



City of
OAKLAND
California



City of Oakland Budget Overview

December 4, 2014

Today's Agenda

- I. Opening Remarks (CAO)
- II. General Overview (CAO-Budget)
- III. Revenue Overview – Historical, by Driver, Anomalies (Revenue)
- III. Expenditure Overview – By Category, History, Cost Drivers (CAO-Budget)
- IV. Unfunded Long-Term Obligations & Credit Ratings (Controller/Treasury)
- V. Fiscal Policies (CAO-Budget)
- VI. Challenges (CAO-Budget)
- IV. Budget process and timeline (CAO-Budget)
- VII. Employee Contract Schedule (Employee Relations)
- VIII. Q & A

Information presented is to the best of our knowledge as of Nov. 24, 2014



General Overview



City of
OAKLAND
California

Past Budget Conditions

- ▶ Recent reinvestment in services and staffing following significant effort to address budget shortfalls during the great recession.
- ▶ Workforce at 4,010 full-time positions compared to 4,634 in 2002-03, a drop of 13%
- ▶ Service reductions were not equivalent to staff reductions—the City is doing more with less
- ▶ Employees & Community have been major part of the solution to past budget challenges



Budget At A Glance

FY 2014-15 Midcycle Budget *

	GPF	All Funds
Revenue	\$494 million	\$1,149 million
Expenditure	\$494 million	\$1,149 million
FTEs		4,010

FY 2013-14 Unaudited Actuals

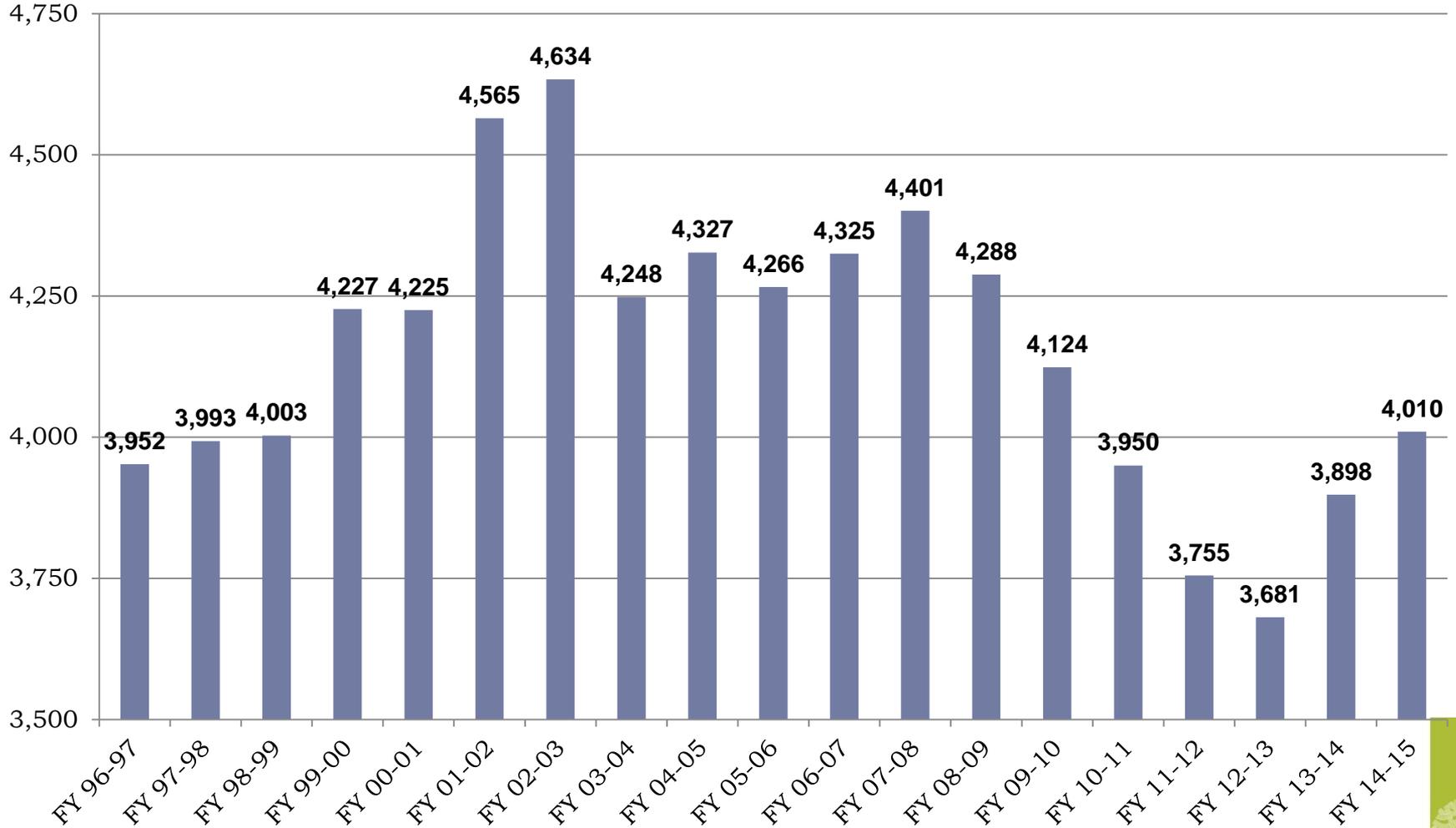
	GPF	All Funds
Revenue	\$460 million	\$1,388 million
Expenditure	\$458 million**	\$1,347 million

* Includes transfer to/from fund balance

** Adjusted to include project carryforward funds



Full-Time Equivalent (FTE) History



Service Reductions Endured During the Great Recession

- Sworn OPD workforce reduced from 837 to 630 officers
- Closed two fire engine companies—Rolling Brown Outs
- Reduced hours for branch libraries, recreation centers, and senior centers
- Reduced investments in City infrastructure, facilities, and environment – streets & paving, tree services, building maintenance, graffiti, litter, & illegal dumping
- Significant reductions in support functions such as human resources, information technology, finance, personnel, and administrative staff both centrally and within departments
- The loss of redevelopment funding resulting in reduced services such as facade improvements, affordable housing development, graffiti abatement, illegal dumping cleanup, neighborhood project initiative programs



