

CITY OF OAKLAND

BUDGET ADVISORY COMMISSION

Notice is hereby given that a meeting of the City of Oakland Budget Advisory Commission (BAC) is scheduled for **Wednesday, April 10, 2024, at 6:00 PM.**

The Budget Advisory Commission will be held in Hearing Room 2 in City Hall.

Members of the Public have the following options to observe the meeting:

1. Watch the meeting on KTOP using Granicus.
2. Use the Zoom link attached to this agenda to remotely observe the meeting.

Commission Members:

Armand Bryan, Larisa Casillas, Guadalupe Garcia, Margaret Grimsley, Reisa Jaffe,
Mike Petouhoff, Caitlin Prendiville, Sarah Price, Jane Yang

City's Representative(s):

Nathan Bassett – *Finance Department*

Meeting Agenda:

1. Administrative Matters [5 minutes]
 - Welcome & Attendance
2. Approval of Prior Meeting Minutes [5 minutes]
 - Minutes of BAC Meeting held March 13, 2024
3. Commissioners' protocol [5 minutes]
 - Commissioner Application review
 - Onboarding & Exit / Recruitment – Open spots
4. Finance Department Update [5 minutes]
5. FY2023-24 Q2 R&E Report / FY2024-25 Deficit Report Discussion [40 minutes]
6. 2024 Work Plan Update and Ad Hoc Study Groups [20 minutes]
 - Community Engagement ad hoc group
7. Agenda Items for Future Meetings [5 minutes]
8. Open Forum [5 minutes]
9. Adjournment

ATTACHMENTS: Draft Meeting Minutes of BAC Meeting held March 13, 2024; FY2023-24 Q2 Revenue & Expenditure Report; Slides from FY2023-24 Q2 R&E Report; FY2024-25 Deficit Report

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

Hi there,

You are invited to a Zoom webinar.

When: Oct 11, 2023 06:00 PM Pacific Time (US and Canada)

Topic: Meeting of the City of Oakland Budget Advisory Commission (BAC)

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/81584763954>

Or One tap mobile :

+16694449171,,81584763954# US

+16699006833,,81584763954# US (San Jose)

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

+1 669 444 9171 US

+1 669 900 6833 US (San Jose)

+1 346 248 7799 US (Houston)

+1 719 359 4580 US

+1 253 205 0468 US

+1 253 215 8782 US (Tacoma)

+1 929 205 6099 US (New York)

+1 301 715 8592 US (Washington DC)

+1 305 224 1968 US

+1 309 205 3325 US

+1 312 626 6799 US (Chicago)

+1 360 209 5623 US

+1 386 347 5053 US

+1 507 473 4847 US

+1 564 217 2000 US

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Webinar ID: 815 8476 3954

International numbers available: <https://us06web.zoom.us/j/kc4erTBb6i>

CITY OF OAKLAND

BUDGET ADVISORY COMMISSION

Minutes of the meeting of the City of Oakland Budget Advisory Commission (BAC) held **Wednesday, March 13, 2024, at 6:00 PM.**

The Budget Advisory Commission was held in Hearing Room 2 in City Hall.

Commission Members:

Armand Bryan, Larisa Casillas, Guadalupe Garcia, Margaret Grimsley, Reisa Jaffe, Mike Petouhoff, Caitlin Prendiville, Sarah Price, Jane Yang

City's Representative(s):

Nathan Bassett – *Finance Department*
Darlene Flynn – *Department of Race & Equity*

Meeting Agenda:

