



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Fiscal Year 2022-23 Fourth Quarter (Q4) and Fiscal Year 2023-24 First Quarter (Q1) Revenue and Expenditures (R&E) Report

DATE: November 21, 2023

City Administrator Approval


Jestin Johnson (Nov 20, 2023 20:13 PST)

Date: Nov 20, 2023

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On Fiscal Year (FY) 2022-23 Fourth Quarter Revenue And Expenditure (R&E) Results And Year-End Summaries For The General Purpose Fund (GPF, 1010) And Select Funds. And Fiscal Year (FY) 2023-24 First Quarter Revenue And Expenditure (R&E) Year-End Projections For The General Purpose Fund (GPF, 1010) And Select Funds

EXECUTIVE SUMMARY

This report provides an overview of the City of Oakland's (the City) unaudited financial results for the **Fourth Quarter Q4** of FY 2022-23 in the General Purpose Fund (GPF) and other funds. Additionally, it offers preliminary revenue and expenditure projections for the **First Quarter Q1** of FY 2023-24. The primary objective of this quarterly Revenue and Expenditure (R&E) report is to document revenue collection and expenditure patterns in comparison to the Adopted Fiscal Budget. It is a crucial tool to assist the City in budget management as more financial data becomes accessible.

Fourth Quarter Q4 of FY 2022-23

GPF Revenues ended the year at \$728.43 million, slightly below the estimated amount of \$730.81 million by 0.3% or \$2.38 million. This is net of the use of fund balance and American Rescue Plan Act (ARPA) funding, assumed as part of the \$919.59 million FY 2022-23 Adjusted Budget to support expenditures. Including one-time funds assumed in the budget, GPF revenues fell \$191.16 million under the Adjusted Budget. Expenditure savings of \$137.15 million was primarily due to an 18% vacancy rate in the GPF and to \$68.00 million of expenditures covered by the ARPA Fund (2072), which would have otherwise been covered by the GPF. **Table 1** below summarizes the FY 2022-23 Year-End performance of revenues and expenditures compared to the Adjusted Budget, ending the year with an overall operating shortfall of \$54.01 million.

Table 1: Summary of FY 2022-23 Q4 GPF Revenues & Expenditures Budget to Year-End Actuals (\$ in millions)

	FY 2022-23 Adopted Budget	FY 2022-23 Adjusted Budget	FY 2022-23 Year-End Actuals	Year-End \$ Over / Under Net Adjusted	Year-End % Over / Under Net Adjusted
FY2022-23 Revenues	872.07	919.59	728.43	(191.16)	(20.8)%
FY 2022-23 Expenditures	872.07	919.59	782.44	(137.15)	(14.9)%
Operating (Shortfall) / Surplus	—	—	(54.01)	(54.01)	(5.9)%

In FY 2022-23, the overall economy remained resilient, with City revenues performing well across various categories. However, certain economically sensitive revenue categories in the GPF experienced a decline, and revenues collected came in below the budgeted amount. The biggest decline is in Real Estate Transfer Tax (RETT) due to higher mortgage interest rates impacting the volume and median sales price of property transfers. Despite ongoing economic challenges post-pandemic, the revenue shortfall is partially offset by salary savings resulting from an 18% GPF vacancy rate Citywide that continues to be a major contributing factor for the lowered year-end GPF expenditure savings. Additionally, one-time Federal relief funding from ARPA offset \$68.00 million, or approximately 7% of budgeted revenues, that were used to support qualified GPF expenditures that would have otherwise been paid out of the GPF.

Attachment A presents a comprehensive breakdown of the unaudited year-end results for FY 2022-23 for the GPF. These results are meticulously detailed, encompassing expenditures at the Departmental level, along with a breakdown by revenue type. Furthermore, the report provides insight into the FY 2022-23 year-end results for non-GPF funds that are of special significance for the City, either due to their unique revenue sources, such as local measures or local taxes, or because of specific expenditure restrictions. This information is organized, commencing from **Table 12** and extending through **Table 75**. A comprehensive summary of all other non-GPF funds, categorized by fund type, is conveniently presented in **Tables 76** through **80**.

First Quarter Q1 of FY 2023-24

The preliminary Q1 FY 2023-24 GPF revenue forecast projects an overall shortfall of \$113.91 million compared to the Adjusted Budget of \$887.48 million projecting to end the year at \$773.57 million. The impact of rising interest rates on property demand and prices, particularly affecting RETT, contributes to anticipated revenue shortfalls compared to the budget. GPF expenditures are forecasted at \$903.07 million, an increase of \$15.58 million from the Adjusted Budget of \$887.48 million. The budget assumes a one-time use of fund balance in the amount of \$30.1 million to balance expenditures and \$52.68 million to support carryforwards. **Table 2** outlines the FY 2023-24 GPF revenue and expenditures Adjusted Budget, Q1 year-to-date actuals, and year-end estimates, with a current estimate of a \$97.63 million year-end operating shortfall.

Table 2: Summary of FY 2023-24 Q1 GPF Revenues & Expenditures Budget to Year-End Actuals (\$ in millions)

	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q1 YTD Actuals	FY 2023-24 Year-End Estimate	FY 2023-24 Year-End \$ Over / Under Adjusted Budget	Projected Year-End % Over / (Under) Adopted Budget
FY 2023-24 Revenues	834.12	887.48	75.12	773.57	(113.91)	(12.9)%
FY 2023-24 Expenditures	834.12	887.48	141.47	903.07	15.59	1.8 %
Operating (Shortfall) / Surplus	—	—	(66.35)	(129.50)	(129.50)	(14.6)%

During the FY 2023-24 Q1 period, the U.S. Bureau of Economic Analysis reported a nationwide annualized real gross domestic product growth of 4.9%, surpassing expectations and signaling ongoing economic recovery from the lingering effects of Covid-19 Pandemic. Despite this, the City's RETT faced challenges due to inflationary trends, concluding FY 2022-23 at \$78.05 million, its lowest since FY 2017-18 at \$77.66 million. Federal Reserve Chair Jerome Powell's announcement on November 1 maintained interest rates at 5.25%-5.50% to combat inflation, indicating a continued impact on RETT, expected to continue to perform at similar levels of FY 2022-23 during the first half of the fiscal year and begin to increase gradually in the second half of the fiscal year. In addition to the decline in RETT, the effects of monetary policy are starting to show and anticipate a slowdown in consumer spending in other areas, as reflected in the FY 2022-23 Q4 5.4% drop in actual Sales Tax receipts County wide compared to the same period in FY 2021-22, according to data provided by the City's Sale's Tax consultant, HDL Companies.