Reinvestments since the Great Recession

- OPD workforce increased to 707 officers
- Ended Rolling Brown Outs – 2 fire engine companies
- Restored some hours for branch libraries, recreation centers, and senior centers (though not to prior levels)
- Investments in City infrastructure (however investments far short of needs, particularly for streets & paving, building maintenance, graffiti, litter, & illegal dumping)
- Investments in animal services, code enforcement, OPD civilian positions (including crime analysis & dispatch) and economic development
- Restoration of support functions in information technology and human resources (though not to prior levels)
- Some restoration of affordable housing services.
- Partial restoration of funding from Federal Grant programs following sequestration

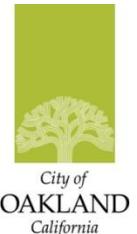
Past Solutions to Balance the Budget

Reduced Expenditures

- ▶ Employee givebacks (furloughs, no COLA)
- ▶ Reduced workforce
- ▶ Service reductions
- ▶ Deferred maintenance & infrastructure spending
- ▶ Frozen & selected hiring
- ▶ Restricted travel
- ▶ Reduced use of city vehicles
- ▶ Two-tier Retirement System
- ▶ Increase Employee's share of retirement contribution

Increased Revenues

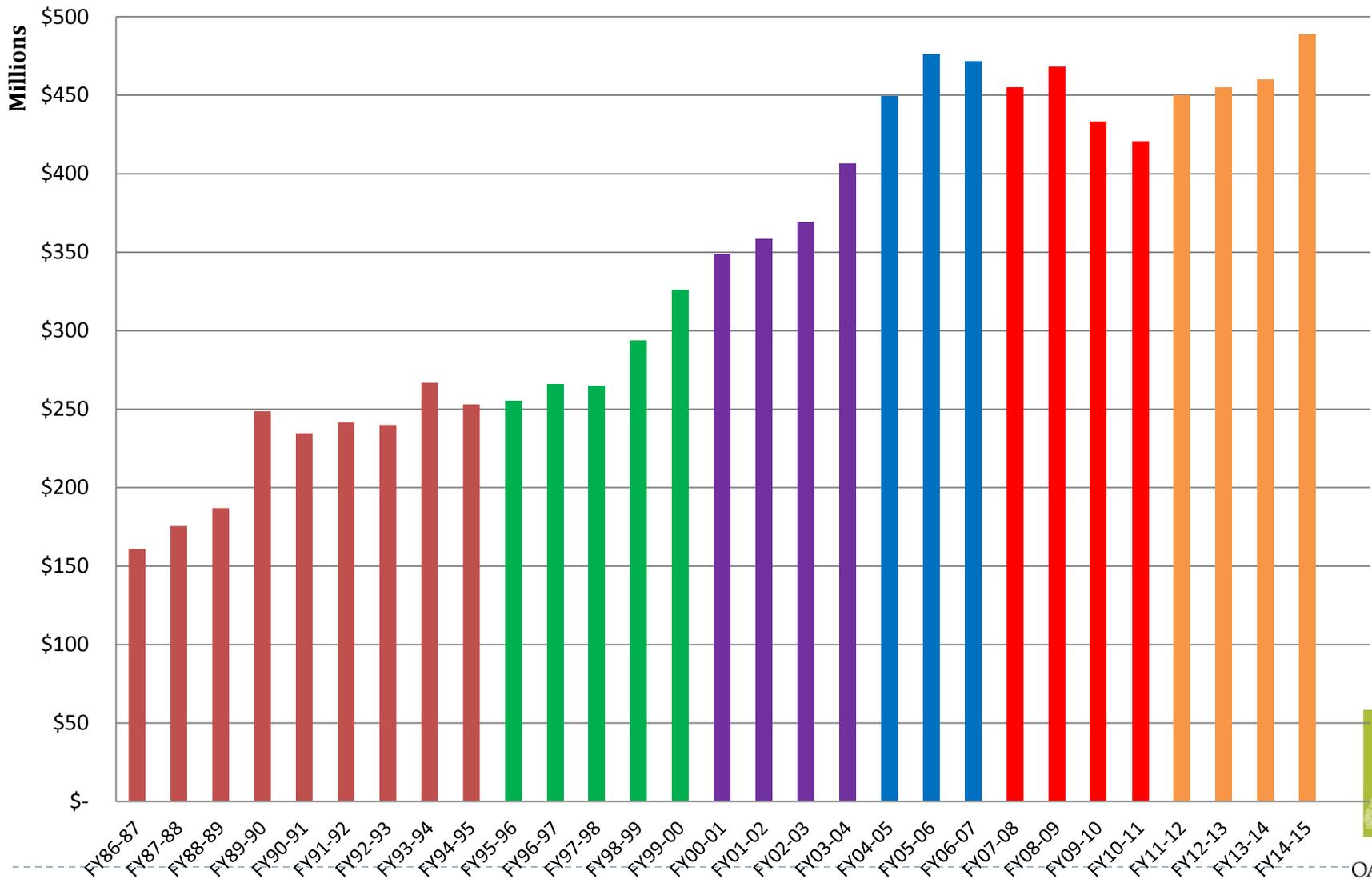
- ▶ One-time Real Estate Taxes
- ▶ Sales of City Owned Property
- ▶ Increased Fees & Cost Recovery Service Charges
- ▶ Voter approved tax measures
- ▶ Grant Assistance from Federal, State, and Private initiatives
- ▶ Economic development Investment & Strategies
- ▶ Revenue audits