1. Administrative Matters [5 minutes]
 - Welcome & Attendance
 - i. Present: Commissioners Bryan, Casillas, Grimsley, Jaffe, Petouhoff (as of 6:09 PM), Prendiville, Price, Yang; and City of Oakland staff members Bassett and Flynn. Absent: Commissioner Garcia. Quorum was met for the entire duration of meeting.
 - ii. Meeting was called to order by BAC Chair Price at approximately 6:03 PM, and staff member Bassett conducted roll-call. Chair Price inquired if staff member Bassett had any administrative matters for the start of the meeting, to which Bassett noted that he would provide them during the discussion of new members.
2. Approval of Prior Meeting Minutes [5 minutes]
 - Minutes of BAC Meeting held February 21, 2023
 - i. Chair Price offered the Commissioners a few minutes to review the minutes. Commissioner Yang noted that Zoom should have a transcript function to save staff time on transcribing. Bassett noted that he would look into the Zoom transcribing function before the next meeting. Approval of minutes for the Special BAC Meeting on February, 21, 2024, motioned by Commissioner Yang, seconded by Commissioner Grimsley. Ayes: Bryan, Casillas, Grimsley, Prendiville, Price, and Yang; Abstentions: Jaffe; Not Present: Petouhoff and Garcia.
 - ii. Commissioner Jaffe inquired if members absent from the meeting may vote on meeting minutes from the meeting. Bassett responded that he would

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

need to inquire with other staff, and Commissioner Yang mentioned that the bylaws only specified that the minutes needed to be approved by a majority of the members present.

3. Department of Race & Equity Presentation [45 Minutes]

- Chair Price welcomed Department of Race and Equity Director Darlene Flynn. Director Flynn had presented on the Department of Race and Equity, her background, and the beginnings of the movement to analyze racial equity through the lens of local government that began in Seattle in the mid-2000's. Director Flynn worked for the City of Seattle when they began the process of incorporating racial equity analysis into their operational work. She then gave the presentation she gives as part of the New Employee Orientation, and how the Department of Race and Equity works to shift the framework of the organization to build a more equitable City government.
- Director Flynn added some slides to her presentation relating to the City budget, and methods other organizations have used to incorporate racial equity analysis into their work, including Budget Message & Questions (Tools), Resources to Fund Budget Proposals, Budget Proposal Evaluation, and Citywide Program Prioritization Framework for Budgeting.
- After the presentation, Chair Price requested that Bassett review the questions provided to Director Flynn prior to the meeting. Bassett reviewed the questions, with Director Flynn responding, and Commissioners interjecting with additional questions and comments.

4. Commissioners' protocol [5 minutes]

- Commissioner Application review
- Onboarding & Exit / Recruitment – Open spots
 - i. Bassett noted that he needed to send Chair Price's contact information to a resident interested in joining the BAC. In addition, he stated that he had spoken with the Mayor's Office, and the Budget Administrator had suggested that if they wanted to change the appointment process that the BAC could appoint an ad hoc group to make recommendations on changes to the process.
 - ii. Chair Price noted that Bassett had informed the Commissioners that there would be a new Commissioner, but that their appointment had been delayed. Bassett responded that this was correct, and that the new member would not have been able to attend until May.
 - iii. Bassett mentioned that there had been an inquiry from a high school student in Albany as to whether they could join the Commission. He then noted that residency was a requirement for service on the Commission based on their bylaws, to which Commissioner Petouhoff inquired if minors were allowed to serve. Bassett advised that based on the content of the Commission's proceedings that a high school student may not be adequately prepared to be on the Commission, to which Commissioner Yang responded that the bylaws do not stipulate an age and that youth are impacted by the City budget, so they should be considered for membership.

