

AUDIT REPORT



CITY OF OAKLAND
Office of the City Auditor

DATE: November 6, 2025

TO: Oakland Residents, Mayor Lee, Members of the City Council, City Attorney Richardson, City Administrator Johnson, and Kids First! OFCY Planning and Oversight Committee Members

FROM: City Auditor Michael C. Houston, MPP, CIA

SUBJECT: **Audit of the Kids First! Oakland Children's Fund for Fiscal Year (FY) 2018-19 through FY 2023-24**

INTRODUCTION

Our Office has completed an audit of the Kids First! Oakland Children's Fund (Fund). We based the audit objectives on requirements of City Charter sections 1300 and 1306, which require the City of Oakland (City) to allocate a portion of its annual actual unrestricted General Purpose Fund revenues and expenditures to fund services and programs benefiting children and youth. The City Charter requires the City Auditor to annually calculate and publish the actual amount of City spending for children and youth services exclusive of expenditures mandated by state or federal law. To bring the City current on the audit requirements, this report covers Fiscal Years (FY) 2018-19 through 2023-24.¹

BACKGROUND

The Kids First! Fund was established by the Kids First! Oakland Fund for Children and Youth Act (Act), which voters first passed as Measure K in 1996.² The City Council most recently reauthorized and extended the Act for an additional 12 years in 2020, effective July 1, 2021, through June 30, 2033, the end of FY 2032-33.³ As

¹ Past audits may be found on our website at <https://www.oaklandauditor.com/reports/all-reports/>.

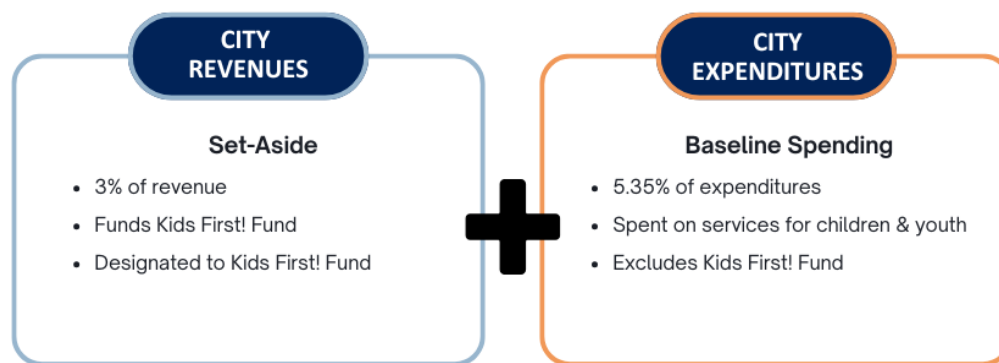
² Article XIII of the City Charter (sections 1300 to 1307) was added by the 1996 Kids First! Oakland Fund for Children and Youth Act; Article XIII of the City Charter and the Act may be referred to interchangeably.

³ Section 1307 of the City Charter sets out the process by which the law may be reauthorized. Every 12 years, the City Council can extend the law or place the question of whether to extend it to the voters through a ballot measure. Voters have previously amended the law. In 2008, Oakland voters repealed and replaced the Act from Measure K with Measure OO, and amended it

shown in Exhibit 1, the Act requires the City to set aside a portion of General Purpose Fund revenues and spend a minimum amount of money to support direct services for children and youth:

- **Set-Aside Requirement:** Each year, the City must set aside 3 percent of its actual unrestricted General Purpose Fund revenues and designate it to the Kids First! Fund.⁴ This is a restricted fund for the sole purpose of supporting children and youth services, for the purposes outlined in Section 1301 of the Charter. Money cannot be used for services that only incidentally benefit youth. The Human Services Department manages the Kids First! Fund by awarding grants to nonprofits, the Oakland Unified School District, or other agencies that provide programs for children and youth.⁵
- **Baseline Spending Requirement:** In addition, the City must also spend an amount at least equal to 5.35 percent of the City’s actual General Purpose Fund expenditures on services for children and youth.⁶ Specifically, this minimum expenditure requirement is for sources outside of the Kids First! Fund. Expenditures that can be counted toward the baseline spending requirement include programs such as Head Start, internships, mentoring, and after-school recreational activities.

Exhibit 1: The Kids First! Act Requires the City to Set Aside 3 Percent of Unrestricted General Purpose Fund Revenues for Children and Youth and Spend an Additional Amount Equivalent to 5.35 Percent of Unrestricted General Purpose Fund Expenditures on Children and Youth



Source: Auditor summary of City Charter Article XIII and Finance Department guidelines.

again in 2009 as Measure D. The 2009 amendment changed the basis for the Fund’s set-aside in response to the City’s budget deficit following the Great Recession.

⁴ The Act specifies that the Fund receives “an amount equal to three percent (3.0%) of the City of Oakland’s annual actual unrestricted General Purpose Fund (Fund 1010) revenues.” It further states that errors in the calculation shall be corrected by an adjustment in the set-aside depending on whether the actual revenue is greater or less than the estimate. The City must correct for any payment over or under the 3 percent requirement.

