



# FY 2004-05 Midcycle Budget Facts

## REVENUE AND EXPENDITURE SUMMARY

The City of Oakland has a biennial budget development process, which improves long-term planning efforts and enhances funding stability. This two-year budget is divided into two one-year spending plans. During the off-year, the Mayor and City Council conduct a Midcycle Budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State, Court, and voter-approved actions. Tables 1 and 2 summarize the FY 2004-05 Midcycle Budget proposal.

**Table 1. FY 2004-05 REVENUE BY TYPE (in millions)**

	General Purpose	All Funds
New State Take Back **	(\$6.90)	(\$6.90)
Property Tax	75.44	133.51
Sales Tax	41.41	50.78
Vehicle License Fee (Tax & Backfill)	24.33	24.33
Gasoline Tax	-	8.43
Business License Tax	44.66	44.66
Utility Consumption Tax	48.61	48.61
Real Estate Transfer Tax	47.01	47.01
Transient Occupancy Tax	9.93	9.93
Parking Tax	9.52	9.52
Other Local Taxes	-	15.48
Landscaping & Lighting Assessment	-	17.69
Licenses & Permits	14.65	15.03
Fines & Penalties	27.54	28.56
Interest Income	-	5.59
Service Charges	51.72	115.72
Grants & Subsidies	0.11	82.94
Internal Service Charges	-	42.31
Miscellaneous	9.11	63.57
Fund Transfers	6.90	99.59
<b>Total Revenue</b>	<b>\$404.03</b>	<b>\$856.37</b>

\*\* Reflects State take back imposed beginning FY 2003-04 in addition to annual Education Revenue Augmentation Fund (ERAF) reductions that commenced in FY 1992-93. The take back is a combination of Vehicle License Fee, property tax and sales tax.

**Table 2. FY 2004-05 EXPENDITURES BY DEPARTMENT (in millions)**

	General Purpose	All Funds
Mayor	\$1.69	\$1.92
City Council	2.46	3.52
City Administrator (all offices)	5.66	9.95
City Clerk	2.09	2.27
City Attorney	7.25	10.84
City Auditor	1.01	1.17
Finance & Management	28.25	39.23
Police Services	156.46	160.14
Fire Services	89.63	96.73
Public Works	0.92	114.73
Parks & Recreation	11.28	16.46
Library Services	10.51	21.51
Cultural Arts & Marketing	7.06	11.01
Human Services	6.30	37.42
Community & Economic Development	20.62	62.59
Non-Departmental	52.75	247.36
Capital Improvement Program	0.02	64.12
<b>Total</b>	<b>\$403.97</b>	<b>\$900.98*</b>

\* Includes funds not spent in prior years, which are offset by prior year revenue.



## CONSERVATIVE BUDGETING PRACTICES

Governor Schwarzenegger's revised budget for FY 2004-05 has minimal impact on the City of Oakland because we anticipated what actions the State might take with regard to local governments. During the FY 2003-05 budget development process, Oakland was very conservative in developing revenue estimates and anticipated \$6.6 million in a State "take back." Indications are now that the actual take back will be \$6.9 million. Table 3 shows that, despite operating within the context of a volatile State Budget, only minimal changes have been necessary to keep the FY 2004-05 budget in balance.

**Table 3. General Purpose Fund Budget (\$ in millions)**

	FY 2004-05 Budget Adopted in June 2003	FY 2004-05 Midcycle Review	Dollar Change	Percent Change
Revenues	\$403.47	\$404.03	\$0.56	0.1%
Expenditures	\$403.43	\$403.97	\$0.54	0.1%

Oakland's conservative budgeting is being praised by financial institutions and bond rating agencies. Standard & Poor's credit rating agency wrote that "Oakland is well managed financially, employing among the state's more conservative revenue forecast estimates."

## BUDGETING CONSTRAINTS

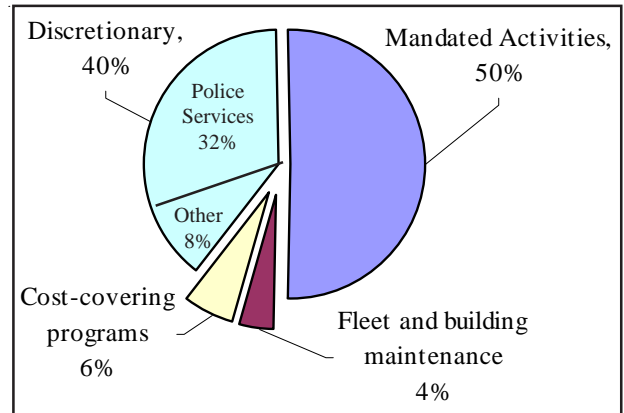
Oakland has a broad diversity of revenues, both restricted and unrestricted, and has been quite successful in securing grants and special revenues from the state and federal governments. This diversity of revenues also poses a challenge in that restrictions on many revenue sources limit the City Council's flexibility to shift funds to match their priorities. For example, gasoline taxes are charged to people who purchase gas and are allocated to Oakland (from the State) specifically for purposes of street and transportation related activities. These funds cannot be used for other purposes such as libraries or police services.

The City Council's most discretionary source of funding is the General Purpose Fund. Most taxes and charges that Oakland residents and businesses pay go to the General Purpose Fund. However, nearly 50% of the General Purpose Fund is restricted for specific purposes including the following:

- Minimum General Fund appropriation, per voter-approved Library Services Retention and Enhancement Act (Measure Q) and Oakland Kids First! Initiative
- Mandated firefighter staffing
- Charter requirements, such as Mayor, City Council, City Attorney, and City Auditor offices
- State and legislative requirements
- Debt service
- Leases and other contractual obligations

Another four percent pays for fleet and building maintenance, while another six percent comes from cost-covering programs. This leaves about 40% from which the City Council can make choices to best meet funding priorities. Note, however, that within the 40% "discretionary" portion, 32% is allocated to police protection, leaving only eight percent for non-police related discretionary spending.

Chart 4. GENERAL PURPOSE FUND DISCRETION



## FUTURE CHALLENGES

The City is looking ahead and anticipating budget challenges that are likely to arise during the FY 2005-07 budget development cycle. Current projections indicate that the cost of doing business will continue to rise in the coming years. Based upon known increases mandated through Memoranda Of Understanding (MOU) with labor unions, retirement and fringe benefit cost increases, and debt service changes, expenditures are expected to grow by 9.54% in FY 2005-06, 4.77% in FY 2006-07, and 4.72% in FY 2007-08.

Major factors contributing to the spending increases include:

- CALPERS retirement costs. In FY 2004-05, Oakland paid a large part of its retirement costs to CALPERS from savings we had generated in prior years. These "banked" savings will be exhausted in FY 2005-06.
- Health care premium costs. Premium costs are on the rise and currently projected to increase by 10% in FY 2005-06 and FY 2006-07, and 7% in FY 2007-08.