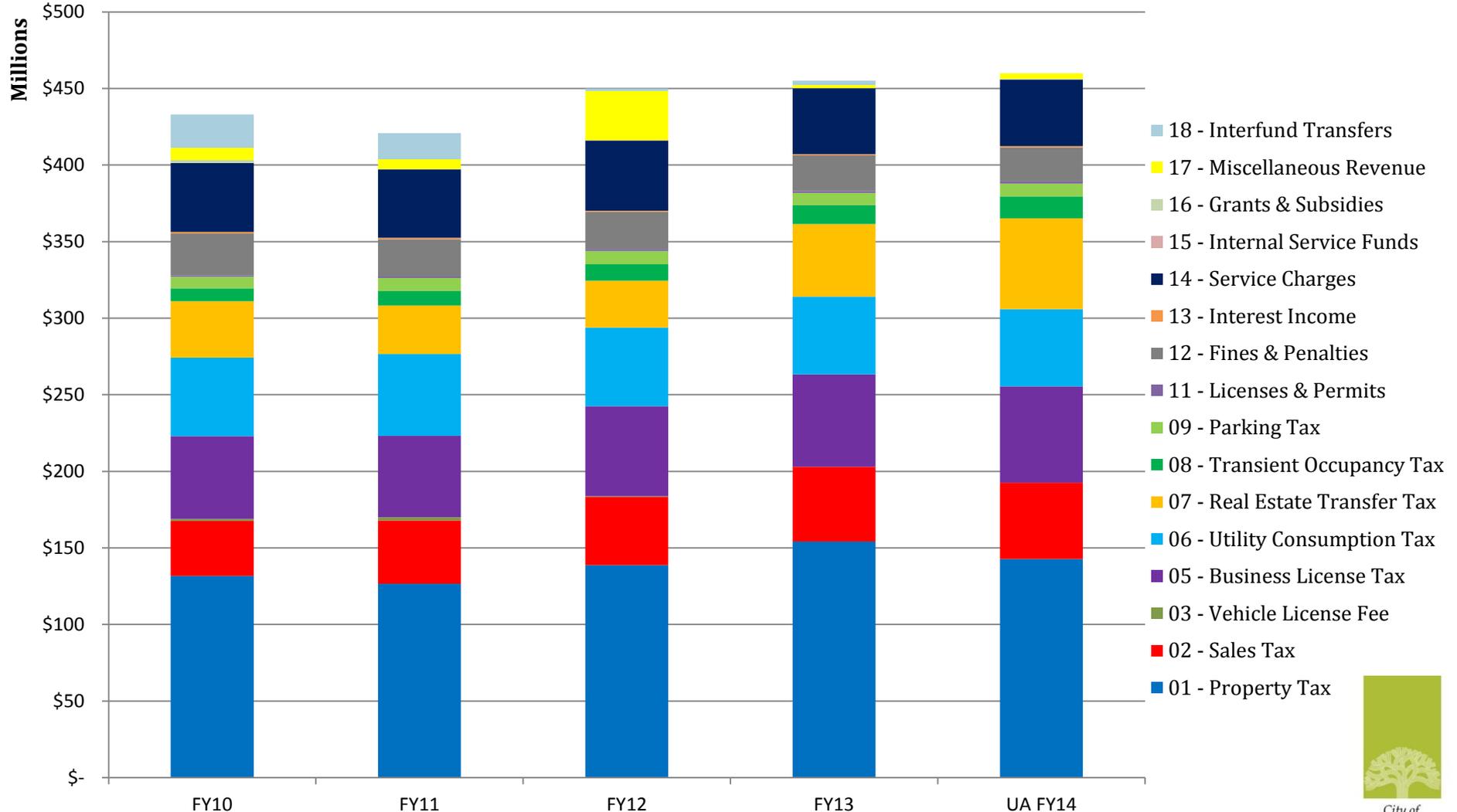
Revenue Overview



Historical Revenues

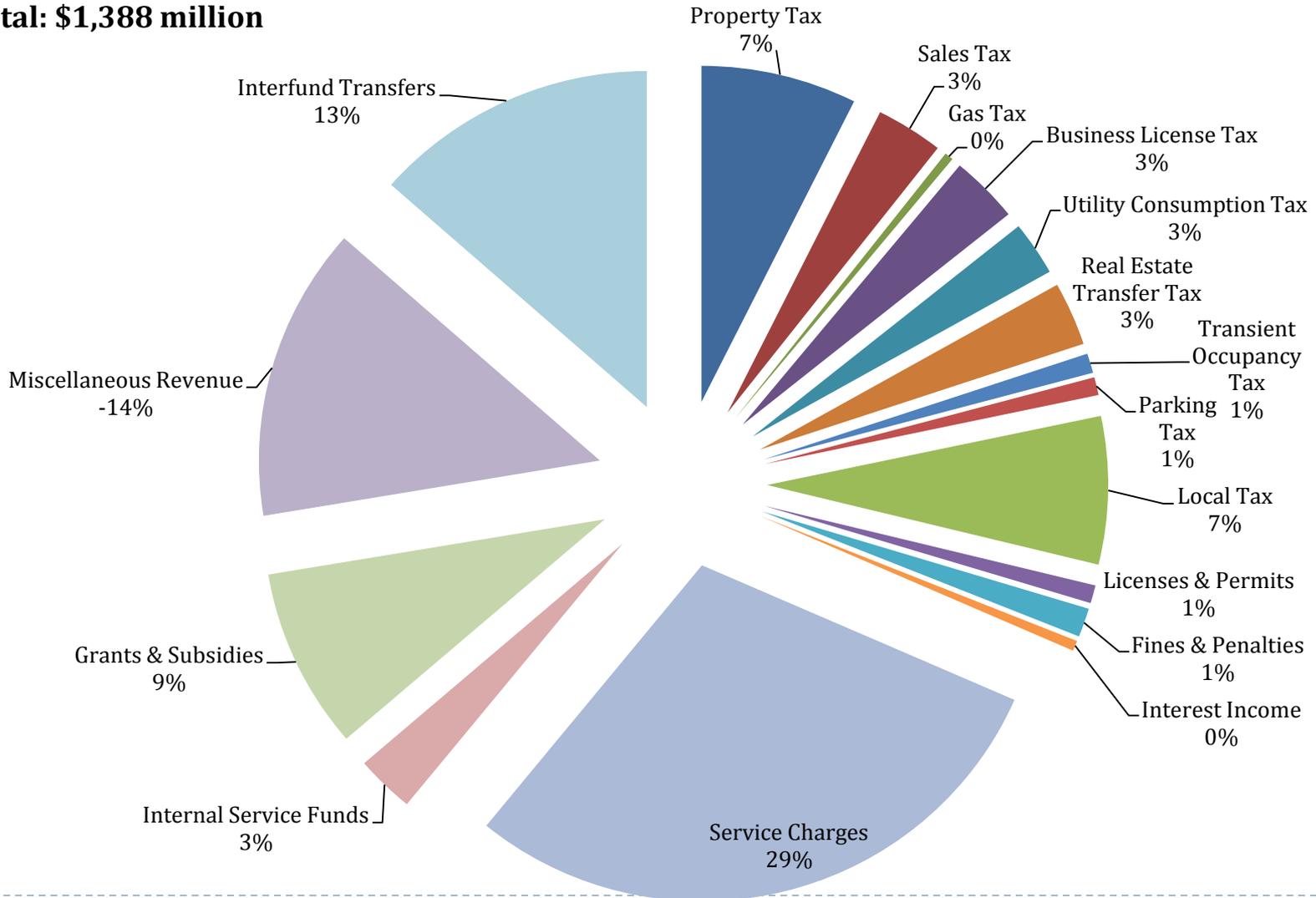


Historical Revenues

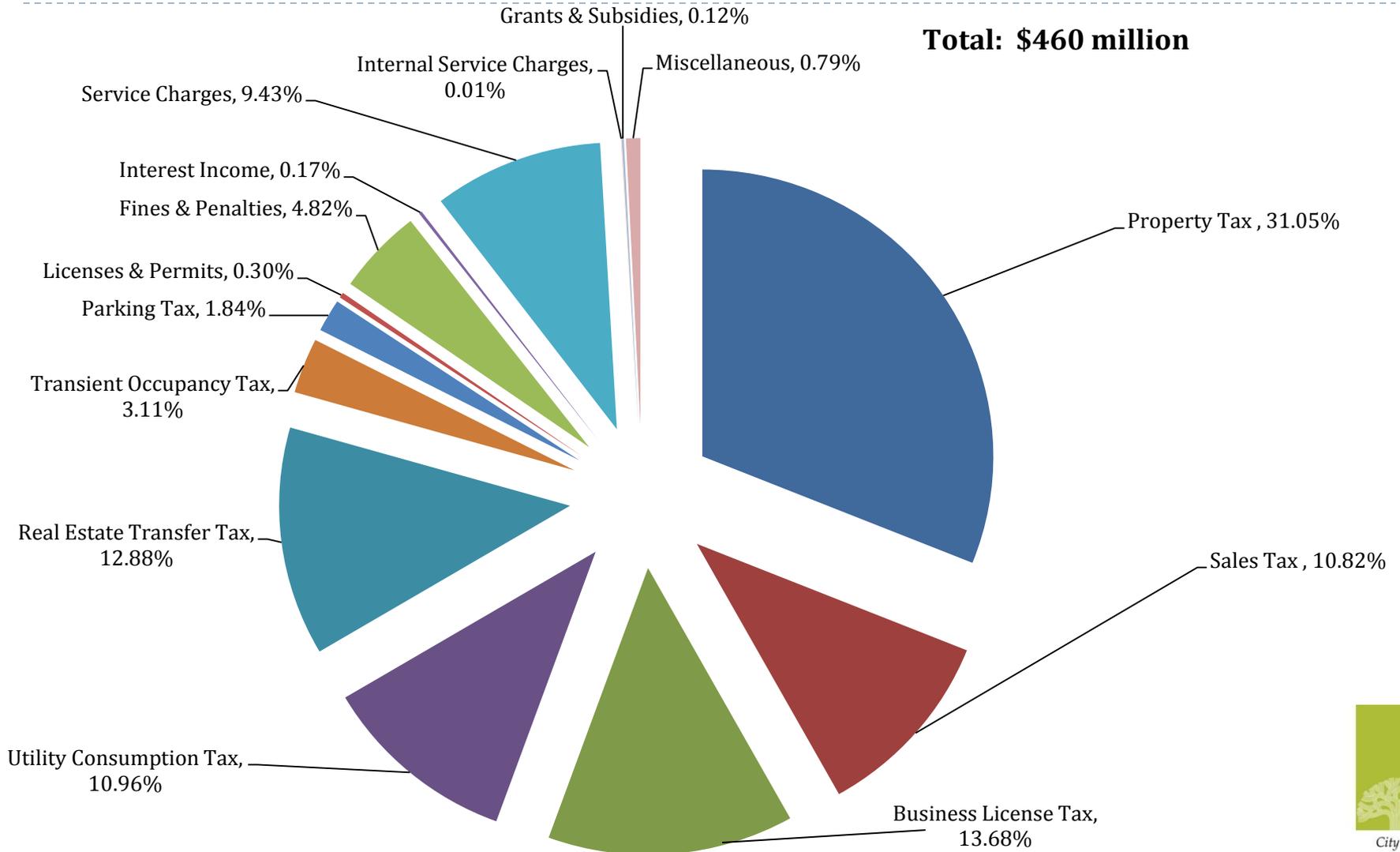