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

5. Finance Dept Update [5 Minutes]
 - Form 700 Filing
 - i. Chair Price noted that the City Clerk will fine Commissioners if they do not complete the Form 700. Bassett reminded Commissioners that the due date is April 2, due to a holiday on April 1.
 - Bassett then mentioned that the FY2023-24 Q2 Revenue & Expenditure Report, as well as a report on the City's anticipated FY2024-25 baseline deficit would be published on the City's website on Friday, March 15, with presentations to the Finance and Management Committee on March 26. Bassett also requested that Commissioners read the reports in full at the behest of Budget Administrator Bradley Johnson.
6. 2024 Work Plan Update and Ad Hoc Study Groups [10 minutes]
7. Office of the Inspector General / Police Staffing Study Response Discussion (15 minutes)
 - Chair Price inquired if this item needed further discussion. Commissioner Petouhoff inquired if they could get the Inspector General to attend if they had further questions, to which Bassett responded that given the Inspector General's schedule, that it would be difficult to get her to attend.
8. Agenda Items for Future Meetings [10 minutes]
 - Commissioner Petouhoff inquired if they could request the Economic and Workforce Development (EWD) Director to present on their Department's work in the near future. Chair Price noted that they could, but might have more success with inviting lower level staff. Bassett responded to Petouhoff's inquiry with a note that they had postponed inviting the EWD Director until the ad hoc group on the topic had time to develop their list of inquiries.
 - Chair Price then informed staff that they would be requesting a presentation on the Mayor's Budget Proposal for FY2024-25, to which Bassett responded that if they would like staff to present on the Proposed Budget, it would likely occur after the ad hoc group would need to be well under way with their work.
 - Discussion pertaining to the circumstances of the re-opening of the bargain agreements for the Police and Fire Unions in 2022 was brought up, to which Chair Price agreed that this should be added to the agenda of a future meeting.
9. Open Forum [5 minutes]
10. Adjournment
 - Chair Price adjourned at approximately 8:07 PM.

ATTACHMENTS: Draft Meeting Minutes of BAC Meeting held February 21, 2024;



CITY OF OAKLAND

**FY 2023-24 Second Quarter (Q2)
Revenue and Expenditure Report
and
FY 2024-25 Midcycle Budget Deficit**

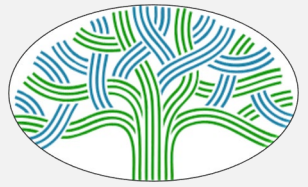
Presenter

Erin Roseman,
Director of Finance

March 26, 2024

Finance & Management Committee





General Purpose Fund Overview: FY 2023-24 Quarter 2 (Q2)



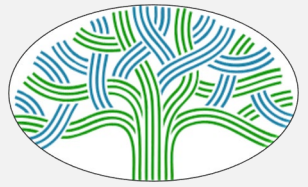
The current fiscal landscape of the City poses considerable challenges, notably characterized by:

- ✓ Sustained declines in key revenue categories
- ✓ Significant projected overspending on Police Services



Other Contributing Factors:

- \$30.12 million use of fund balance is assumed in the budget however this amount is not anticipated to be available at year-end.
- \$55.10 million in approved FY 2022-23 carryforwards: Despite the approval of these funds, current projections indicate the GPF will lack the actual funding support due to the anticipated deficit.



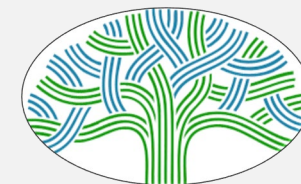
FY 2023-24 General Purpose Fund (GPF) Deficit

The GPF Operating Deficit of \$177 million is projected as of Q2

- **Revenues** are projected to end the year **\$169.10 million under** the Adjusted Budget
- **Expenditures** are projected to end the year **\$8.01 million over** the Adjusted Budget

FY 2023-24 General Purpose Fund Second Quarter (\$millions)

	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Year- End Projections	(Over) / Under
FY2023-24 Revenues	834.12	890.07	720.98	(169.10)
FY 2023-24 Expenditures	834.12	890.07	898.08	(8.01)
Operating (Shortfall) / Surplus	—	—	(177.10)	(177.10)



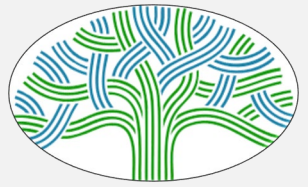
FY 2023-24 Second Quarter GPF Revenues

Overall trend for most of the City's revenue sources are trending **downward**, with the most significant impacted Revenue category being **Real Estate Transfer Tax**