A more cautious estimate of revenues results in the short term, with a stronger rebound anticipated in FY 2024-25. HDL's California Consensus Forecast projects a negative 0.6% year-over-year Sales Tax variance from FY 2022-23 to FY 2023-24, with a 2.6% increase from FY 2023-24 to FY 2024-25 statewide. Considering the actual FY 2022-23 year-end results, some of the GPF revenues are expected to grow at a slower pace than initially anticipated in the FY 2023-24 Adopted Budget. The preliminary Q1 FY 2023-24 GPF revenue forecast projects \$773.57 million, or \$113.91 million lower than the Adjusted Budget of \$887.48 million. After factoring in the use fund balance in the amount of \$30.12 million and carryforwards in the amount of 52.68 million, actual revenues in the GPF are projected to be **\$31.11** million under the \$804.68 million estimated in the Adopted Budget.

Attachment B provides a detailed breakdown of the anticipated year-end projections for FY 2023-24 for the GPF. This detailed breakdown provides insights into revenues and expenditures, offering a granular analysis at the departmental level of spending and by revenue type. Additionally, this attachment includes year-end estimates for selected non-GPF funds that are of particular importance to the City due to their unique revenue sources, such as local measures and local taxes, or specific expenditure restrictions. These estimations are presented

in **Table 10** through **40**. A comprehensive summary of all other non-GPF funds, organized by fund type, is provided in **Tables 41** through **48**.

BACKGROUND / LEGISLATIVE HISTORY

On June 26, 2022, the City Council adopted Resolution No. [89377 C.M.S.](#) which amended the City's fiscal year 2022-2023 Budget.

Pursuant to the City's Consolidated Fiscal Policy - Part G. Criteria for Project Carryforwards and Encumbrances, the FY 2022-23 Adopted Budget has also been adjusted to include \$43.02 million in prior year carryforwards in the GPF which utilizes available fund balance to cover the cost.

On November 1, 2022, the City Council adopted Resolution No. [89482 C.M.S.](#), which authorized the City to accept a Community Oriented Policing Services (COPS) grant from the United States Department of Justice (USDOJ). The Resolution also authorized the City to appropriate thirteen million thirty-three thousand four hundred and nineteen dollars (\$13,033,419) to cover the local match requirement; and authorized the General Purpose Fund (1010) to subsidize the Central Services Overhead costs of nine hundred ninety-two thousand seven hundred dollars (\$992,700) for a total City of Oakland contribution of fourteen million twenty six thousand one hundred and nineteen dollars (\$14,026,119) for a thirty-six month period from October 1, 2022 through September 30, 2025.

On February 16, 2023, through Resolution No. [89592 C.M.S.](#), City Council confirmed and ratified the existence of a local emergency within the territorial limits of the City of Oakland proclaimed by the City Administrator on February 14 pursuant to Oakland Municipal Code Chapter 8.50 and government code section 8630 due to a ransomware attack.

On November 7, 2023, the City Council adopted Resolution No. [89981 C.M.S.](#), amending the current year FY 2023-24 budget to reallocate \$2.5 million of newly available funds from reduced debt payments to the Oakland-Alameda County Coliseum Authority (OACCA) to fund improvements to 9-1-1 dispatch and the recruitment and retainment of workers. Although this action occurred beyond the scope of the first quarter reporting period, it has been incorporated into the FY 2023-24 year-end projections to include the latest information available at the time of this report's publication.

ANALYSIS AND POLICY ALTERNATIVES

This report supports the Citywide priority of a **responsive, trustworthy government** because by providing timely and up-to-date financial information, it enhances transparency allowing residents, stakeholders, and decision-makers to be informed of the City's fiscal health, promoting a culture of responsible financial stewardship.

General Purpose Fund (GPF)

FY 2022-23 Q4 Revenues

The overall economy has shown resilience, with City revenues performing well across several categories. Revenue categories exceeding budget estimates include Property Tax, surpassing the FY 2022-23 Adjusted Budget by 5.9% or \$15.79 million, due to higher property valuations in the County's Property Tax Rolls. Increased utility cost resulted in Utility Consumption Tax to exceed the FY 2022-23 Adjusted Budget of \$54.40 million by \$10.11 million, while Sales Tax, impacted by higher consumer prices in the auto, construction, and hospitality industries, ended the year \$4.23 million above the FY 2022-23 Adjusted Budget of \$62.60 million.

However, the overall revenue in the GPF, ended the year at \$728.43 million, representing a 0.3% or \$2.38 million shortfall under the estimated amount of \$730.81 million, net of use of one-time funds assumed in the FY 2022-23 Adjusted Budget. Economically sensitive revenue categories in the GPF experienced a decline during FY 2022-23, leading to revenues collected falling below budgeted levels. The most significant shortfall is in RETT which came in at \$78.05 million, which is 30.4% or \$34.15 million below the FY 2022-23 Adjusted Budget of \$112.20 million. This was triggered by higher mortgage interest rates, causing a decrease in the volume and median sales price of property transfers. The economic downturn also impacted other areas yet to recover to pre-pandemic levels, such as Transient Occupancy Tax (TOT), which fell short by 15.8% or \$3.79 million under the FY 2022-23 Adjusted Budget of \$23.99 million. Additionally, the absence of an expected increase in special events resulted in Licenses and Permits to come in \$5.04 million under the FY 2022-23 Adjusted Budget of \$6.08 million.

The following analysis highlights key categories with significant variances that collectively contributed to the revenue shortfall, a net of \$77.77 million in budgeted use of fund balance, \$43.02 million of additional fund balance used to support FY 2021-22 carryforwards, and \$68.00 million of ARPA funding assumed in the FY 2022-23 Adjusted Budget of \$919.59 million to support expenditures.

Certain revenue categories exceeded the budget, helping reduce the impact of the shortfalls. The most notable surpluses compared to the FY 2022-23 Adjusted Budget are listed below:

- **Property Tax:** According to the Alameda County Assessor 2022/23 Secured and Unsecured Tax Rolls, the City experienced an overall increase in taxable values of approximately 8.2% in FY 2022-23 compared to the prior fiscal year, which resulted in an increase in the amount of property tax assessments. As a result, Property Tax, which is the largest revenue source for the City, came in at \$281.28 million which exceeds the FY 2022-23 Adjusted Budget of \$265.49 million by 5.9% or \$15.79 million.
- **Miscellaneous Revenue:** Higher than projected revenue from insurance claims, and settlements were the primary factors for Miscellaneous Revenue to end the year at \$5.79 million, which is 98.2% or \$2.87 million above the Adjusted Budget of \$2.92 million.
- **Sales Tax:** Based on the data, the City experienced a net gain of 3.2% in actual "point of sale" receipts change in FY 2022-23 when compared against the prior fiscal year. The

gain was mostly driven by a 17.31% year-over-year increase in tax from automobile sales compared to FY 2021-22, a 9.59% increase in tax from sales for restaurants and hotels, an 8.00% increase in tax from the sale of building and construction materials, and high gas prices drove a 2.71% Sales Tax increase in fuel and service stations. As a result, Sales Tax ended the year \$4.23 million or 6.8% above the Adjusted Budget of \$62.60 million.