⁵ Per City Charter Section 1300, no less than 90 percent of the monies in the Fund shall be used to pay for eligible services for children and youth. No more than 10 percent of the monies in the Fund may be used for independent third-party evaluation, strategic planning, grant-making, grants management, training and technical assistance, and communications and outreach to ensure effective public participation.

⁶ The baseline amount (5.35%) represents the level of funding spent on children and youth services in FY 1995-96, when the Act was initially passed.

Because set-aside and baseline spending requirements are to be based on actual revenues and expenditures, Finance Department staff make initial estimates each budget cycle and then make adjustments following the close of the fiscal year, when the City has information about actual amounts, as confirmed by the City's audited financial statements.⁷ Adjustments then appear in the following year's budget, or two years after the initial estimate.

RESULTS

We found the City met the baseline spending requirements for all years, but did not always meet the set-aside requirement, which must be equivalent to exactly 3 percent, no more or less.⁸ (See Appendix A for auditor set-aside calculations.)

Between the set-aside and baseline spending, the City spent approximately \$401 million on children and youth programs over Fiscal Years 2018-19 through 2023-24, or an average of approximately \$67 million per year.

In the Period Reviewed, the City Did Not Always Meet the 3 Percent Set-Aside Requirement

Over a period of six years, from FY 2018-19 to 2023-24, the City overpaid the Fund in three years and underpaid the Fund in three years, as shown in Appendix B. The adjustments made did not match the amounts owed, based on our calculations.⁹

Based on requirements of the Act, City staff must first estimate the set-aside based on the budgeted unrestricted General Purpose Fund revenues, and then, when the audited financials are complete, staff finalize the set-aside and adjust the total to "true up" the amount based on actual unrestricted General Purpose Fund revenue (these are shown in the 'adjustment year' rows of Appendix B). If the initial estimated set-aside was too low or too high, the Finance Department reports that they aim to correct the underpayment or overpayment into the Kids First! Fund two fiscal years later by making adjustments equal to the difference into the Fund for underpayments, or into the General Purpose Fund for overpayments.¹⁰ As shown in Appendix B, the adjustments for FY 2013-14 and 2014-15 were made in FY 2018-19, beyond the two-year goal.

The Budget Bureau's corrections were not always accurate. To correct for cumulative errors, we recommend that the Budget Bureau make a one-time adjustment from the Kids First! Fund back into the General Purpose

⁷ The City's financial statements are reviewed by an independent external auditor to provide reasonable assurance that the statements are free from material misstatement, complete and reliable in all material respects. The City's Annual Comprehensive Financial Reports are generally issued the December following the close of the fiscal year, and may be found at <https://www.oaklandca.gov/documents/financial-reporting>.

⁸ Article XIII Section 1300 of the City Charter states, "Errors in calculation for a fiscal year shall be corrected by an adjustment in the set aside depending upon whether the actual, unrestricted General Purpose Fund (Fund 1010) revenues are greater or less than the estimate."

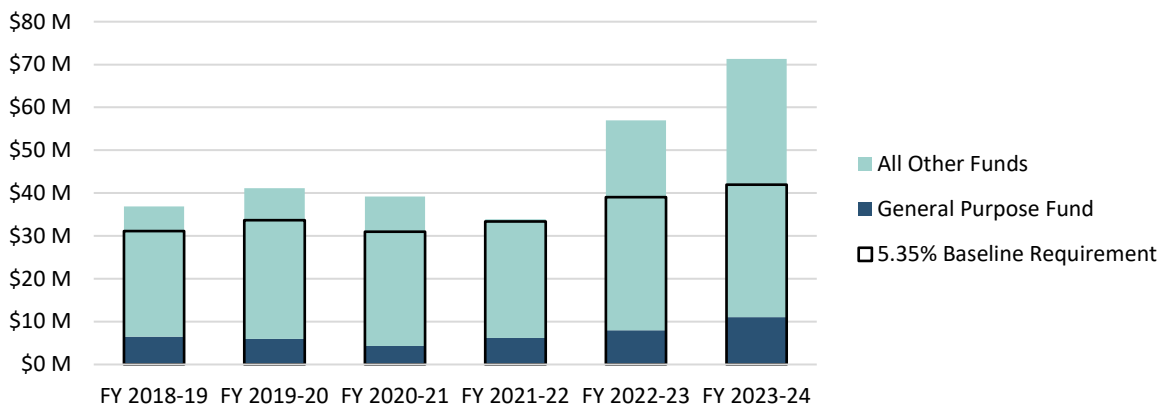
⁹ The Budget Bureau provided us with partial documentation of their adjustments and initial set-aside estimates. The Budget Administrator agreed to use auditor-calculated values for the purposes of presenting actual set-aside values for the remaining fiscal years. These values, shown in Appendix A, are based on actual revenues as audited by the City's external financial auditor and recorded in Oracle. Importantly, these set-aside calculations assume, based on the Controller's Bureau interpretation of Governmental Accounting Standards Board (GASB) guidance, that service charges are generally considered restricted revenues and that lease revenues are generally considered unrestricted, though specific sources may have contractual or legal restrictions.