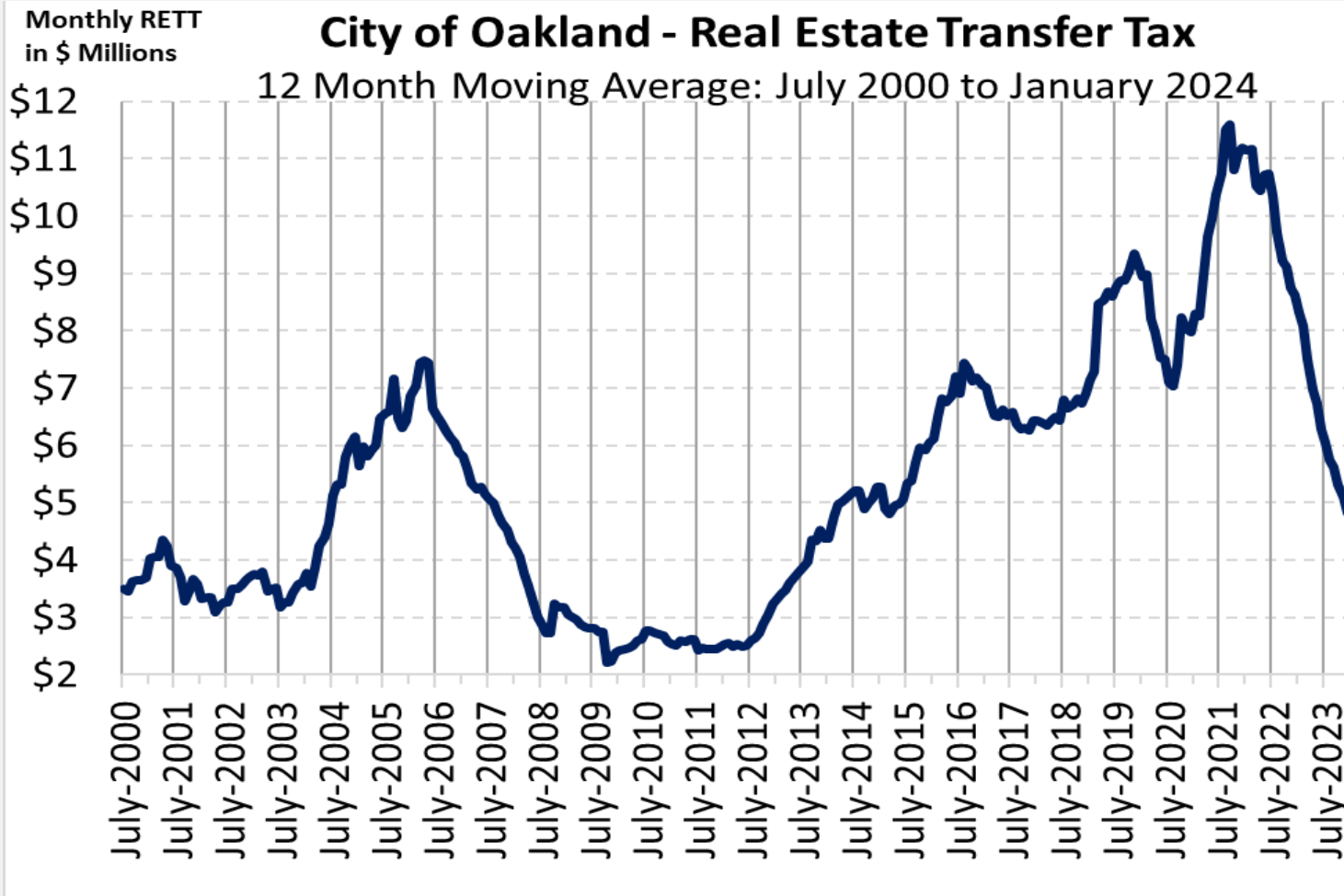
- Other notable declines:
- Business License Tax
 - Sales Tax

Although other categories are showing upward trends, these positive movements are not enough to counteract the projected declines.