- **Utility Consumption Tax (UCT):** UCT had a significant jump in FY 2021-22 ending the year at \$57.93 million. The FY 2022-23 Adjusted Budget assumed a partial regression to \$54.40 million, but instead UCT continued its upward trajectory, ending FY 2022-23 at \$64.51 million which is 18.6% or \$10.11 million above the Adjusted Budget of \$54.40 million, reflecting the persistent increase in utility costs.
- **Interest Income:** Higher interest rates positively impacted the City's Interest Income as it came in at \$4.99 million which is 931.8% or \$4.51 million above the Adjusted Budget of \$0.48 million.
- **Business License Tax** ended the year at \$115.38 million, which is \$3.50 million or 3.1% above the Adjusted Budget of \$111.88 million. The year-end total represents an increase of \$14.09 million compared to the FY 2021-22 year-end total of \$101.29 million. This comes \$6.81 million short of the \$20.90 million estimated year-over-year increase in Business Tax resulting from the new Business Tax tiered based structure approved by voters in November 2022 and took effect January 1 of this year. The majority of the shortfall, or \$5.50 million, can be attributed to a sharp decrease in the collection of Business Tax in the Cannabis industry during FY 2022-23, which was an industry that was not affected by rate changes attributable to Measure T. On the other hand, the tax amounts collected from utility companies and property rentals, which are also not part of Measure T, came in \$4.34 million higher in FY 2022-23 compared to FY 2021-22. Thus, the net shortfall attributed to industries that fall under Measure T is approximately \$5.65 million. As further explained on **Attachment A** of this report, recent economic conditions such as the increase commercial vacancy rates, the rise in the cost of borrowing, the decline in personal savings and taxable sales, as well as higher crime rates to local businesses contributed to the remaining shortfall at year-end compared to the estimated year-over-year increase anticipated for Measure T of \$20.90 million.
- **Grants & Subsidies** ended the year at \$2.42 million or \$1.85 million higher compared to the FY 2022-23 Adjusted Budget of \$0.57 million driven by higher than anticipated mandated cost claim refunds received from the State of California.

Shortfalls in revenue were led by Real Estate Transfer Tax, with Transient Occupancy Tax and Licenses and Permits also ending the year well below their corresponding FY 2022-23 Adjusted Budget.

- **Real Estate Transfer Tax (RETT):** The effects of persistent high inflation, resulting in high interest rates and decreased consumer confidence, continue to negatively affect RETT by reducing the demand and price of properties on the market. As a result, RETT ended the year at \$78.05 million which is 30.4% or \$34.15 million lower compared to the FY 2022-23 Adjusted Budget of \$112.20 million, representing the lowest RETT amount

collected since FY 2017-18. Beginning in March 2022, the Federal Reserve raised interest rates 11 times by a combined total of 5.25% basis points resulting in higher mortgage rates. Consequently, the number of properties sold in FY 2022-23 dropped by 37.7%, or 2,225 fewer properties compared to the number of properties sold in FY 2021-22. The reduction in properties sold is amplified when comparing the number of higher value properties that sold between \$5 million and \$50 million in value during the fiscal year, which fell 47.6% year-over-year, from 65 sales in FY 2021-22 to 34 sales in FY 2022-23. The last time RETT had a similar year-over-year decrease comparable to FY 2022-23 was in FY 2007-08 when it dropped 41.1% compared to the previous year. It remained at a similar level in the immediate future, followed by a 5.4% drop in FY 2008-09 and a modest rebound of a 7.88% increase in FY 2009-10.

- **Transient Occupancy Tax:** The FY 2022-23 TOT revenue total of \$20.20 million ended the year 15.8% or \$3.79 million lower compared to the Adjusted Budget of \$23.99 million, which assumed that TOT levels would recover closer to the FY 2018-19 historical revenue highs of \$25.92 million. While there continues to be a gradual recovery in TOT revenue from the FY 2020-21 pandemic low of \$10.61 million, and the FY 2022-23 year-end total represents a \$3.54 million increase to the FY 2021-22 year-end total of \$16.66 million, the City's TOT collection still has not recovered to the high levels experienced during the years that immediately preceded the pandemic.
- **Licenses & Permits:** The FY 2022-23 Adjusted Budget anticipated an increase in post-pandemic social events and a corresponding increase in revenues from special permits which did not materialize. This resulted in Licenses and Permits ending the year at \$1.04 million, which is 83.0% or \$5.04 million below the FY 2022-23 Adjusted Budget of \$6.08 million.

The remaining shortfalls compared to the Adjusted Budget were in Parking Tax, Fines & Penalties, and Service Charges coming in at a total of \$2.24 million lower compared to the FY 2022-23 Adjusted Budget for the three categories combined.

Table 3 summarizes the GPF unaudited year-end actual revenues. Note that the Adjusted Budget of \$919.59 million assumed \$77.77 million in use of fund balance and \$68.00 million as an interfund transfer from the ARPA Fund to help balance the expenditures, in addition to \$43.02 million in use of fund balance to support FY 2021-22 carryforwards. Excluding these, the unaudited year-end revenue total of \$728.43 million came in \$2.38 million or 0.3% below the \$730.81 million estimated in the budget.

Table 3: FY2022-23 Q4 GPF Revenues Budget to Actuals (\$ in millions)

Revenue Category	FY 2022-23 Adopted Budget	FY 2022-23 Adjusted Budget	FY 2022-23 Year-End Actuals	Year-End \$ Over / (Under) Adjusted Budget	Year-End % Over / (Under) Adjusted Budget
Property Tax	265.49	265.49	281.28	15.79	5.9 %
Real Estate	112.20	112.20	78.05	(34.15)	(30.4)%
Business License Tax	111.88	111.88	115.38	3.50	3.1 %
Sales Tax	62.60	62.60	66.83	4.23	6.8 %
Service Charges	55.55	55.89	54.18	(1.71)	(3.1)%
Utility Consumption	54.40	54.40	64.51	10.11	18.6 %
Transient Occupancy Tax	23.99	23.99	20.20	(3.79)	(15.8)%
Fines & Penalties	19.00	19.00	18.85	(0.15)	(0.8)%
Parking Tax	12.39	12.39	12.01	(0.38)	(3.1)%
Licenses & Permits	6.08	6.08	1.04	(5.04)	(83.0)%
Miscellaneous Revenue	0.80	2.92	5.79	2.87	98.2 %
Interfund Transfers	2.91	2.91	2.91	—	— %
Grants & Subsidies	—	0.57	2.42	1.85	N / A
Interest Income	0.48	0.48	4.99	4.51	931.8 %
Subtotal	727.77	730.81	728.43	(2.38)	(0.3)%
Transfers from Fund Balance	76.30	77.77	—	(77.77)	(100.0)%
Interfund Transfer from ARPA Fund (2072)	68.00	68.00	—	(68.00)	(100.0)%
Project Offsets & Carryforwards	—	43.02	—	(43.02)	(100.0)%
Total Revenue	872.07	919.59	728.43	(191.17)	(20.8)%

FY2022-23 Q4 Expenditures

The GPF year-end expenditures \$782.44 million, which is \$137.19 million under the Adjusted Budget of \$919.59 million. After accounting for \$68.00 million in eligible Public Safety expenditure transfers from GPF to the ARPA Fund (2072), savings in the GPF would have come in lower at \$69.15 million or 7.5% below the Adjusted Budget. The savings are further reduced to \$85.79 million after accounting for \$51.36 million in approved Carryforwards on to FY 2023-24. Table 4 below summarizes GPF’s FY 2022-23 expenditures budget to actuals at year-end, adjusted to reflect the impact of the expenditures transferred to the ARPA Fund.