Fund (see Recommendations at the end of this report). This adjustment should be documented for future reference.

The City Met the Baseline Spending Requirement for the Period Reviewed

As described in the Background, the City is required by the Act to spend an amount equivalent to 5.35 percent of actual unrestricted General Purpose Fund expenditures on programs for children and youth. The City met or exceeded the baseline 5.35 percent spending requirement for FY 2018-19 through FY 2023-24, as shown in Exhibit 2.

Exhibit 2: The City Met or Exceeded the 5.35 Percent Baseline Spending Requirement in Each Year Analyzed



Source: Auditor analysis of expenditure data from Oracle, the City of Oakland's financial management system.

Note: In the last two fiscal years, the inclusion of Oakland Promise funding, which started in FY 2022-23, increased overall expenses substantially.

Expenditures above the required level ranged from a low of about \$571,000 in FY 2021-22 to highs of \$17.8 million in FY 2022-23 and \$29.3 million in FY 2023-24, due to the infusion of funds from the Oakland Children's Initiative (Measure AA, passed in 2018) for operational uses starting in FY 2022-23.¹¹ Overall, these expenses included programs and services like: year-round lunch, youth adult sports, child care, coaching, support for at-risk youth, and programs for supporting the healthy development of young children.

City Attorney Review of Finance Department Guidance Will Help Ensure Consistency

The Act is complex insofar as it applies to multiple funds, requires estimates and adjustments based on actuals, and timing necessarily results in adjustments in subsequent years to ensure compliance. It also requires

¹¹ The following five voter-approved measures contribute to services directly serving children and youth: The Oakland Children's Initiative of 2018 (Measure AA) provides funding for early education and Oakland Promise; the 2024 Oakland Public Safety and Services Violence Prevention Act (Measure NN); the 2018 Oakland Public Library Preservation Act (Measure D) and the 2022 Library Services Retention and Enhancement Act (Measure C) for children's room, children's services, and teen services; and the 2016 Tax on Sugar-Sweetened Beverages (Measure HH) for youth adult sports and youth services.

ongoing legal interpretation, as described in a past audit.¹² As noted above, there were fiscal years where the adjustment was higher or lower than required.

Over the course of the audit, relevant City staff expressed some uncertainty relating to the Kids First! requirements in terms of both revenue set-asides and eligible baseline expenses. We also have an open audit recommendation to the Finance Department to establish guidance and methodologies for eligibility of expenses that meet and do not meet baseline spending requirement as required by the Act.¹³ Past audits have also recommended formalizing policies and procedures for calculating the Kids First set-aside, including identifying which revenue sources are restricted and unrestricted, and clarifying when the City should reconcile its Kids First Fund set-aside.¹⁴

To ensure consistency of interpretation and promote compliance, the Finance Department should consult with the City Attorney's Office to finalize and adopt formal guidance and document the methodology for future reference.

RECOMMENDATIONS

1. To ensure consistency of interpretation and to promote compliance with Article XIII of the Oakland City Charter, the Finance Department should consult with the City Attorney's Office to finalize and adopt formal guidance and document the methodology of its process for: (a) adjusting set-asides based on actual revenues rather than appropriations, (b) calculating baseline spending on eligible expenses, for example, within defined org codes and program codes, (c) defining the timing of true-ups and adjustments for the two-year adjustment cycle, and (d) validating interpretations of 'restricted' General Purpose Fund revenues.
2. In accordance with Kids First! The Oakland Fund for Children and Youth Act, the Finance Department should, in consultation with the City Attorney's Office, correct for the over-and under-payments between FY 2018-19 and FY 2023-24, and document this one-time correction for future reference.

¹² *Measure D Children and Youth Services Baseline Spending and Set Aside Requirements for the Kids First Fund Audit FY 2009-10 through FY 2011-12.*

¹³ The recommendation from the [2020 Audit of Measure D: Kids First Oakland Fund for Children and Youth Act Fiscal Years 2016-17 and 2017-18](#) is partially implemented as of June 30, 2025.

¹⁴ [Measure D Children and Youth Services Baseline Spending and Set Aside Requirements for the Kids First Fund Audit FY 2009-10 through FY 2011-12](#). The same audit also noted that the Act requires continuous legal interpretation, and recommended convening a working group with members of the Planning and Oversight Committee, Controller's Bureau, and City Attorney's Office to clarify the Act and bring a revised ballot measure to the voters.

CITY ADMINISTRATION'S RESPONSE

We presented the audit's findings, conclusions, and recommendations to the City Administration, including staff from the Finance Department, Human Services Department, and City Attorney's Office. The Administration agreed with the findings and recommendations, and their response is attached at the end of this report.