FY 2023-24 GPF Budget to Projected Actuals Revenue (\$ in millions)						
Revenue Category	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Property Tax	294.17	294.17	122.53	298.35	4.18	1.4 %
Business License Tax	125.25	125.25	8.22	115.72	(9.52)	(7.6) %
Real Estate Transfer Tax	110.41	110.41	26.61	53.22	(57.19)	(51.8) %
Sales Tax	67.69	67.69	21.03	62.72	(4.97)	(7.3) %
Utility Consumption Tax	61.90	61.90	30.73	66.32	4.42	7.1 %
Service Charges	51.60	52.28	12.15	46.98	(5.30)	(10.1) %
Fines & Penalties	23.07	23.07	8.92	17.84	(5.23)	(22.7) %
Transient Occupancy Tax	22.48	22.48	9.95	19.61	(2.87)	(12.8) %
Miscellaneous Revenue	21.22	21.22	4.58	5.79	(15.43)	(72.7) %
Interfund Transfers	13.08	13.08	—	13.08	—	— %
Parking Tax	11.26	11.26	6.01	12.37	1.11	9.8 %
Licenses & Permits	1.39	1.39	0.59	1.39	—	— %
Interest Income	0.48	0.48	(0.26)	5.00	4.52	932.9 %
Grants & Subsidies	—	0.03	0.71	2.59	2.56	N / A
Subtotal	804.00	804.71	251.75	720.98	(83.73)	(10.4) %
Transfers from Fund Balance	30.12	30.12	—	—	(30.12)	(100.0) %
Project Offsets & Carryforwards	—	55.24	—	—	(55.24)	(100.0) %
Total Revenue	834.12	890.07	251.75	720.98	(169.10)	(19.0) %



Navigating Turbulence: Real Estate Transfer Tax (RETT)

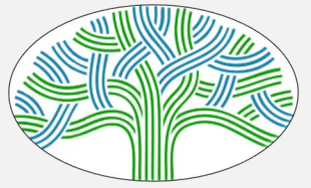


The current decline in RETT collections is akin to the downturn experienced during the Great Recession.

Factors that contribute to the current decline:

- High Interest Rates that reduce the sales value of properties
- A very low number of property sales (transactions)
- Particularly low number of high-value property transfers

Through Q2 only 11 properties have sold valued over \$5 Million, compared to 25 properties over the same period last year.



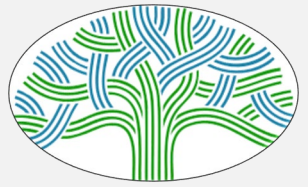
Navigating Turbulence: Real Estate Transfer Tax (RETT)

The City faces the implications of dwindling RETT Revenue:

- FY 2021-22 marked the record high collection of \$138 million in RETT
- FY 2023-25 Adopted Budget projects RETT to be 25% lower from FY 2021-22 just two fiscal years later
- As of Q2 in the current fiscal year, the City has collected only \$26.61 million in RETT for a period that normally accounts for more than 50% of the annual collection.

Based on this second quarter data and economic trends, the RETT projection has been revised to end the year at only \$53.22 million, which is \$57.19 million or **51.8% lower** than the initial Budget of \$110.41 million.

The anticipated shortfall in the RETT accounts for **68.3% of the overall projected GPF shortfall.**

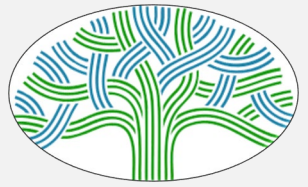


FY 2023-24 Second Quarter Sales Tax

- Sales tax is projected to come in below the FY 2023-24 Adjusted Budget of \$67.69 million by approximately by \$4.97 million and is now estimated to end the year at \$62.72 million.
- Sales Tax collection lags other categories. Data is available through the First Quarter (Q1) of FY 2023-24. Per data provided by the City's Sales Tax consultant HDL, **Oakland's receipts from July through September (Q1) were 6.0% below the Q1 period in 2022.** Excluding reporting aberrations, actual sales were down 6.1%.