GPF expenditures ended the year at \$782.44 million, or \$69.15 million under the FY 2022-23 net Adjusted Budget of \$851.59 million after excluding \$68.00 million of expenditures that were transferred to the ARPA Fund (2072) from the FY 2022-23 Adjusted Budget of \$919.59 million. The salary savings resulting from an 18% GPF vacancy rate Citywide is a major contributing factor to the lowered year-end totals. However, year-end savings are primarily attributed to the one-time Federal relief funding from ARPA budgeted at a value of \$68.00 million or approximately 7% of budgeted revenues that were used to support qualified GPF expenditures that would have otherwise been paid out of the GPF.

Caution is recommended given the significant fiscal challenges facing the City in the near term. In FY 2022-23, year-end GPF expenditures exceeded GPF revenues by \$54.01 million. The shortfall would have been \$122.01 million if not for one-time Federal relief funding from the ARPA, which paid for \$68.00 million expenditures which would have otherwise been paid out of the GPF.

Table 4: FY 2022-23 Q4 GPF Expenditures Budget to Actuals (\$ in millions)

Department	FY 2022-23 Adopted Budget	FY 2022-23 Adjusted Budget	FY 2022-23 Year-End Actuals	FY 2022-23 to FY2023-24 Carryforwards	Year-End \$ (Over) / Under Adjusted Budget	Year-End % (Over) / Under Adjusted Budget
Capital Improvement Projects	3.44	4.64	2.84	1.69	0.11	2.4 %
City Administrator	9.90	10.24	8.59	0.91	0.74	7.2 %
City Attorney	21.04	22.45	19.38	1.65	1.43	6.4 %
City Auditor	3.12	3.12	2.14	0.29	0.68	21.9 %
City Clerk	10.37	11.52	8.15	0.00	3.36	29.2 %
City Council	7.32	7.42	6.51	0.39	0.51	6.9 %
Department of Transportation	22.69	24.82	21.63	2.08	1.11	4.5 %

Department	FY 2022-23 Adopted Budget	FY 2022-23 Adjusted Budget	FY 2022-23 Year-End Actuals	FY 2022-23 to FY2023- 24 Carryforwar ds	Year-End \$ (Over) / Under Adjusted Budget	Year-End % (Over) / Under Adjusted Budget
Department of Violence Prevention	13.57	18.42	15.31	2.29	0.82	4.5 %
Department of Workplace and Employment Standard	5.96	6.32	3.79	1.36	1.18	18.6 %
Economic and Workforce Development Department	16.46	21.97	14.81	5.83	1.33	6.0 %
Finance Department	28.92	30.18	22.96	3.00	4.21	13.9 %
Fire Department	179.82	186.03	178.17	12.38	(4.52)	(2.4)%
Housing and Community Development	2.18	2.68	2.08	2.67	(2.08)	(77.7)%
Human Resources Management	8.72	8.60	8.69	0.11	(0.20)	(2.3)%
Human Services Department	51.54	51.76	44.20	(0.44)	8.00	15.5 %
Information Technology Department	19.40	19.97	16.34	1.65	1.98	9.9 %
Mayor	4.54	4.37	3.67	0.06	0.64	14.7 %
Non- Departmental and Port	77.13	88.45	72.63	6.26	9.55	10.8 %
Oakland Animal Services	6.16	6.27	5.20	0.11	0.97	15.5 %
Oakland Parks and Recreation Department	21.98	22.45	20.21	0.93	1.31	5.8 %
Oakland Public Library Department	14.44	14.44	13.53	0.00	0.91	6.3 %
Oakland Public Works Department	2.26	5.35	4.63	0.60	0.13	2.3 %

Department	FY 2022-23 Adopted Budget	FY 2022-23 Adjusted Budget	FY 2022-23 Year-End Actuals	FY 2022-23 to FY2023-24 Carryforwards	Year-End \$ (Over) / Under Adjusted Budget	Year-End % (Over) / Under Adjusted Budget
Police Commission	8.19	8.20	4.88	0.57	2.74	33.5 %
Police Department	329.67	336.34	279.75	6.68	49.92	14.8 %
Public Ethics Commission	1.81	1.96	1.27	0.10	0.59	30.2 %
Race and Equity	1.46	1.62	0.98	0.19	0.45	27.7 %
Subtotal	872.09	919.59	782.44	51.36	85.77	9.3 %
OPD Portion Transferred to ARPA Fund	—	—	68.00	—	(68.00)	N / A
Total	872.07	919.59	850.44	51.36	69.15	7.5 %

State and federal aid were the essential factors in the City’s economic and financial recovery. Under regulations administered through the United States Department of Treasury , ARPA provided the City with an allocation of \$188 million, split between FY 2020-21 and FY 2022-23. Oakland’s City Council directed these funds to replace revenue losses experienced during the pandemic and address budget imbalances in FY 2020-21 through FY 2022-23. Through this aid, the City was able to maintain most of its services intact while also preserving its emergency reserve.

In addition to federal aid, the City’s number of vacancies contributes to expenditure savings in the GPF. In June 2023, the overall vacancy rate (net positions that are frozen as part of the FY 2022-23 Adopted Budget), is 18.0% as shown in Table 5 below. The budgeted vacancy factor assumed in the FY 2022-23 Adopted Budget is 8% across most City Departments, which is approximately one-half of the actual vacancy rate.

Table 5: FY 2022-23 Q4 GPF Filled and Vacant Positions (Percent %)

Status as of Q4 FY 2022-2023	Percent (%)
Filled or Encumbered	82.0 %
Vacant	18.0 %

GENERAL PURPOSE FUND FY 2022-23 Q4 FUND BALANCE

As shown in **Table 6**, after meeting obligations against fund balance, mandated reserves required by City Ordinances and the City Charter (mandated emergency reserves) & Oakland Municipal Employees’ Retirement System (OMERS) totaling \$119.78 million, the preliminary unaudited FY 2022-23 available Fund Balance is negative \$26.60 million (Unaudited Ending Fund Balance- Obligations). The estimated FY 2022-23 available Fund Balance is the amount of unobligated funding available to the City in the GPF.

