-14 – \$98.6 million.</b>
\$463M <sup>2</sup>	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$463M as of July 1, 2013. <b>The City contributed \$20.6 million for FY 2013-14.</b>
\$215M <sup>3</sup>	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.

<sup>1</sup> The City annual pension cost is funded per CalPERS annual required contribution (ARC)

<sup>2</sup> 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.

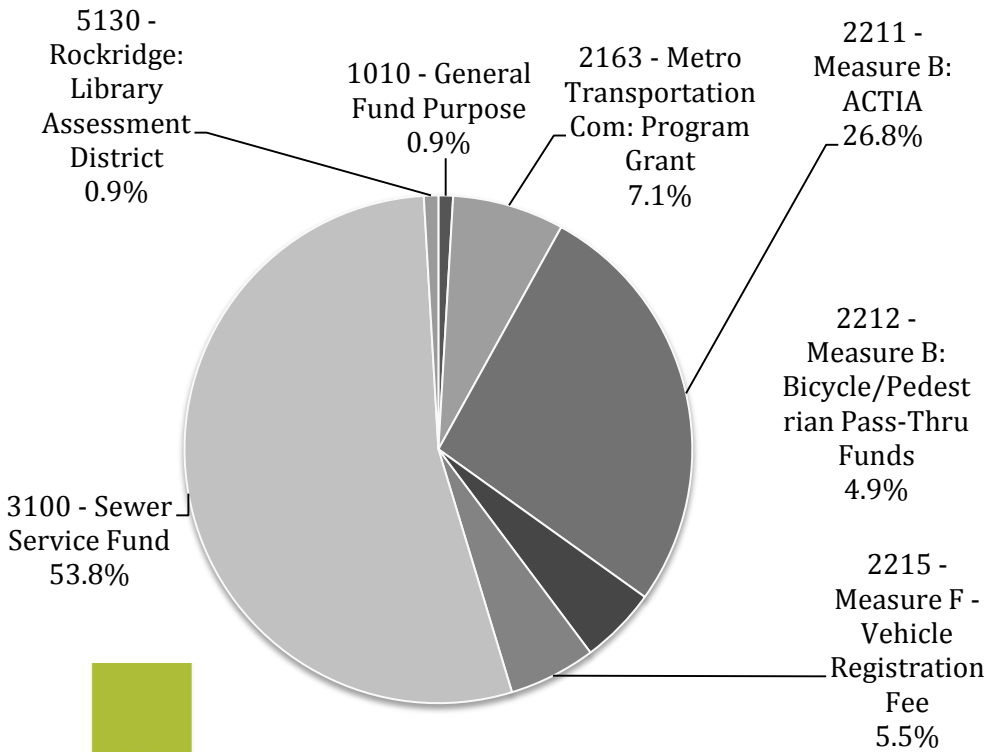
<sup>3</sup> Tax override funding stream exists until 2026. **On July 1, 2012, the City issued \$210 million in additional Pension Obligation Bonds (Series 2012). As a result of a funding agreement was entered into between the PFRS Board and the City and therefore, no annual contributions until July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

GASB Statement 68 requires government employers to measure and report other post-employment benefits (other than pension)

