



# FY 2011-12 Fourth Quarter Revenue and Expenditure Report

Finance and Management Committee November 27, 2012

### **Background - Past Budget Conditions**

- Significant effort to address budget shortfalls totaling \$317.8 million over last 6 years
- Workforce reduction equivalent to 720 full-time positions (20%)
- Service reductions appear not equivalent to staff reductions doing more with less, internal service departments critical to sustaining quality service
- Employees & community have been major part of the solution

# City's Improving Economic Condition

#### FY 2011-12 Indicators

- Sales tax revenue net increase of \$2.2 million (4.5%) from FY 2010-11 to FY 2011-12
- Job growth of 5,200 (3.1%) from September 2011 to September 2012
- Unemployment rate dropped from 15.5% in September 2011 to 13.1% in September 2012
- Business License Tax revenue net growth of \$3.06 million (5.8%) from FY 2010-11 to FY 2011-12



### **FY 2011-12 Revenue Highlights**

#### FY 2011-12 General Purpose Fund (GPF)

- Budgeted revenue: \$414.8 million
- Year-end actual revenue: \$449.5 million (unaudited)

#### Significant Variances from budget to actual

- Property Tax: +13.63 million
- Sales Tax: +\$5.95 million
- Business License Tax: +\$7.68 million
- Real Estate Transfer Tax: +\$2.06 million
- Transient Occupancy Tax: +\$1.99 million
- Service Charges: +\$1.53 million



### **FY 2011-12 Expenditure Highlights**

#### FY 2011-12 General Purpose Fund (GPF)

- Budgeted expenditures: \$397.7 million
- Year-end actual expenditures: \$398.2 million (unaudited)

#### Significant Variances from budget to actual

- Administrative Services (Information Technology, Treasury, Controller, Human Resources) over-spending of \$3.1 million primarily due to \$2.0 million allowance for prior years' doubtful Port receivables and \$1.10 million County Parking Settlement.
- Police Services over expenditure of \$2.57 million primarily due to overtime costs for sworn and civilian personnel.
- Non-Departmental unit savings of \$3.67 million primarily from Central Service Overhead recovery account exceeding budget due to insufficient leave taking in other funds.

# **General Purpose Fund Revenue and Expenditure Summary FY 2011-12 (Unaudited)**

GENERAL PURPOSE FUND (1010)				
	FY 2011-12	FY 2011-12	FY 2011-12	Q4 Year-End
	Adjusted	<b>Q3 Forecast</b>	Q4 Unaudited	v. Budget
_	Budget	YE Actuals	YE Actuals	Over (Under)
Beginning Fund Balance	\$31.6	\$31.6	\$31.6	
Revenue	\$414.8	\$425.5	\$449.5	\$34.8
Expenditures	\$397.7	\$399.9	\$398.2	\$0.5
Estimated Current Year Surplus/(Shortfal	\$17.1	\$25.6	\$51.3	
Fund Balance [A]	48.7	57.2	\$82.9	
Included in FY 12-13 Adopted Amended Budge	(14.3)	(14.3)	(14.3)	
Carryforw ards	(5.1)	(5.1)	(5.1)	
Ending Fund Balance (est.) [B]	\$29.3	\$37.9	\$63.5	

#### **General Purpose Fund Balance FY 2011-12**

(Unaudited)

Gross ending Fund Balance	\$	82,900,000
Minus Jun-Dec ROPS Residual Prop Tax Trust (RPTT)	Ψ	22,200,000
already included in 12-13 budget	\$	(3,700,000)
Minus \$8.7m for 12-13 budget (property sales)	\$	(8,782,521)
Minus \$1.8m for Coliseum City EIR already included in		
12-13 budget	\$	(1,800,000)*
Minus Project CFs and Encumbrances	\$	(5,100,000)
NET AVAILABLE ENDING FB (proj.)	\$	63,517,479
Minus return of property transfer proceeds if subject to		
State action	\$	(35,700,000)
PLUS expected RPTT if state action taken	\$	7,500,000 **
Minus contingent reserved for NSA, court orders and		( <b>7</b> 100 000) this
litigation	\$	(5,100,000)***
NET AVAILABLE ENDING BALANCE (meeting the		
council mandates 7.5% GPF reserved)	\$	30,217,479

- \*City Council directed the City Administrator to send the request to fund the Coliseum City EIR (\$1.8 million) to the Oversight Board and/or identify other sources of remaining funds. The GPF fund balance has been used as a placeholder, pending implementation of Council's direction, which includes the following sources: oversight board funding, ACTC advance, JPA funding, and last resort, General Purpose Fund.
- \*\*This estimation is contingent upon due diligent review, only approximately 40% of the tax increment portion of land sale proceeds can be transferred to the City.
- \*\*\* This estimation is low for full compliance of all NSA terms