ACKNOWLEDGMENTS

I want to express our appreciation to the Finance Department, the Human Services Department, and the City Attorney's Office for their cooperation and collaboration during this audit. I also want to acknowledge the staff who contributed to this audit, Senior Performance Auditor Mark Carnes, Performance Audit Manager Stephanie Noble, and Assistant City Auditor Eduardo Luna.

OBJECTIVE AND SCOPE

The objectives of the audit were to verify that the City correctly calculated and set aside the appropriate amount to the Kids First! Fund and that the City met the baseline spending requirements from FY 2018-19 through FY 2023-24.

METHODOLOGY

The objective of this audit was to review the City's compliance with the Kids First! Oakland Fund for Children and Youth Act, as described above. To this end, we reviewed management controls relevant to the objectives and:

- Reviewed the requirements of the Act.
- Reviewed previous City Auditor reports on Measure D titled:
 - *Measure K 2.5% Set-Aside Performance Audit: City of Oakland's Calculation of the Set-Aside for the Kids First! Oakland Children's Fund* published in July 2009,
 - *Measure D Children and Youth Services Baseline Spending and Set Aside Requirements for the Kids First Fund Audit FY 2009-10 through FY 2011-12* published in October 2014,
 - *Measure D Kids First! Oakland Fund for Children and Youth Act FY 2012-13 through FY 2015-16* published in August 2018, and
 - *Performance Audit of Measure D: Kids First! Oakland Fund for Children and Youth Act Fiscal Years 2016-17 and 2017-18* published in November 2020.
- Verified if calculated amounts due to the Kids First! Fund met requirements.
- Verified the transfer of set-aside monies into the Kids First! Fund (Fund 1780).
- Calculated expenditures for the baseline spending to verify requirements were met.
- Interviewed Budget and Controller's Office staff on interpretation and application of the Act.

STATEMENT OF COMPLIANCE WITH AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

ERRATA

We initially released this report on April 3, 2025. We announced the removal of the report on April 8, pending additional audit work. After the initial release of the report, we identified a potential error stemming from the scope of the report. In expanding the scope of the period reviewed, we were able to confirm and correct for that error, and make subsequent changes based on that review. This report has been corrected based on that review. We made the following changes:

- Added Appendix A, which shows the auditor's set-aside calculations.
- Added Appendix B, which shows the true-ups dating back to FY 2012-13.
- Removed Exhibit 2 (replaced with Appendix B).
- Removed language that described a transfer made in error. Upon additional review, these interfund transfers were not in error, but were two late true-ups, made to correct for the period prior to the scope of the report.
- Revised Recommendation #2 to remove reference to the amount in error.
- Added reference to prior audit recommendations.

We made these changes in accordance with Generally Accepted Government Auditing Standards.