Unaudited FY 2013-14 Revenues By Category – All Funds

Total: \$1,388 million

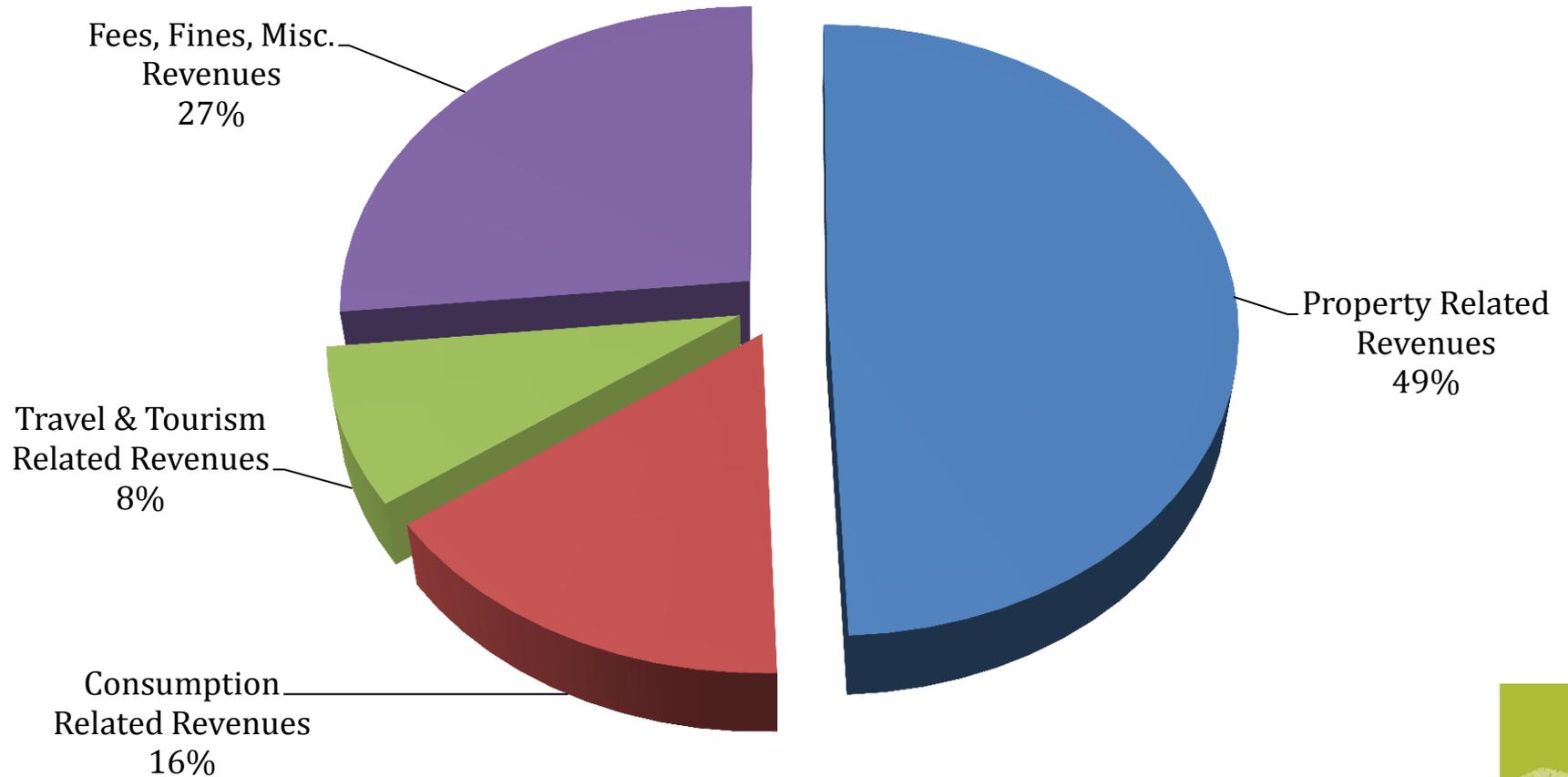


Unaudited FY 2013-14 Revenues By Category – General Purpose Fund