Table 6: FY 2022-23 Q4 GPF Fund Balance

GENERAL PURPOSE FUND (1010)	FY 2022-23 Year-End Totals
Estimated FY 2022-23 Beginning Available Fund Balance	147.20
FY2022-23 Performance	
Revenue	728.43
Expenditures	782.44
FY 2022-23 Operating Surplus / (Deficit)	(54.01)
Unaudited Ending Fund Balance	93.18
Obligations Against Ending Fund Balance	(119.78)
OMERS Reserves (Reso. No. 85098 C.M.S)	(2.36)
COPS Grant Match (Reso No. 89482 C.M.S)	(2.10)
Use of Fund Balance in FY 2023-25	(63.96)
Carryforwards on to FY 2023-24	(51.36)
Estimated FY 2022-23 Ending Available Fund Balance	\$ (26.60)

RESERVES

On December 9, 2014, Council Ordinance [No. 13279 C.M.S.](#) amended the City’s Consolidated Fiscal Policies to include designated reserves for both the Vital Services Stabilization Fund and for the acceleration of long-term obligations, in addition to the mandated 7.5% GPF Emergency Reserve (refer to the attached Appendix: City of Oakland Consolidated Fiscal Policy, Section I, Part C: Use of Excess Real Estate Transfer Tax). It is important to note that while these balances are designated each fiscal year, reserve appropriations adopted in subsequent fiscal years may include any prior year true-ups.

Emergency Reserve

The City’s GPF Emergency Reserve, calculated by multiplying 7.5% by the FY 2022-23 Adopted Budget amount of \$872.07 million, is reserved and funded at \$65.41 million. The

reserve is approximately one month of FY 2022-23 Adopted Budget of \$872.07 million in the GPF. This reserve will be held in Fund 1011 as directed by Council in Resolution 88717 C.M.S. The reserve requirement pursuant to the CFP has been met.

However, the emergency reserve policy level of 7.5% is inadequate to sustain city services in an economic downturn as evidenced by the events of the last 2 years. The recommended policy level is 16.7% or two months of operating expenditures. This recommended level is supported by best practices outlined by the Government Finance Officer's Association's (GFOA). Additionally, this recommended level can be witnessed in the levels of funding needed in the balancing of the City's Budget since FY 2019-20 budget by programming CARES dollars (\$36.99 million), ARPA dollars (\$188.00 million) and use of VSSF (\$14.65 million) for a total of \$239.64 million.

Vital Services Stabilization Fund

The Vital Services Stabilization Fund (VSSF) was established in 2014 by City Council after the Great Recession to serve as the City's "Rainy Day" fund. Per the Consolidated Fiscal Policy, 25% of excess RETT revenue is intended to go into the VSSF. The beginning balance in FY 2022-23 for the VSSF is \$2.58 million, after accounting for the FY 2022-23 GPF budgeted transfer of \$7.69 million, the balance is \$10.27 million. The target funding level per the City's Consolidated Fiscal Policy is \$130.81 million, or 15% of the GPF revenues.

Q4 FY2022-23 Non-GPF Funds

Table 7 on the following page shows the selected available fund balance and appropriations in the FY 2022-23 Biennial Budget for the non-GPF Funds analyzed in this report. Please note the City's Consolidated Fiscal Policy (CFP) requires adopting a balanced budget that limits appropriations to the total of estimated revenues and unallocated fund balances projected to be available at the close of the current fiscal year. The City Administrator shall be responsible for ensuring that the budget proposed to the City Council by the Mayor, adheres to the balanced budget policy.

Table 7: FY 2022-23 Available Fund Balance and Appropriations for Select Non-GPF Funds

FUND	FY 2022-23 Audited Beginning Balance	FY 2022-23 Revenue Year-End Actuals	FY 2022-23 Expenditure Year-End Actuals	FY 2022-23 to FY 2023-24 Carryforwards	FY 2022-23 to FY 2023-24 Budgeted Use of Fund Balance	FY 2022-23 Estimated Ending Available Fund Balance
Measure HH - Sugar Sweetened Beverage Distribution Tax (SSBT) Fund (1030)	8.93	7.34	5.51	9.09	0.59	1.08
Self-Insurance Liability Fund (1100)	(1.74)	70.40	37.25	0.41	0.00	30.99
Recycling Program Fund (1710)	3.56	5.84	5.25	0.93	0.00	3.22
Comprehensive Clean-Up Fund (1720)	3.64	24.24	26.94	1.00	0.33	(0.39)
Multipurpose Reserve Fund (1750)	(3.87)	7.15	9.40	0.17	0.00	(6.28)
OPRCA Self Sustaining Revolving Fund (1820)	3.76	11.51	8.76	0.21	6.31	(0.01)
Affordable Housing Trust Fund (1870)	49.40	18.71	11.22	54.78	2.76	(0.65)
Measure BB and Measure F Funds (2215, 2216, 2217, 2218, 2219, 2220)	43.46	37.88	26.95	1.28	35.70	51.41
State Transportation (Gas Tax) Funds (2230, 2232)	7.99	20.61	17.03	6.45	8.48	(3.37)

FUND	FY 2022-23 Audited Beginning Balance	FY 2022-23 Revenue Year-End Actuals	FY 2022-23 Expenditure Year-End Actuals	FY 2022-23 to FY 2023-24 Carryforwards	FY 2022-23 to FY 2023-24 Budgeted Use of Fund Balance	FY 2022-23 Estimated Ending Available Fund Balance
Measure Q - OPR Preservation, Litter Reduction, Homelessness Support Act Fund (2244)	16.41	29.62	24.25	14.14	2.23	5.41
Measure Z - Violence Prevention and Public Safety Act of 2014 Fund (2252)	7.57	30.28	24.40	12.12	0.27	1.00
Vacant Property Tax Fund (2270)	1.07	5.22	5.27	0.58	0.53	(0.10)
Landscaping & Lighting Assess. District Fund (LLAD) (2310)	0.45	19.58	20.04	0.26	(0.01)	(0.25)
Development Service Fund (2415)	133.28	65.32	76.21	32.35	64.46	25.58
Measure C - Transient Occupancy Tax (TOT) Surcharge Fund (2419)	0.14	5.55	4.37	0.55	0.11	0.66
Reproduction Fund (4300)*	(0.68)	2.29	1.00	0.13	0.00	0.47
City Facilities Fund (4400)*	2.55	44.48	45.95	6.74	0.00	(5.67)
Central Stores Fund (4500)*	(2.82)	3.24	0.54	0.02	0.00	(0.14)
Purchasing Fund (4550)*	(0.20)	1.99	1.83	0.03	(0.01)	(0.05)
Information Technology Fund (4600)	6.80	21.20	12.60	12.81	0.58	2.00
Measure KK Funds (5330, 5331, 5332, 5333, 5335)	234.10	7.44	45.51	201.01	1.33	(6.31)