APPENDIX A: Set-Aside Calculations

Fund/Object/Account		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL
1010	Total General Purpose Fund Revenue	\$ 649,944,457.59	\$ 631,757,260.26	\$ 707,104,467.27	\$ 723,819,867.23	\$ 729,542,371.02	\$ 734,847,240.61	\$ 4,177,015,663.98
41313	Sales and Use Tax: Proposition 172	\$ 3,619,790.33	\$ 3,613,858.67	\$ 3,772,731.90	\$ 4,306,867.53	\$ 4,406,822.59	\$ 4,492,859.99	\$ 24,212,931.01
44200	Land Rental Income	\$ 224,756.26	\$ 186,903.59	\$ 160,739.62	\$ 186,333.72	\$ 166,240.82	\$ 116,642.01	\$ 1,041,616.02
44219	<i>Interest, Rent, and Concession – Real Estate – add back (effectively unrestricted)*</i>	\$ (224,756.26)	\$ (186,903.59)	\$ (160,739.62)	\$ (186,333.72)	\$ (166,240.82)	\$ (116,642.01)	
44300	Facility Rental Income	\$ 180,126.44	\$ 165,674.22	\$ (3,412.39)	\$ 344.78	\$ 55,852.08	\$ 57,789.81	\$ 456,374.94
44319	<i>Facility Rental: Facility Rentals to Profit-Making Groups</i>	\$ -	\$ 341.64	\$ (3,920.34)	\$ (9,308.52)	\$ 145.94	\$ (5,781.43)	
44329	<i>Facility Rentals: Miscellaneous</i>	\$ 180,126.44	\$ 165,332.58	\$ 507.95	\$ 9,653.30	\$ 55,706.14	\$ 63,571.24	
44419	Other Rental Miscellaneous	\$ 572,183.43	\$ 677,673.70	\$ 691,268.97	\$ 543,777.91	\$ 574,999.88	\$ 464,159.72	\$ 3,524,063.61
44419	<i>Interest, Rent, and Concession – Real Estate – add back (effectively unrestricted)*</i>	\$ (571,783.43)	\$ (677,673.70)	\$ (692,661.69)	\$ (548,115.89)	\$ (574,999.88)	\$ (466,424.44)	
44500	Concession Income	\$ 823,846.41	\$ 861,688.07	\$ 590,471.00	\$ 473,292.40	\$ 474,831.00	\$ 480,883.00	\$ 3,705,011.88
45100	Public Works Fee	\$ 259,511.79	\$ 353,953.44	\$ 521,851.89	\$ 2,406.28	\$ (441.00)	\$ -	\$ 1,137,282.40
45200	Park and Recreation Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45300	Parking Fee	\$ 17,035,130.15	\$ 11,738,138.33	\$ 7,994,760.10	\$ 11,345,247.46	\$ 11,346,593.45	\$ 10,238,648.42	\$ 69,698,517.91
45311	<i>Parking Fee: On Street Parking Meters – add back (effectively unrestricted)</i>	\$ (17,035,130.15)	\$ (11,738,138.33)	\$ (7,994,760.10)	\$ (11,345,247.46)	\$ (11,346,593.45)	\$ (10,238,648.42)	\$ (69,698,517.91)
45312	<i>Parking Fee: Off Street Parking (Including OPR Parking)</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45313	<i>Parking Stall Fees</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45400	Other Fees	\$ 6,112,934.05	\$ 8,255,463.90	\$ 6,155,157.64	\$ 1,674,303.24	\$ 1,757,100.10	\$ 1,722,505.79	\$ 25,677,464.72
45500	Sales (service charges restricted due to Prop 26; GASB)*	\$ 52,707.85	\$ 58,934.00	\$ 51,661.00	\$ 29,873.00	\$ 29,145.85	\$ 22,080.00	\$ 244,401.70
45519	<i>Service Charges - Library – add back (effectively unrestricted)</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45600	Port Revenue	\$ 8,987,839.78	\$ 9,677,287.30	\$ 10,426,791.49	\$ 10,029,630.11	\$ 11,358,090.23	\$ 12,054,618.69	\$ 62,534,257.60
45700	Other Service Charges	\$ 12,664,524.41	\$ 7,880,916.68	\$ 7,556,917.77	\$ 8,583,212.91	\$ 8,056,455.57	\$ 8,238,217.21	\$ 52,980,244.55
46000	Grant and Subvention Revenue	\$ 1,983,302.35	\$ 2,217,850.39	\$ 3,508,676.81	\$ 1,839,561.83	\$ 2,420,811.99	\$ 1,774,725.63	\$ 13,744,929.00
48100	Sale of Real/Personal Property	\$ 141,727.68	\$ 560,567.51	\$ 634,304.74	\$ 114,250.30	\$ 4,303.00	\$ 796,246.00	\$ 2,251,399.23
48200	Bond and Loan Revenues	\$ -	\$ 874,460.07	\$ -	\$ -	\$ 961,239.91	\$ -	\$ 1,835,699.98
48400	Insurance Claims and Settlements	\$ 88,009.60	\$ 73,571.75	\$ 503,026.00	\$ 29,844.00	\$ 1,399,124.13	\$ 5,684,850.04	\$ 7,778,425.52
48500	Coliseum Revenue	\$ 171,212.91	\$ 149,612.43	\$ -	\$ -	\$ -	\$ -	\$ 320,825.34
48715	Other Revenue: Receipt of Trust Funds	\$ -	\$ (0.09)	\$ -	\$ 498.70	\$ -	\$ 4,666.00	\$ 5,164.61
48716	Other Revenue: Revolving Loan Repayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48716	<i>Oak Center & City Center West Garage Loan Repayment</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48721	Other Revenue: Pass Through Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,957.88	\$ 2,957.88
48723	Other Revenue: Port of Oakland (Revenue / Expense Clearing)	\$ -	\$ 2,456.83	\$ -	\$ -	\$ -	\$ -	\$ 2,456.83

Fund/Object/Account	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL
49100 Reserve Transfers: Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49200 Operating Transfers In	\$ 3,578,733.87	\$ 4,006,233.00	\$ 17,552,618.00	\$ 3,256,618.19	\$ 2,904,867.00	\$ 13,075,123.00	\$ 44,374,193.06
Total Restricted	\$ 38,664,667.47	\$ 38,752,528.17	\$ 51,269,403.13	\$ 30,336,365.29	\$ 33,828,202.45	\$ 48,405,258.32	\$ 241,256,424.83
Unrestricted GPF Revenue Subject to Kids First! Set-Aside	\$ 611,279,790.12	\$ 593,004,732.09	\$ 655,835,064.14	\$ 693,483,501.94	\$ 695,714,168.57	\$ 686,441,982.29	\$ 3,935,759,239.15
Total Kids First Unrestricted Revenue Allocation (3%)	\$ 18,338,393.70	\$ 17,790,141.96	\$ 19,675,051.92	\$ 20,804,505.06	\$ 20,871,425.06	\$ 20,593,259.47	\$ 118,072,777.17

Source: Auditor analysis of Oracle expenditure data (FM 450 Report) for period 13 of each fiscal year shown.