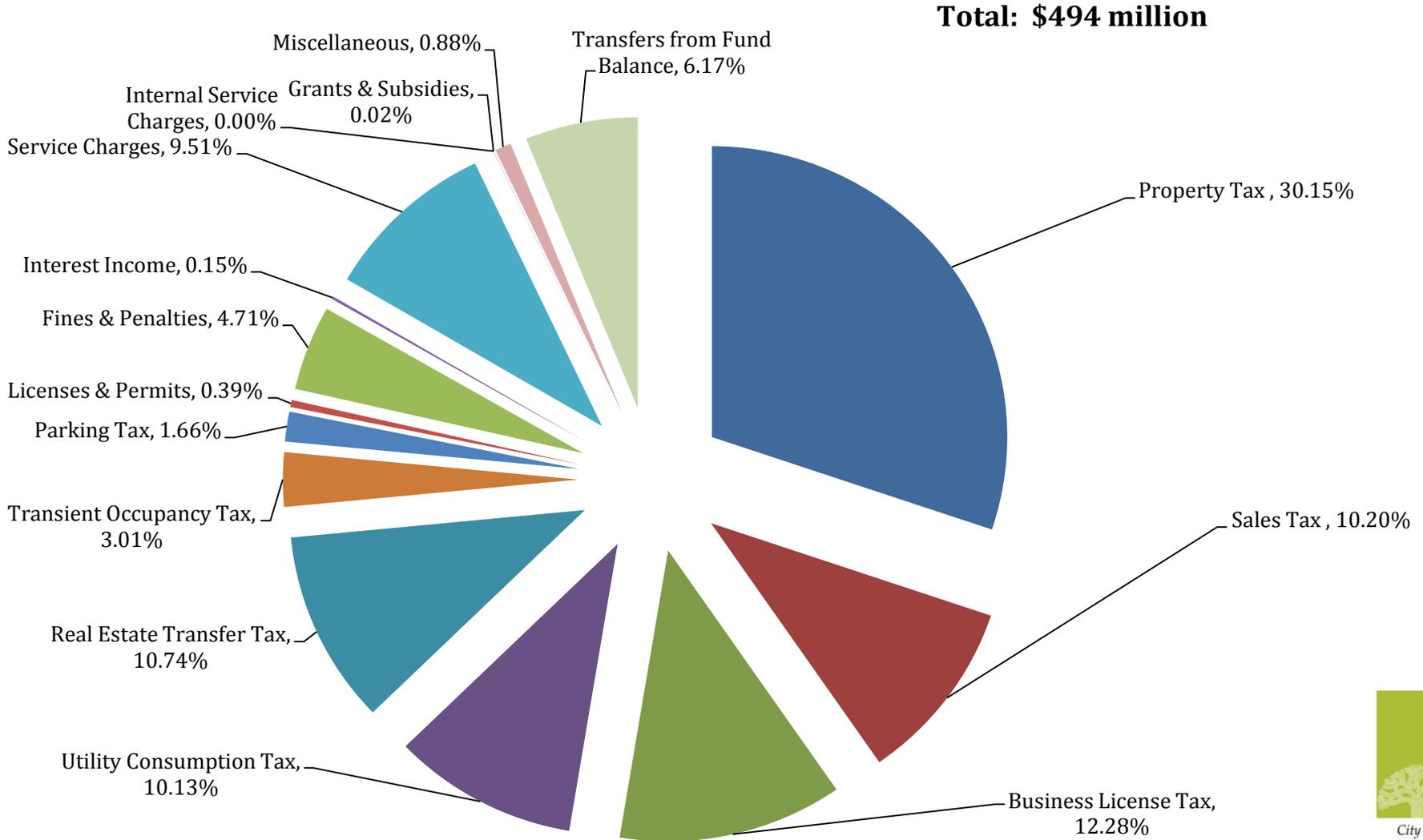


Unaudited FY 2013-14 Revenues By Type – General Purpose Fund

Total: \$460 million



FY 2013-14 Midcycle Revenues