FY 2023-24 Q1 Revenues

City revenues continued rebounding well from declines experienced during Covid-19 in several categories during FY 2022-23 but are expected to take some time before recuperating to pre-pandemic levels as a whole. In FY 2023-24, the category that is projected to exceed the budgeted expectations the most in Q1 compared to the Adopted Budget is Property Tax. Alameda County Property Tax Rolls reflect a 6.6% increase in property valuations for the City for FY 2023-24. This results in an increase to the anticipated Property Tax generated in FY 2023-24, now projected to come in at \$299.84 million or \$5.68 million over the Adjusted Budget of \$294.17 million

Some revenue categories more sensitive to current macroeconomic factors, such as higher interest rates, reflect a negative trend. This is demonstrated year-over-year drop in sales of real estate of 37.7% experienced between FY 2021-22 and FY 2022-23 and continuing in a similar trend through Q1 of FY 2023-24 with the first three months of the current fiscal year averaging a 23.1% year-over-year decrease in volume. Overall, based on actual FY 2022-23 year-end results that have now become available with actual revenues in the GPF combining to end the year at \$728.43 million, the growth rate for some of the GPF revenues is now expected to be flatter than anticipated during budget development. The Q1 FY 2023-24 GPF revenue forecast projects an overall decrease of \$31.11 million when compared to the FY 2023-24 Adopted Budget, decreasing the total GPF revenue forecast from \$804.68 million to \$773.57 million, net of the anticipated use of fund balance assumed in the FY 2023-24 Adopted Budget in the amount of \$30.12 million and \$52.68 million to support carryforward expenditures. The Adopted Budget was developed with limited, and dated information due to the February 8, 2023, ransomware attack, which halted the operating capability of most of the City's technology network systems and software for approximately two months at the time of the budget development. The projected variances for the categories impacted the most by the revised projections based on updated data from the FY 2022-23 year-end actual performance is explained below.

- **Property Tax:** projects to have the largest increase compared to the FY 2023-24 Adopted Budget, projecting to come in at \$299.84 million, which is \$5.68 million or 1.9% higher when compared to the FY 2023-24 Adopted Budget of \$294.17 million. The increase is driven by the overall increase in taxable values for the City of approximately 6.6% according to the 2023 Alameda County Assessor 2022/23 and 2023/24 Secured and Unsecured Tax Rolls that became available after the FY 2023-25 Biennial Budget was adopted by the City. The Property Tax rate is applied to the property values and therefore the increase in property values results increases to the amount of Property Tax collected in the same proportion. The 6.6% year over year increase from FY 2022-23 to FY 2023-24 is 1.6% lower compared to the prior year increase of 8.2%.
- **Utility Consumption Tax** projects to have the second largest increase compared to the FY 2023-24 Adopted Budget, projecting to come in at \$66.44 million, which is \$4.54

million or 7.3% higher when compared to the FY 2023-24 Adopted Budget of \$61.90 million. Higher Utility Costs have driven UCT to come in higher year over year, experiencing annual growth of 6.32% in FY 2020-21, 5.32% in FY 2021-22, and 14.99% in FY 2022-23. The new projection anticipates a CPI growth rate of 3% to the FY 2022-23 year end all time high in UCT revenue collected of \$64.51 million based on the annualized CPI increase as of June 30, 2023. On November 16, 2023, the California Public Utilities Commission voted unanimously to increase the PG&E rates by 13%, taking effect on January 1, 2024, which is at the midpoint of FY 2023-24. The revised projected increase compared to the FY 2023-24 Adopted Budget in UCT of 7.3% closely matches the midpoint of the PG&E announced rate hikes. Historical growth in UCT revenue has been due in large part to increases in the tax rate but has high variability due to industry restructuring, technological change, weather, dynamics of energy markets, and price volatility. The Utility Consumption Tax (UCT) is imposed on the use of utilities, primarily electricity, and natural gas, but also on cable television and telephone usage, and applies to both residential and commercial users.

- **Real Estate Transfer Tax** projects to have the largest shortfall projected to come in \$20.72 million lower when compared to the FY 2023-24 Adopted Budget of \$110.41 million, estimated to end the year at \$89.69 million. This projection is \$11.64 million above the FY 2022-23 year-end total of \$78.05 million. The reduction expects the low volume of property sales experienced in FY 2022-23 to continue in the short term because of the higher cost of borrowing, which has reduced the number of property sales in the City over the past couple of years, dropping at a rate of 37.7% in FY 2022-23. The projection assumes that the remainder of 2023 will continue to experience a low volume of sales but anticipates an uptick in sales for the second half of the fiscal year in 2024, based on the latest estimates from the California Association of Realtors who predict that property sales for single-family homes will increase in 2024 at a rate of 22.9% state-wide compared to 2023, along with an anticipated increase of 6.2% in the median home price.
- **Miscellaneous Revenue** projects to come in at \$5.79 million, which is \$15.43 million or 72.7% lower compared to the FY 2023-24 Adopted Budget of \$21.22 million. The reduction in FY 2023-24 is a result of the high amount budgeted due to an anticipated sale of the Raiders Training Facility, which is expected to generate \$20.00 million in proceeds that are now projected to come in until FY 2024-25. The new estimate expects to end the year at the same level as FY 2022-23, which ended the year with \$2.87 million over the FY 2022-23 Adjusted Budget of \$2.92 million.
- **Business License Tax:** Unpredictable collection of Cannabis Tax, and a decreasing trend in new business license applications submitted year-over-year caused Business License Tax to now project a \$6.41 million decrease when compared to the FY 2023-24 Adopted Budget of \$125.25 million, estimating to end the year at \$118.84 million. The

new projection expects a natural inflationary increase based on CPI as of June 30 of \$3.46 million over the FY 2022-23 year-end total of \$115.38 million, which represents the first full year of Business Tax performing under the new Measure T tiered rates that have been implemented.

- **Sales Tax** now projects a \$2.06 million decrease when compared to the FY 2023-24 Adopted Budget of \$67.69 million, estimated to end the year at \$65.63 million, slightly below the FY 2022-23 year-end total of \$66.83 million. The effects of monetary policy anticipate a slowdown in consumer spending, which has started to show as reflected in the FY 2022-23 Q4 a 5.4% drop in actual Sales Tax receipts in Alameda County compared to the same period in FY 2021-22 according to data provided by the City's Sale's Tax consultant, HDL. Furthermore, HDL estimates a 1.8% decline year-over-year in their Sales Tax allocation cash projections for Oakland in FY 2023-24.
- **Transient Occupancy Tax** projects a \$1.68 million decrease compared to the FY 2023-24 Adopted Budget of \$22.48 million, estimated to end the year at \$20.81 million. The projection estimates a 3% growth from the FY 2022-23 year-end actuals of \$20.20 million based on the year-over-year Consumer Price Index increase as of June 30, 2023. While TOT is still generating revenues below the pre-pandemic high levels of collection, the new FY 2023-24 estimate continues the recent trend of gradual year-over-year growth in TOT but at a slower rate than anticipated in the FY 2023-24 Adopted Budget. According to the Oakland, CA Hospitality Market Report, published on September 28, 2023, by the CoStar Group^[1], after the annualized hotel occupancy rate dropped to 47.5% during the first wave of the pandemic, occupancy rates in Oakland have now recovered slightly above the historical occupancy average of 65%, coming in at 66% for the 12 months prior to the report.