*Note: Revenues are categorized as ‘restricted’ based on historical calculations for Kids First set-asides and Finance Department guidance. As described within the report, Kids First has required ongoing legal interpretation. As of this report, lease revenues may be treated differently relative to past audits due to the implementation of GASB 87 in December 2019. Lease revenues are generally considered unrestricted, in accordance with Controller’s Bureau interpretations of GASB. While some lease revenues have restrictions on use, based on authorizing legislation or if they are for buildings developed with redevelopment bond funds, the Real Estate Division of the Department of Economic and Workforce Development tracks the leases for which the City is a lessor, and codes revenues to fund sources accordingly. As such, we treated lease revenues within the General Purpose Fund (1010) as unrestricted. Additionally, based on interpretation of Budget Bureau and Controller’s Bureau staff, all service fees are considered restricted for the purposes of calculating the Kids First set aside. This interpretation is based on requirements under California Proposition 26 and GASB.

APPENDIX B: True-Ups for FY 2012-13 through FY 2023-24

	Applicable Fiscal Year													TOTAL
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
Initial set-aside	\$10,954,613	\$12,181,625	\$13,031,188	\$14,049,327	\$14,536,156	\$16,178,477	\$16,792,565	\$18,238,542	\$17,802,336	\$18,650,594	\$21,013,357	\$22,336,804	\$23,565,016	\$219,330,600
Required set-aside	\$12,892,327	\$13,115,076	\$14,144,226	\$15,466,991	\$15,665,540	\$16,509,822	\$18,338,394	\$17,790,142	\$19,675,052	\$20,804,505	\$20,871,425	\$20,593,259		\$205,866,759
Difference	\$1,937,714	\$933,451	\$1,113,038	\$1,417,664	\$1,129,384	\$331,345	\$1,545,829	\$(448,400)	\$1,872,716	\$2,153,911	\$(141,932)	\$(1,743,545)		\$10,101,175
Kids First owed	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	FALSE	TRUE	TRUE	FALSE	FALSE		FALSE
Difference owed	\$1,937,714	\$933,451	\$1,113,038	\$1,417,664	\$1,129,384	\$331,345	\$1,545,829	\$(448,400)	\$1,872,716	\$2,153,911	\$(141,932)	\$(1,743,545)		\$10,101,175
FY 2015	\$1,937,714	\$40,823												\$1,978,537
FY 2016		**												\$-
FY 2017			**											\$-
FY 2018				\$1,417,664										\$1,417,664
FY 2019		\$892,628	\$1,113,038		\$1,129,384									\$3,135,050
FY 2020						\$331,345								\$331,345
FY 2021							\$1,515,083							\$1,515,083
FY 2022								\$(810,513)						\$(810,513)
FY 2023									\$308,206					\$308,206
FY 2024										\$2,429,776				\$2,429,776
FY 2025														\$-
FY 2026														\$-
Total adjustment	\$1,937,714	\$933,451	\$1,113,038	\$1,417,664	\$1,129,384	\$331,345	\$1,515,083	\$(810,513)	\$308,206	\$2,429,776	\$-	\$-		\$10,305,148
Remainder	\$-	\$-	\$-	\$-	\$-	\$-	\$30,746	\$362,113	\$1,564,510	\$(275,865)	\$(141,932)	\$(1,743,545)		\$(203,973)

**Late adjustment. As described within the report, transfers to adjust the set-aside based on actual unrestricted General Purpose Fund revenues generally occur two fiscal years later, but in some instances have been later, partial, or combined. These years appeared as a single transfer in FY2019 for \$2,005,666.

Source: Auditor analysis of Oracle data for operating transfers from the General Purpose Fund (Fund 1010) to the Kids First Fund (Fund 1780), 2018 Kids First Audit (FY 2013 through FY 2016), 2020 Kids First Audit (FY 2017 through FY 2018), and auditor set-aside calculations based on Oracle revenue data and Finance Department guidance (FY 2019 through FY 2024), as detailed in Appendix A.

Note: Positive values show a transfer of funds from the General Purpose Fund (Fund 1010) to the Kids First Fund (Fund 1780). FY 2024-25 initial set-aside is shown for informational purposes; the required set-aside will be in a future report, following the external financial audit of the City's FY 2024-25 revenues.

CITY OF OAKLAND



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November 6, 2025

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Dear City Auditor Houston,

The City Administration thanks the City Auditor's Office for its audit of the Kids First! Oakland Children's Fund. We appreciate the Auditor's efforts to bring the reporting current and affirm the City's continued investment in services for children and youth, consistent with the intent of the City Charter.

We are pleased that the audit confirms the City met or exceeded the required 5.35% baseline spending on youth services in each fiscal year reviewed. This outcome reflects the City's strong commitment to advancing the goals of the Kids First! Act and the broader priority to support the healthy development of Oakland's children and youth.

Set-Aside Calculation Context

Regarding the 3% set-aside requirement, the audit notes that actual transfers to the Fund were not always precisely equal to the calculated amount based on audited actuals. While we agree that improved alignment warranted, the cumulative difference between the Auditor's calculated required set-aside and the City's actual set-aside over the six-year period totals approximately \$204,000. This amount represents less than 0.2% of the \$118 million total set aside for children and youth programs during that period. We believe this level of variance reflects a high degree of compliance in practice and should not materially detract from the City's overall performance in meeting the set-aside requirement.