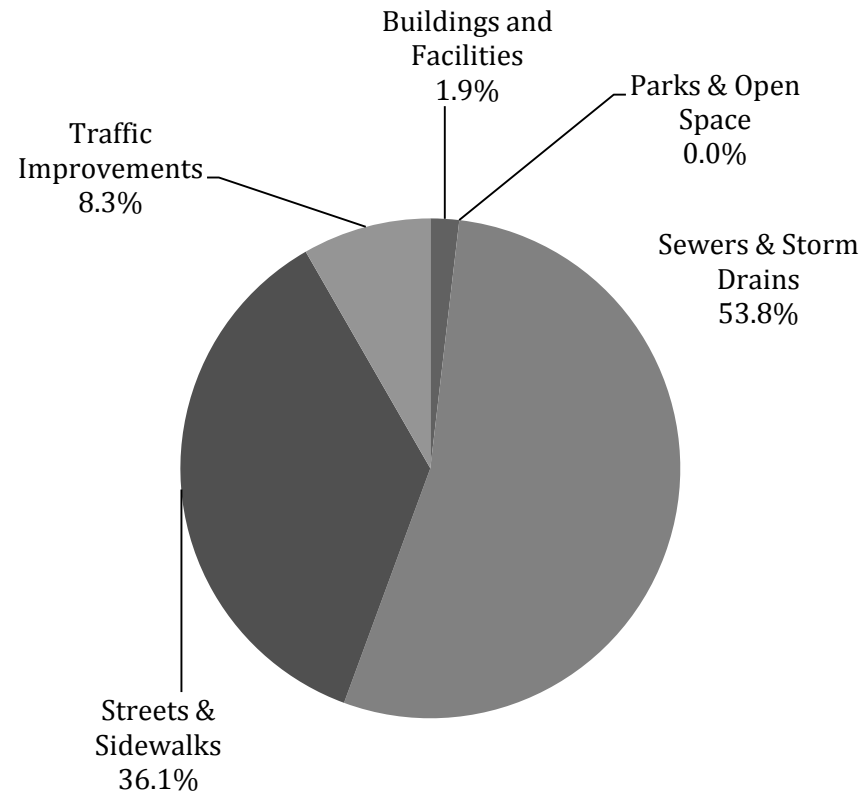


# Capital Improvement Program FY 2013-15

**Summary by Fund Source**  
**\$54,163,500**



**Summary by Category**  
**\$54,163,500**





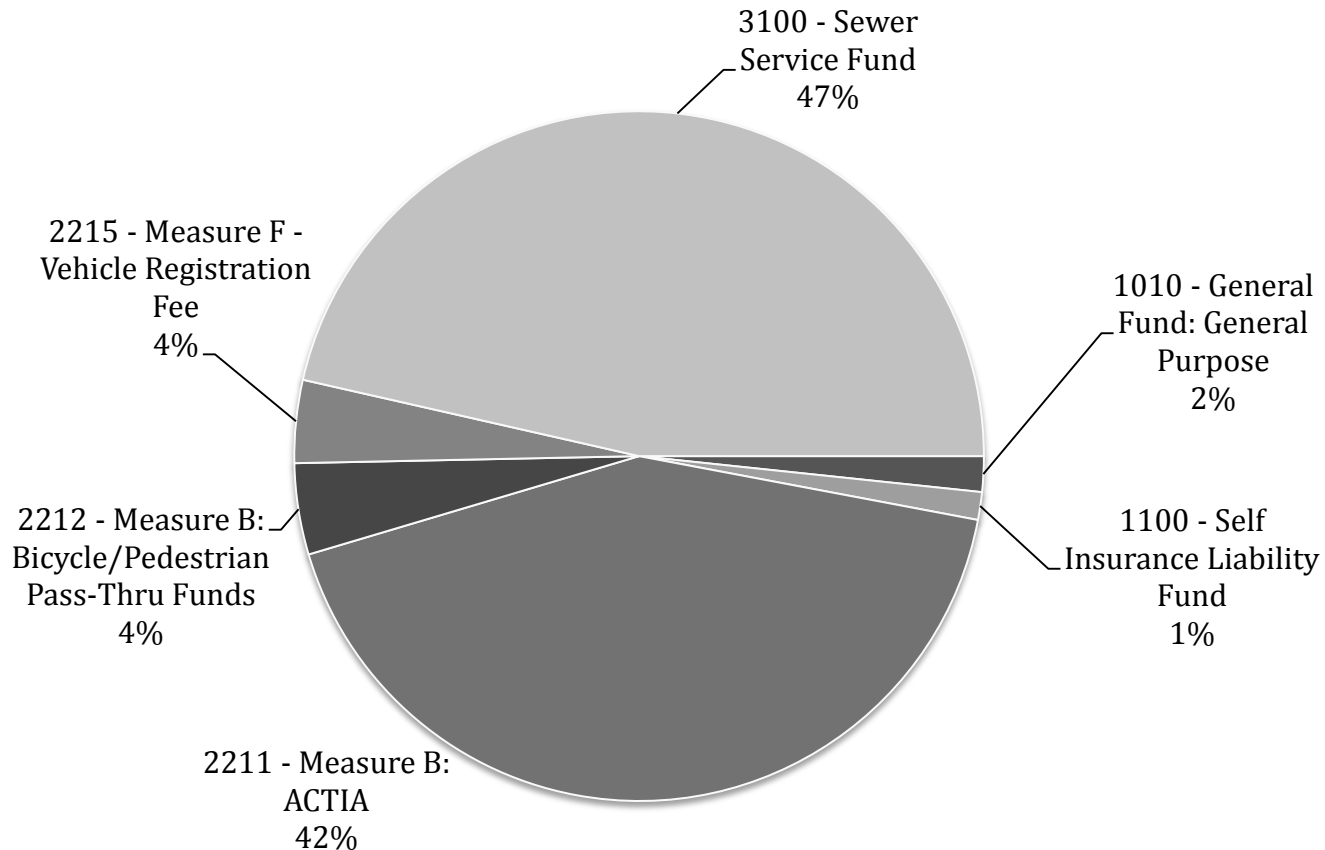
# Capital Improvement Program Expected Changes & Challenges

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



# Preliminary Capital Improvement Program FY 2015-17

## Anticipated Fund Sources Approx. \$77 million



# FY 2013-15 Priorities

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



# 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
- Ranked - Ordered by Significance
- 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

# Future Priorities

What are your priorities for  
the next Budget Cycle?



# 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 2<sup>nd</sup> Quarter R&E Report and Five-Year Forecast
- Early March – Establish Council/Mayor Priorities
- March 15, 2015 – Statement of Councilmember Expenditure 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 3<sup>rd</sup> Quarter R&E Report
- June 1 – Budget Advisory Committee’s Report
- June 17 – Council President amendments
- June 2015 – Council Deliberations, Budget Amendments, and Budget Adoption by June 30<sup>th</sup>



# Q & A

## Thank you

### Contact:

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

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