Attachment B of this report provides a detailed analysis of all the revenue categories with projection changes compared to the FY 2023-24 Adopted Budget.

¹ 2023 CoStar Group - Licensed to City of Oakland

Table 8 below highlights revenue categories with projection changes compared to the FY 2023-24 Adopted Budget.

Table 8: FY 2023-24 Q1 General Purpose Fund Revenues

Revenue Category	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q1 YTD Actuals	FY 2023-24 Q1 Year-End Estimate	Year-End \$ Over / (Under) Adjusted Budget	Year-End % Over / (Under) Adjusted Budget
Property Tax	294.17	294.17	10.28	299.84	5.68	1.9 %
Business License Tax	125.25	125.25	6.66	118.84	(6.41)	(5.1)%
Real Estate Transfer Tax	110.41	110.41	16.66	89.69	(20.72)	(18.8)%
Sales Tax	67.69	67.69	5.84	65.63	(2.06)	(3.0)%
Utility Consumption Tax	61.90	61.90	15.29	66.44	4.54	7.3 %
Service Charges	52.28	52.28	4.98	52.28	—	— %
Fines & Penalties	23.07	23.07	4.30	22.27	(0.80)	(3.5)%
Transient Occupancy Tax	22.48	22.48	4.56	20.81	(1.68)	(7.5)%
Miscellaneous Revenue	21.22	21.22	2.85	5.79	(15.43)	(72.7)%
Interfund Transfers	13.08	13.08	—	13.08	—	— %
Parking Tax	11.26	11.26	3.30	12.37	1.10	9.8 %
Licenses & Permits	1.39	1.39	0.25	1.39	—	— %
Interest Income	0.48	0.48	—	5.00	4.51	931.9%
Grants & Subsidies	—	—	0.15	0.15	0.15	— %
Subtotal	804.68	804.68	75.12	773.57	(31.11)	(3.9)%
Transfers from Fund Balance	30.12	30.12	—	30.12	—	— %
Project Offsets & Carryforwards	—	52.68	—	19.67		(100.0)%
Total Revenue	834.80	887.48	75.12	803.69	(83.79)	(9.4)%

FY2023-24 Q1 Expenditures

The GPF expenditures are projected to come in at \$903.07 million, or \$15.59 million over the FY 2023-24 Adjusted Budget of \$887.48 million. The budgeted vacancy factor assumed in the FY 2023-24 Adopted Budget is 8.00% across most City Departments, recognizing the trend and capturing vacancy savings. Expenditure monitoring is heightened as citywide hiring is a large focus, and current inflationary trends and federal monetary policy are likely to continue throughout the fiscal year and may impact on spending trends by year-end. **Table 9** below breaks down the FY 2023-24 Expenditures by Department.

Table 9: FY2023-24 GPF Expenditures by Department

Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q1 YTD Actuals	FY 2023-24 Q1 Year-End Estimate	Year-End \$ (Over) / Under Adjusted Budget	Year-End % (Over) / Under Adjusted Budget
Capital Improvement Projects	2.35	0.01	2.35	—	—%
City Administrator	11.00	1.45	10.43	0.57	5.2%
City Attorney	23.42	3.40	22.59	0.83	3.5%
City Auditor	3.60	0.46	3.22	0.38	10.6%
City Clerk	7.86	0.43	7.49	0.37	4.7%
City Council	7.68	1.32	7.55	0.13	1.7%
Department of Transportation	23.04	2.43	21.63	1.40	6.1%
Department of Violence Prevention	13.08	0.87	11.94	1.13	8.7%
Department of Workplace and Employment Standard	5.67	0.89	5.99	(0.32)	(5.7)%
Economic and Workforce Development Department	17.02	1.73	16.87	0.15	0.9%
Finance Department	33.46	4.37	31.93	1.54	4.6%
Fire Department	212.60	36.75	207.70	4.90	2.3%
Housing and Community Development Department	2.91	0.17	2.91	—	—%
Human Resources Management Department	9.71	1.59	9.40	0.31	3.2%
Human Services Department	44.50	2.78	44.50	—	—%
Information Technology	18.67	2.70	18.12	0.54	2.9%
Mayor	4.68	0.76	4.35	0.33	7.0%
Non-Departmental and Port	60.09	3.19	57.59	2.50	4.2%
Oakland Animal Services	6.56	0.99	6.17	0.40	6.0%
Oakland Parks and Recreation Department	19.23	2.34	18.66	0.57	2.9%
Oakland Public Library Department	12.32	1.39	12.57	(0.26)	(2.1)%

Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q1 YTD Actuals	FY 2023-24 Q1 Year-End Estimate	Year-End \$ (Over) / Under Adjusted Budget	Year-End % (Over) / Under Adjusted Budget
Oakland Public Works Department	1.78	0.21	1.85	(0.07)	(3.7)%
Police Commission	8.54	0.92	7.46	1.08	12.7%
Police Department	333.91	69.82	366.24	(32.32)	(9.7)%
Public Ethics Commission	2.35	0.30	2.15	0.20	8.3%
Race and Equity Department	1.48	0.22	1.42	0.06	4.0%
Total	887.48	141.47	903.07	(15.59)	(1.8)%

The City's number of vacancies is a contributing factor to projected expenditure savings in the GPF. At Q1, the GPF's vacancy rate (net positions frozen as part of the FY 2023-24 Adopted Budget), is 22.0% as shown in **Table 10** below. The vacancy rate assumed in the FY 2023-24 Adopted Budget is 8.00% across most City Departments, which is approximately triple the actual vacancy rate reported in Q1.

Table 10: FY 2023-24 Q1 GPF Filled and Vacant Positions (Percent %)

Status as of Q1 FY 2023-2024	Percent (%)
Filled or Encumbered	78.0 %
Vacant	22.0 %

GENERAL PURPOSE FUND FY2023-24 Q1 FUND BALANCE

The City's GPF Fund Balance, net obligations, is projected to end the year at negative \$70.15 million in FY 2023-24. Obligations are reserves required by City Ordinances and the City Charter (mandated emergency & OMERS reserves). **Table 11** shows mandated reserves required by City Ordinances and the City Charter. Overall, the net of these adjustments decreases the estimated FY2023-24 year-end available fund balance from negative \$36.46 million to negative \$70.15 million. The estimated FY 2023-24 available Fund Balance is the amount of unobligated funding available to the City in the GPF.