Response to Recommendations

Recommendation 1 – *To ensure consistency of interpretation and to promote compliance with Article XIII of the Oakland City Charter, the Finance Department should consult with the City Attorney's Office to finalize and adopt formal guidance and document the methodology of its process for: (a) adjusting set-asides based on actual revenues rather than appropriations, (b) calculating baseline spending on eligible expenses, for example, within defined org codes and program codes, (c) defining the timing of true-ups and adjustments for the two-year adjustment cycle, and (d) validating interpretations of 'restricted' General Purpose Fund revenues.*



The Finance Department agrees with this recommendation. We agree to consult with the City Attorney's Office to confirm and, if needed, clarify the classification of restricted versus unrestricted revenues.

We believe that other components of the recommendation have already been substantially implemented:

- Set-aside adjustments have consistently been based on audited actuals, in alignment with existing budget procedures that incorporate "true-up" entries two years after the initial budget year.
- Eligibility criteria for baseline expenditures have been drafted for internal use to improve consistency across departments and reporting years in response to this audit. Per the audit recommendation please see document attached for this internal guidance.
- The timing and mechanics of the true-up process are well-established and have been consistently applied through the City's biennial budget development process and will be continued to be applied in future cycles.

Recommendation 2 - *In accordance with Kids First! The Oakland Fund for Children and Youth Act, the Finance Department should, in consultation with the City Attorney's Office, correct for the over-and under-payments between Fiscal Year 2018-19 and Fiscal Year 2023-24, and document this one-time correction for future reference.*

Management agrees that a one-time adjustment is necessary to correct slight discrepancies for the true-up adjustment payments from prior fiscal years (2018-19 to 2023-24). This action will be documented in the City's financial system and the published adopted budget book to ensure transparency.

The City remains committed to fulfilling both the letter and spirit of the Kids First! Act. We thank the Auditor's Office for its review and recommendations and look forward to continued collaboration to maintain high standards of stewardship for voter-mandated funds.

Sincerely,

A handwritten signature in blue ink that reads "Bradley Johnson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Bradley Johnson
Director of Finance

Internal Finance Department Guidance

I. Accounting for Children and Youth Services Expenditures

(Measure D Baseline Requirement)

Purpose

This guidance establishes a Citywide process to account for expenditures on children and youth services in compliance with the requirements of Measure D and in response to the Auditor's recommendations. The goal is to provide consistency, transparency, and a defensible methodology for determining whether the City meets its required baseline spending on children and youth services.

1. Eligible and Ineligible Expenditures

Eligible Expenditures may include:

- - Direct program services primarily intended for children and youth (ages 0–20), such as education, recreation, mentoring, and employment.
- Staff salaries, benefits, supplies, contracts, and internal services directly attributable to children and youth programming.

Ineligible Expenditures generally include:

- - Services exclusively for adults or seniors.
- General government costs not targeted to children and youth.

2. Departmental Role in the Budget Process

Departments are responsible for ensuring that programs and expenditures directly serving children and youth are budgeted in the appropriate org codes and funds identified for Measure D baseline tracking.

- Departments should continue to budget direct youth services in the established orgs (see Section 4 below).
- If departments believe that additional programs or budgets should be captured—or if existing orgs should be excluded—they must notify the Budget Bureau during the budget process so that adjustments can be considered.

3. Shared Services and Department Confirmation

Some City programs and costs may serve multiple populations (e.g., families, children and youth, seniors). To ensure consistency and accuracy:

- Finance will provide departments with a Youth Services Budget Confirmation Form during the budget development process.

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- The form will list the org codes and funds currently included in the baseline calculation.
- Departments must:
 1. Confirm that the listed budgets are correct,
 2. Propose additions or removals of org codes if needed, and
 3. Identify any programs serving both youth and other populations, applying a reasonable allocation percentage and providing a short justification/description of services.

4. Current Budget Capture Process

As part of the baseline calculation in the Adopted Budget, Finance currently identifies youth services expenditures from the following sources:

- Human Services Department – Org 78231 (Head Start Classroom and Seasonal).
- OPRYD Department – recreation center org codes.
- Library Department – Org 61313 (Children’s Services / Youth).
- Measure AA – Fund 2262 and Fund 2263, capturing contract budgets that directly serve youth.

Departments should notify the Budget Bureau if they believe additional budgets should be included, or if existing codes require updates to more accurately reflect services to children and youth.

Appendix A: Youth Services Budget Confirmation Form

Org Code / Fund	Program Name & Description	Amount Budgeted	Eligible % for Youth Services	Justification / Notes	Confirmed (Y/N)	Dept Requested Change (Add/Remove)
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II. Kids First! Set-Aside

Purpose

To ensure compliance with Article XIII of the City Charter and consistency in interpretation, the City has established the following guidance for the implementation of the Kids First! Oakland Fund for Children and Youth Act:

1. Set-Aside Adjustments Based on Actuals

The Finance Department calculates the 3% set-aside based on actual unrestricted General Purpose Fund (GPF) revenues, consistent with the requirement of the Charter. Because actual revenue is only available after the close of the fiscal year and completion of the

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external audit, the adjustment (or “true-up”) is incorporated into the City’s budget two fiscal years following the initial year.