By Category – General Purpose Fund

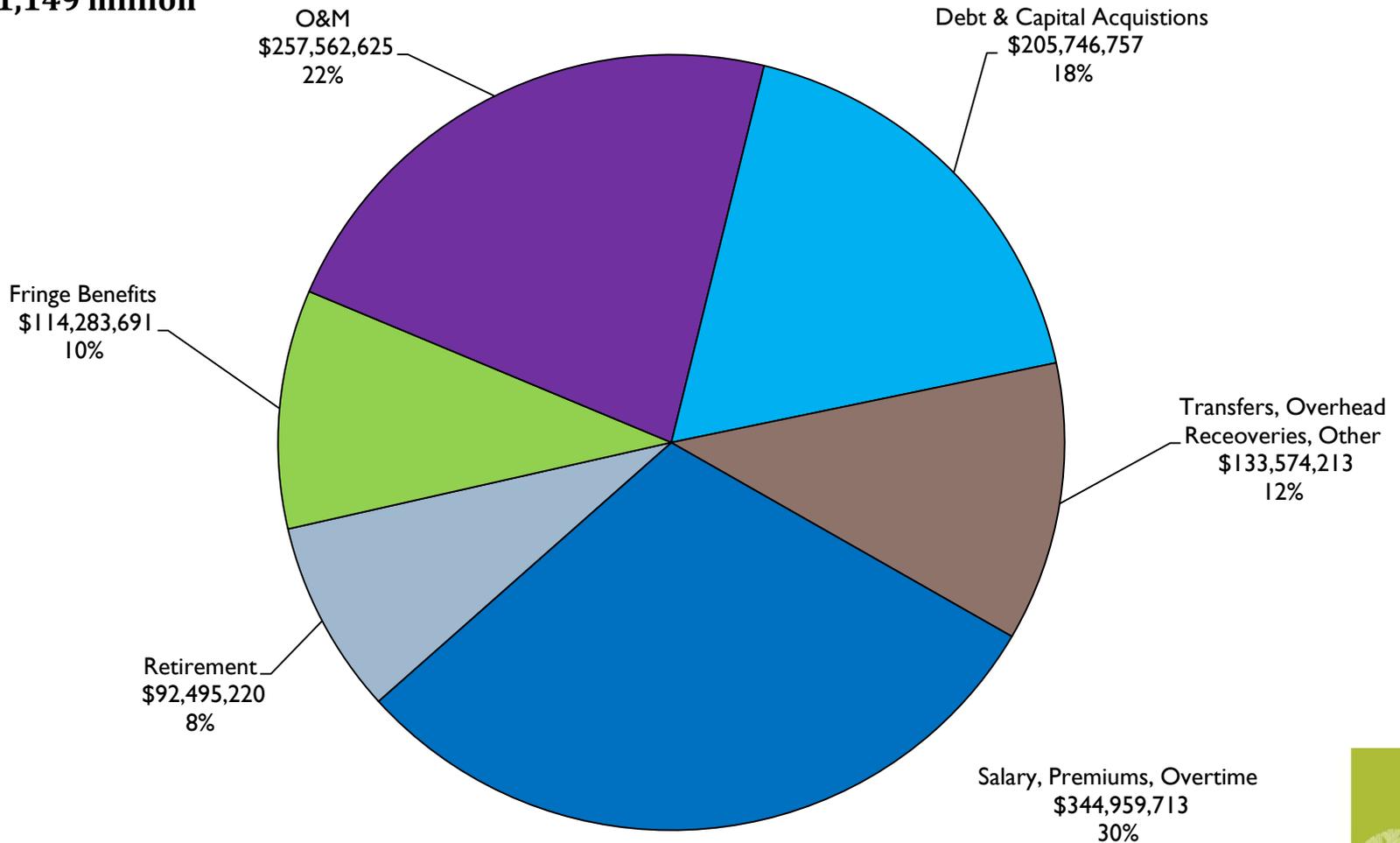


Expenditures Overview



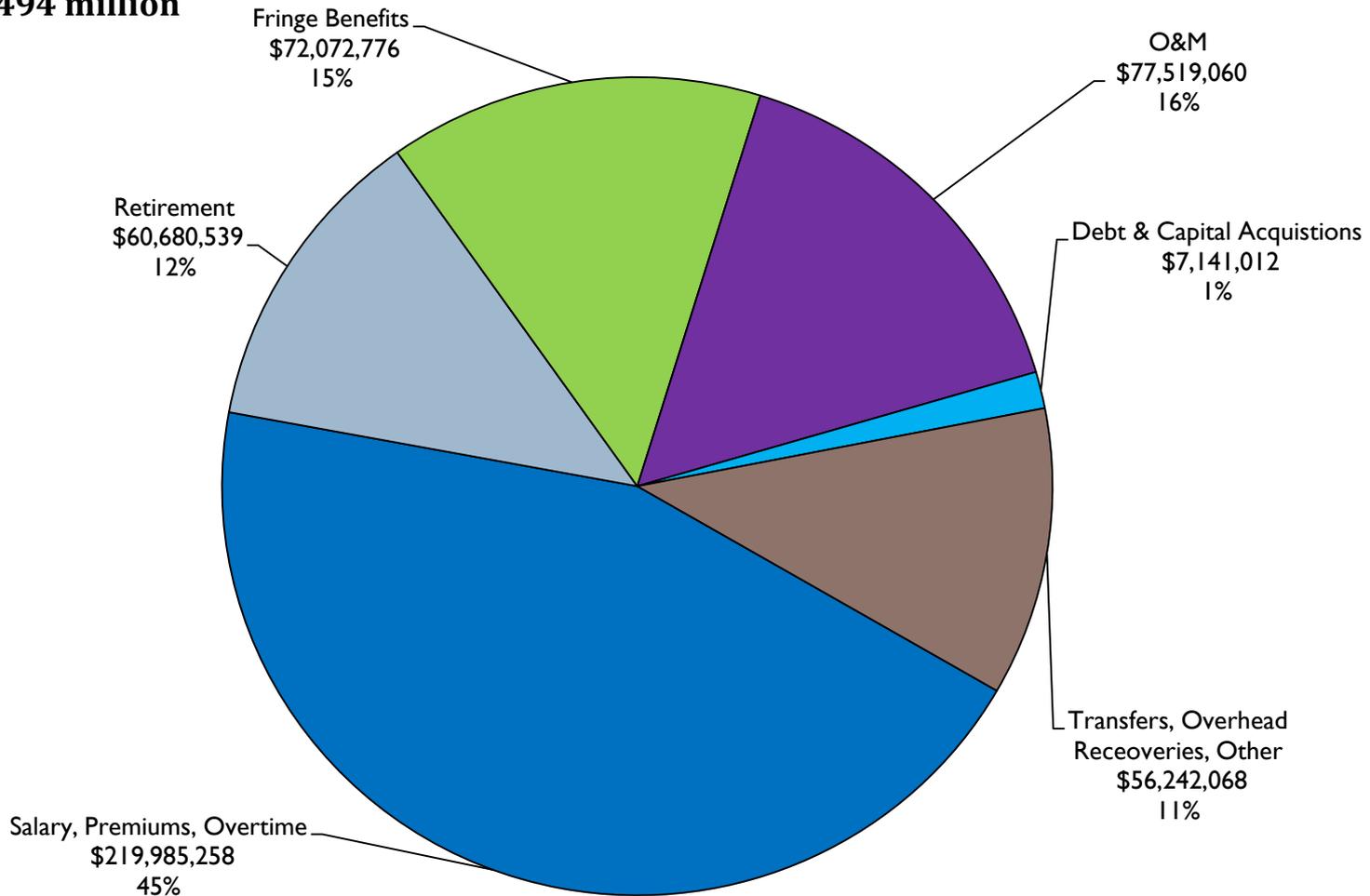
FY 2014-15 Midcycle Budget