Table 11: FY 2023-24 Year-End Projected Available GPF Fund Balance

GENERAL PURPOSE FUND (1010)	FY 2023-24 Q1 Projected FYE
Estimated FY 2023-24 Beginning Available Fund Balance	93.19
FY2023-24 Performance	
Revenue	773.57
Expenditures	903.07
FY 2023-24 Operating Surplus / (Deficit)	(129.50)
Unaudited Ending Fund Balance	(36.46)
Obligations Against Ending Fund Balance	(33.84)
Use of Fund Balance in FY 2024-25	(33.84)
Estimated FY 2023-24 Ending Available Fund Balance	(70.15)

Q1 FY2024-24 Non-GPF Funds

Table 12 shows the selected available fund balance and appropriations in the FY 2023-24 Biennial Budget for the non-GPF Funds analyzed in this report. Please note the City's Consolidated Fiscal Policy (CFP) requires the adoption of a balanced budget that limits appropriations to the total of estimated revenues and unallocated fund balances projected to be available at the close of the current fiscal year. The City Administrator shall be responsible for ensuring that the budget proposed to the City Council by the Mayor, adheres to the balanced budget policy.

Table 12: FY 2023-24 Available Fund Balance and Appropriations for Select non-GPF Funds

FUND	FY 2023-24 Unaudited Beginning Balance	FY 2023-24 Revenue Year-End Projections	FY 2023-24 Expenditure Year-End Projections	FY 2024-25 Budgeted Transfer from Fund Balance	FY 2023-24 Estimated Available Ending Balance
Measure HH - Sugar Sweetened Beverage Distribution Tax (SSBT) Fund (1030)	10.76	6.97	14.54	0.29	2.89
Measure BB and Measure F Funds (2215, 2216, 2217, 2218, 2219, 2220)	54.39	39.18	70.75	4.48	18.34
State Transportation (Gas Tax) Funds (2230, 2232)	11.56	20.66	27.89	2.74	1.59
Measure Q - OPR Preservation, Litter Reduction, Homelessness Support Act Fund (2244)	21.78	31.55	42.70	—	10.62
Vacant Property Tax Fund (2270)	1.01	5.36	6.20	0.34	(0.17)
Landscaping & Lighting Assess. District Fund (LLAD) (2310)	—	19.36	16.11	—	3.24
False Alarm Reduction Program Fund (2411)	(3.66)	1.38	1.28	—	(3.56)
Development Service Fund (2415)	122.38	74.38	112.44	32.54	51.78
Measure C - Transient Occupancy Tax (TOT) Surcharge Fund (2419)	1.32	5.69	6.46	—	0.54

FUND	FY 2023-24 Unaudited Beginning Balance	FY 2023-24 Revenue Year-End Projections	FY 2023-24 Expenditure Year-End Projections	FY 2024-25 Budgeted Transfer from Fund Balance	FY 2023-24 Estimated Available Ending Balance
City Facilities Fund (4400)*	1.07	46.80	49.74	—	(1.87)

Summary

FY 2022-23 GPF revenues came in below expenditures by \$54.02 million. Several of the City revenues came in below budget, led by Real Estate Transfer Tax which came in at \$78.05 million, or \$34.15 million under the Adjusted Budget of \$112.20 million. The Adjusted Budget also assumes the use of fund balance in the amount of \$77.77 million to balance the Adopted Budget, plus \$43.02 million to support FY 2021-22 Carryforwards. Expenditure savings are mainly attributable to Citywide vacancies and costs covered by the remainder of one-time federal ARPA aid in the amount of \$68.00 million. The reliance in use of one-time funds to balance the budget is unsustainable and reflected in the anticipated shortfall projected in the GPF for FY2023-24.

The economy has been resilient and City revenues have continued performing well in several categories during the current inflationary period, but there has been a significant negative impact felt by some of the revenue categories more sensitive to current macroeconomic factors such as higher interest rates. The contrast is demonstrated in properties, where higher property valuations netting a 6.6% growth as a whole from FY 2022-23 to FY 2023-24 based on County Property Tax Rolls, have increased to the anticipated Property Tax generated in FY 2023-24, but the negative impact of high interest rates has negatively impacted the transfer market of the properties during the fiscal year. Overall, updated projections estimate a general continual increase in revenues for FY 2023-24 compared to FY 2022-23 but at a slower pace than previously anticipated in the FY 2023-24 Adjusted Budget for some of the key Revenue categories.

Consolidated Fiscal Policy (CFP) Implications

In accordance with CFP, Section C. Use of Excess RETT Revenues, based on this fourth quarter report, there are no excess RETT revenues. In CFP, Section E Use of Unassigned General Purpose Fund Balance, the fourth quarter unaudited GPF ending Fund Balance is included in the Mayor’s Proposed FY23-25 Biennial Budget to balance the projected deficit.

Conclusion

The City has faced tremendous economic challenges since FY 2020-21, but one-time Federal

relief funding from the ARPA of \$188 million prevented the City's fiscal crisis at a time when residents have been especially reliant on City services. The remaining available ARPA funding in the amount of \$68.00 million was spent in FY 2022-23. Despite the fortune of receiving these one-time funds, the City still faces a structural imbalance and projects major shortfalls in the coming years in the GPF and other funds. Macroeconomic trends are placing pressure on expenditures while vacancies in staffing throughout the City are offsetting it, but at the expense of providing necessary services. The City's short-term and long-term fiscal outlook will depend on nimble but cautious management in the current and coming years.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

COORDINATION

This report was prepared in coordination with the Finance Department, the City Administrator's Office and various other departments.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No direct environmental impacts have been identified.

Race & Equity: No direct Race & Equity opportunities have been identified in this informational report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that City Council receive an informational report on the unaudited Fiscal Year (FY) 2022-23 Fourth Quarter (**Q4**) Revenue and Expenditure (R&E) results and year-end

summaries for the General Purpose Fund (GPF, 1010) and select funds and Fiscal Year (FY) 2023-24 First Quarter (Q1) Revenue and Expenditure (R&E) Year-End Projections For the General Purpose Fund (GPF, 1010) and Select Funds.

For questions regarding this report, please contact Bradley Johnson, Budget Administrator, at (510) 238-6119.

Respectfully submitted,



Erin Roseman (Nov 20, 2023 17:13 PST)

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Attachments (3):
A: *FY 2022-23 Q4 Detailed Report*
B: *FY 2023-24 Q1 Detailed Report*
C: *FY 2024-25 GPF Revenue Projections*

Appendixes (2):
A: Consolidated Fiscal Policy
BB: FY2022-23 to FY2023-2 Carryforwards

Special Finance & Management Committee
November 27, 2023