Specifically:

Set-aside true ups are based on audited actuals reflected in Period (P13) of the City’s financial system and are included in the adopted budget of the biennial or midcycle budget that occurs two years after the fiscal year being reconciled.

2. Revenue Classification (TBD)

APPENDIX B: Set-Aside Calculations

Fund/Object/Account

LESS RESTRICTED	1010	Total General Purpose Fund Revenue	A
	41313	Sales and Use Tax: Proposition 172	B
	44200	Land Rental Income	B
	44300	Facility Rental Income	B
	44418	Other Rental: Billboards	B
	44419	Other Rental Miscellaneous	B
		Interest, Rent, and Concession – Real Estate – add back (effectively unrestricted)*	C
	44500	Concession Income	B
	45100	Public Works Fee	B
	45200	Park and Recreation Fee	B
	45300	Parking Fee	B
	45311	Parking Fee: On Street Parking Meters – add back (effectively unrestricted)	B
	45311	Parking Fee: Off Street Parking (Including OPR Parking) add back (effectively unrestricted)*	C
	45313	Parking Stall Fees	B
	45400	Other Fees	B

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APPENDIX B: Set-Aside Calculations

Fund/Object/Account

	45500	Sales (service charges restricted due to Prop 26; GASB)*	B
	45519	Service Charges - Library – add back (effectively unrestricted)	C
	45600	Port Revenue	B
	45700	Other Service Charges	B
	46000	Grant and Subvention Revenue	B
	48100	Sale of Real/Personal Property	B
	48200	Bond and Loan Revenues	B
	48400	Insurance Claims and Settlements	B
	48500	Coliseum Revenue	B
	48715	Other Revenue: Receipt of Trust Funds	B
	48716	Other Revenue: Revolving Loan Repayment	B
	48716	Oak Center & City Center West Garage Loan Repayment	B
	48721	Other Revenue: Pass Through Loans	B
	48723	Other Revenue: Port of Oakland (Revenue / Expense Clearing)	B
	49100	Reserve Transfers: Projects	B
	49200	Operating Transfers In	B
	Total Restricted		(B-C)=D
	Unrestricted GPF Revenue Subject to Kids First! Set-Aside		A-D=E
	Total Kids First Unrestricted Revenue Allocation (3%)		3%*E

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Prepared by: Rina Stabler, Assistant Budget Administrator
Finance Department – Budget Bureau
August 2025

DRAFT



**CITY OF
OAKLAND**

Office of the City Auditor

**Audit of the Kids First! Oakland Children's Fund for Fiscal
Year (FY) 2018-19 through FY 2023-24**

City Administration's Recommendation Implementation Plan

Rec#	City Auditor's Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
1	To ensure consistency of interpretation and to promote compliance with Article XIII of the Oakland City Charter, the Finance Department should consult with the City Attorney's Office to finalize and adopt formal guidance and document the methodology of its process for: (a) adjusting set-asides based on actual revenues rather than appropriations, (b) calculating baseline spending on eligible expenses, for example, within defined org codes and program codes, (c) defining the timing of true-ups and adjustments for the two-year adjustment cycle, and (d) validating interpretations of 'restricted' General Purpose Fund revenues.	The Finance Department agrees with this recommendation. We agree to consult with the City Attorney's Office to confirm and, if needed, clarify the classification of restricted versus unrestricted revenues. We believe that other components of the recommendation have already been substantially implemented: • Set-aside adjustments have consistently been based on audited actuals, in alignment with existing budget procedures that incorporate "true-up" entries two years after the initial budget year. • Eligibility criteria for baseline expenditures have been drafted for internal use to improve consistency across departments and reporting years in response to this audit. Per the audit recommendation please see document attached for this internal guidance. • The timing and mechanics of the true-up process are well-established and have been consistently applied through the City's biennial budget development process and will be continued to be applied in future cycles.	Finance Department	January 2026



**CITY OF
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**Audit of the Kids First! Oakland Children's Fund for Fiscal
Year (FY) 2018-19 through FY 2023-24**

City Administration's Recommendation Implementation Plan

Rec#	City Auditor's Recommendations	Management Action Plan	Responsible Party	Target Date for Completion
2	In accordance with Kids First! The Oakland Fund for Children and Youth Act, the Finance Department should, in consultation with the City Attorney's Office, correct for the over-and under-payments between FY 2018-19 and FY 2023-24, and document this one-time correction for future reference.	Management agrees that a one-time adjustment is necessary to correct slight discrepancies for the true-up adjustment payments from prior fiscal years (2018-19 to 2023-24). This action will be documented in the City's financial system and the published adopted budget book to ensure transparency.	Finance Department	June 2026