Sales Tax Comparison by Major Categories FY2022-23 and FY 2023-24 (\$ in millions)

Category	Thru Q1 FY 2022-23	Thru Q1 FY 2023-24	Percentage Increase / (Decrease)
Autos & Transportation	\$2.65	\$2.54	-4.00%
Building & Construction	\$1.69	\$1.61	-4.50%
Business & Industry	\$1.45	\$1.32	-9.40%
Food & Drugs	\$1.38	\$1.21	-12.10%
Fuel & Service Stations	\$2.29	\$1.77	-22.90%
General Consumer Goods	\$1.40	\$1.25	-10.30%
Restaurants & Hotels	\$2.76	\$2.68	-2.90%
State/County Pools & Transfers	\$2.89	\$3.09	7.00%
Average	\$2.07	\$1.94	-6.20%



Business License Tax (BLT): Collection Trends and Measure T

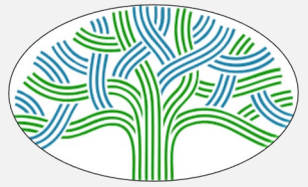
This is the second fiscal year that Business License Tax is operating under the new progressive tiered tax structure that was approved by the passage of Measure T. In FY 2022-23, the first year that Measure T took effect, an increase of \$17.64 million in BLT collected was attributed to Measure T.

As of Q2, BLT is expected to end the year at \$115.72 million, which is \$9.53 million or **7.6% under** compared to Adjusted Budget of \$125.25 million.

While the year-end estimate is comparable to the prior year total of \$115.38 million, **the collection of BLT has been declining in recent years, apart from Measure T:**

Fiscal Year	Base BLT Amount	Measure T Increase	Total BLT
FY 2020-21 Actual	104.23	NA	104.23
FY 2021-22 Actual	101.29	NA	101.29
FY 2022-23 Actual	97.73	17.64	115.37
FY 2023-24 Projected	98.08	17.84	115.92

Without the passage of Measure T, the FY 2023-24 BLT projection would have been just \$98.08 million, which would have effectively increased the GPF deficit by \$17.84 million.



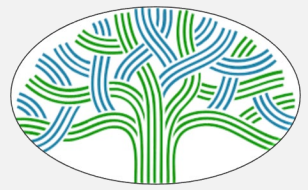
FY 2023-24 Second Quarter GPF Expenditures

Expenditures are projected to end the year \$8.01 million over the Adjusted Budget, however, most Departments are projected to end the fiscal year within budget.

- Savings are primarily attributable to high vacancies across departments
- Adopted budget assumes a vacancy factor of 8.0% across most departments
- The actual vacancy rate as of Q2 in the GPF is significantly higher at 16.6%

FY 2023-24 GPF Budget to Projected Actuals Expenditures (\$ in millions)

Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	0.55	1.96	0.07	1.96	—	— %
City Administrator	9.81	10.89	3.97	10.43	0.46	4.30%
City Attorney	21.75	23.4	8.98	22.98	0.42	1.80%
City Auditor	3.31	3.6	1.26	3.17	0.43	11.80%
City Clerk	7.85	10.8	1.42	10.58	0.22	2.10%
City Council	7.12	7.68	3.26	7.37	0.31	4.10%
Department of Transportation	20.54	23.01	7.41	21.9	1.11	4.80%
Department of Violence Prevention	10.79	13.08	2.5	12.41	0.66	5.10%
Department of Workplace and Employment Standard	4.31	5.67	2.49	5.44	0.23	4.00%
Economic and Workforce Development Department	11.19	17.01	5.7	16.87	0.15	0.90%
Finance Department	30	33.33	11.78	31.55	1.78	5.30%
Fire Department	199.87	212.29	91.46	205.26	7.03	3.30%
Housing and Community Development Department	0.24	2.91	1.05	2.91	—	— %
Human Resources Management Department	9.5	9.79	4.31	9.63	0.16	1.60%



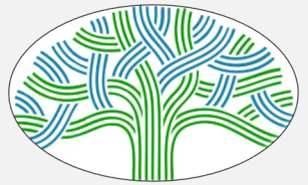
FY 2023-24 Second Quarter GPF Expenditures (continued)

The Police Department is projected to **overspend by \$25.64 million, or 8%** of their budget, due to overtime overspending.