Expenditures By Category – All Funds

Total: \$1,149 million



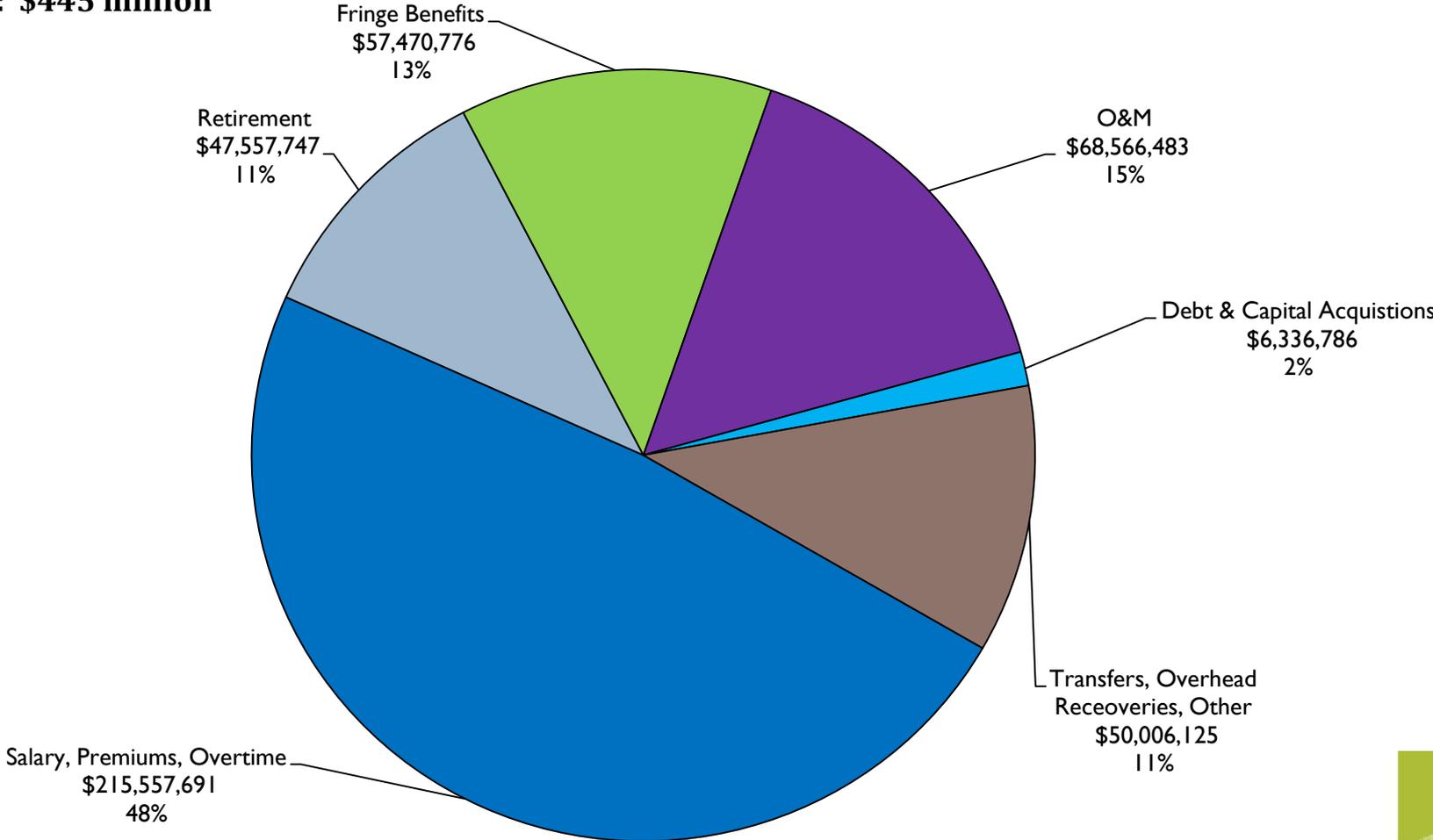
FY 2014-15 Midcycle Budget Expenditures By Category – General Purpose Fund