# LLAD Fund Summary FY 2011-12 (Unaudited)

	FY 2011-12 Adjusted Budget	Q4 Unaudited YE Actuals	Q4 Year-End v. Budget Over (Under)
LANDSCAPING & LIGHTING ASSESSMEN	<u>IT DISTRICT I</u>	FUND (2310)	
Beginning Fund Balance	(2.5)	(2.5)	
Revenue	\$18.7	\$19.4	\$0.7
Expenditures	\$18.9	\$18.3	(0.6)
Estimated Current Year Surplus/(Shortfal	(0.2)	\$1.1	
Fund Balance [A] Carryforw ards	(2.7) (0.1)	(1.4) (0.1)	
Ending Fund Balance (est.) [B]	(2.7)	(1.5)	

# **Equipment and Facilities Funds Summary FY 2011-12 (Unaudited)**

EQUIPMENT FUND (4100)			
Gross Beginning Cash Balance	(10.4)	(10.4)	
Revenue	\$18.0	\$17.7	(0.2)
Expenditures	\$16.8	\$15.2	(1.6)
Estimated Current Year Surplus/(Shortfal	\$1.2	\$2.5	
Cash Balance [A] Carryforw ards	(9.2) (1.4)	(7.8) (1.4)	
Ending Cash Balance (est.) [B]	(10.6)	(9.3)	
FACILITIES FUND (4400)			
Gross Beginning Cash Balance	(26.3)	(26.3)	
Revenue	\$23.3	\$23.8	\$0.5
Expenditures	\$23.5	\$21.5	(2.0)
Estimated Current Year Surplus/(Shortfal	(0.2)	\$2.3	
Cash Balance [A] Carryforw ards	(26.4) (1.2)	(23.9) (1.2)	
Ending Cash Balance (est.) [B]	(27.6)	(25.1)	

## **Negative Other Fund Balance Summary**

(FYs 09-10 thru 11-12)

Negative Fund Balance Summary FY 2009-10 Through FY 2011-12

		Fund Balance	Fund Balance	Fund Balance
	Negative Fund Category	FY 2009-10	FY 2010-11	FY 2011-12
1	Negative Funds with Repayment Plan	(98,175,474)	(94,379,909)	(79,260,347)
2	Reimbursable Negative Funds	(22,448,746)	(13,525,732)	(12,485,594)
3	Non-Reimbursable Negative Funds without Repayment Plan	(17,542,656)	(13,441,408)	(14,031,629)
T	otal Negative Funds	\$ (138,166,876)	\$ (121,347,049)	\$ (105,777,570)
	FY 2010-11 through FY 2011-12 repayment amount	\$ 32,389,306		



# City's Credit Rating

The City's underlying ratings for its general obligation bonds are as follows:

Rating Agency	Rating Action Date	Rating	Outlook
Moody's	6/19/2012	Aa2	Stable Outlook
S&P	6/13/2012	AA-	Stable Outlook
Fitch	8/20/2012	A+	Stable Outlook

- ▶ These ratings reflect the City's credit strengths which are embodied in:
  - ✓ Strong financial management practices, many of which are enshrined in council-adopted policy
  - Very deep and diversified economic base that contributes to and participates in the Bay Area regional economy
  - Positive views of budget actions that have allowed the City to retain a very strong general fund balance
  - Cash flows and liquidity levels that are closely monitored and managed throughout the fiscal year and management's emphasis on maintaining healthy general fund reserves
  - Very strong reserves

#### **Unfunded Liabilities**

Unfunded Amount	Descriptions
\$743K	Oakland Municipal Employees Retirement System (OMERS), closed retirement system, unfunded balance as of June 30, 2011
\$743M	California Public Employees Retirement System (Cal PERS), 75% funded. Unfunded balance as of June 30, 2011
\$216M	Police and Fire Retirement System (PFRS), closed retirement system, unfunded balance as of June 30, 2012 was \$426M; issued a bond in July 2012, the current unfunded balance is \$216M, will start the payment in FY 2017-18, \$24.24M
\$520M	Other Post-Employment Benefits (OPEB) has the unfunded actuarial accrued liability (UAAL) of \$520M as of June 30, 2011
\$29.5M	Accrued leaves are funded at 28.7% level, which leaves approximately \$29.5M unfunded as of June 30, 2012 (unaudited)
\$105M	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.

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