Total: \$494 million



Unaudited FY 2013-14 Expenditures By Category – General Purpose Fund

Total: \$445 million



Key Cost Drivers

- ▶ Costs of Medical Inflation – Set by Kaiser in negotiation with CalPERS
- ▶ CalPERS Pension Costs – Set by CalPERS
- ▶ Employee Wages & Premiums – Subject to Bargaining
- ▶ Inflation for Utilities & Fuel – Set by PG&E, EBMUD, and Markets
- ▶ Cost of Inflation for Contract Goods and Services
- ▶ Interest Rate – Cost of borrowing
- ▶ Deferred Maintenance of Information Technology Systems, Vehicles, Equipment, Facilities, and Infrastructure
- ▶ Restoration of positions and services



Long Term Obligations and Credit Ratings



City of
OAKLAND
California

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 Unfunded Obligations

Unfunded Amount	Descriptions
\$1,135M	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.
\$463M	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$463M as of July 1, 2013
\$215M	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.
\$105M	Negative Funds - 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.
\$40.3M	Accrued Leaves are approximately \$40.3M unfunded as of June 30, 2013 (unaudited)

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

Fiscal Policies



City of
OAKLAND
California



Fiscal Policies

- ▶ On December 9th the City Council will hear a second reading of the revised fiscal policies that will govern the FY 2015-17 Budget process.
- ▶ The fiscal policy consolidates various ordinances and resolutions into a single volume. These include:
 - ▶ Policies on Balanced Budget, Reserve Policies, Policies on Budget Operations, and Policies that guide the budget process, transparency, and public participation.
- ▶ The fiscal policy revisions also introduces a Rainy Day Policy that
 - ▶ Re-defines Excess Real Estate Transfer Tax, and
 - ▶ Creates a Vital Services Stabilization Fund to help avoid service reductions and layoffs during the next economic downturn
- ▶ Establishes a key Budget milestones and timelines
 - ▶ Requires polling survey, Five-Year Forecast, Community Meetings; Council Workshop; Community Meetings; Service Levels; open data; Baseline

Future Challenges



City of
OAKLAND
California

Key Challenges

- ▶ Increasing and changing demands for services driven by demographics
- ▶ Addressing public safety, poverty, and the City environment
- ▶ Trend of expenditure growth in excess of revenue growth
- ▶ Raising revenue under CA legal restrictions (voter approval, Prop 218, and Prop 26)
- ▶ Failure of Wildfire District renewal
- ▶ Investing in, supporting, and strengthening our workforce
- ▶ Long-Term Sustainability of City finances related to Debt and Unfunded Long-term obligations
- ▶ Addressing major unfunded capital needs and deferred maintenance on infrastructure, buildings, and systems
- ▶ Implementing new laws such as voter approved measures (public ethics, redistricting, minimum wage/sick leave) and the Affordable Care Act
- ▶ Adapting to 21st Century technological challenges and demands
- ▶ Maintaining strong economic growth and reinvestment
- ▶ Being prepared for the next economic downturn
- ▶ Legal costs



Implementation of Certain Key Recently Approved Ballot Measures

- ▶ Measure BB - Transit Funding – Provides additional resources for improvements to local streets and sidewalks
- ▶ Measure Z - Violence Prevention – Renewed funding for Police, Fire, and Violence Prevention Services, while requiring minimum staffing for Sworn Police Officers for collection of the tax.
- ▶ Measure CC - Public Ethics – Increases staffing and enforcement capacity for the Public Ethics Commission
- ▶ Measure DD – Redistricting – Creates an independent redistricting commission and process
- ▶ Measure FF - Minimum Wage – Increases the minimum wage to \$12.25 in March 2015 to be increased annually based upon the CPI. Also requires 1 hour so sick leave for each 30 hours worked.



Budget Process & Timeline



City of
OAKLAND
California

FY 2015-17 Budget Process & Timeline

- December 12th 2014 – Revenue & Economic Roundtables
- January 2015 – Council Meeting on budget priorities
- Early 2015 – Release of Public Poll on Budget Priorities
- February 2015 – Release of the 2nd Quarter R&E Report and Five-Year Forecast
- Late April 2015 – Release of the Mayor’s Proposed Budget
- Late May 2015 – Release of the 3rd Quarter R&E Report
- May & June 2015 – Community Budget Forums
- June 2015 – Council Deliberations, Budget Amendments, and Budget Adoption by June 30th



Q & A

?

Thank you



City of
OAKLAND
California