Top five areas of OPD overtime spending:

- Special Operations Division
- Training Unit
- Area 1
- Area 3
- Area 5

FY 2023-24 GPF Budget to Projected Actuals Expenditures (\$ in millions)						
Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Human Services Department	44.76	44.32	9.23	44.32	—	— %
Information Technology Department	16.97	18.63	6.78	17.92	0.71	3.80%
Mayor	4.6	4.66	2.07	4.39	0.27	5.80%
Non-Departmental and Port	55.6	60.8	9.35	59.1	1.7	2.80%
Oakland Animal Services	6.49	6.54	2.83	6.25	0.29	4.40%
Oakland Parks and Recreation Department	18.3	19.23	10.47	18.57	0.65	3.40%
Oakland Public Library Department	12.31	12.32	7.91	12.32	—	— %
Oakland Public Works Department	1.36	2.06	1.22	2.05	—	0.10%
Planning and Building Department	—	—	—	—	—	N / A
Police Commission	7.96	8.94	2.53	8.12	0.81	9.10%
Police Department	325.39	333.34	174.2	358.98	(25.64)	(7.70) %
Public Ethics Commission	2.25	2.35	0.73	2.16	0.18	7.90%
Race and Equity Department	1.29	1.48	0.53	1.43	0.05	3.40%
Total	834.12	890.07	373.53	898.08	(8.01)	(0.90) %

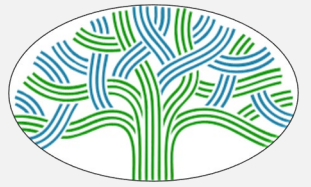


FY 2023-24 Second Quarter GPF Fund Balance

The City's projected estimated available fund balance in the GPF at the end of FY 2023-24 is **negative \$117.66 million.**

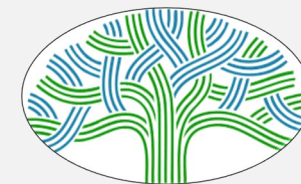
FY 2023-24 General Purpose Fund Projected Fiscal Year-End (\$ in millions)

GENERAL PURPOSE FUND (1010)	FY 2023-24 Q2 Projected FYE
FY 2023-24 Beginning Audited Fund Balance	93.28
FY2023-24 Q2 Performance	
Revenue	720.98
Expenditures	898.08
FY 2023-24 Projected Operating Surplus / Deficit	(177.10)
Unaudited Projected Ending Fund Balance	(83.82)
Obligations Against Ending Fund Balance	
Use of Fund Balance in FY 2024-25	(33.84)
Estimated FY 2023-24 Ending Available Fund Balance	(117.66)



FY 2023-24 Second Quarter Reserve Balances

FY 2023-24 Reserve Balances (\$ in millions)				
Description	FY 2023-24 Beginning Balances	FYE Estimated 2023-2024 Balances	Balance Assumed in FY 2023-24 Adopted Budget	FYE 2023-2024 Balances
Mandated Emergency Reserves FY 2022-23	65.41	65.41	—	65.41
Vital Services Stabilization Fund	10.27	—	10.27	—
OMERS Reserves (Reso. No. 85098 C.M.S.)	2.36	2.36	—	2.36



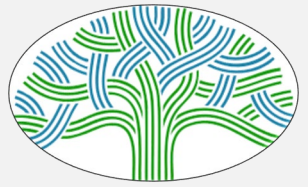
FY 2023-24 Second Quarter Select Non-GPF Funds

Two funds out of the select Non-GPF Funds are projected to end the year in deficit:

- **False Alarm Fund (2411)** – Program revenue is insufficient to cover expenses.
- **Facilities Fund (4400)** – Overspending is anticipated due to increased security costs.

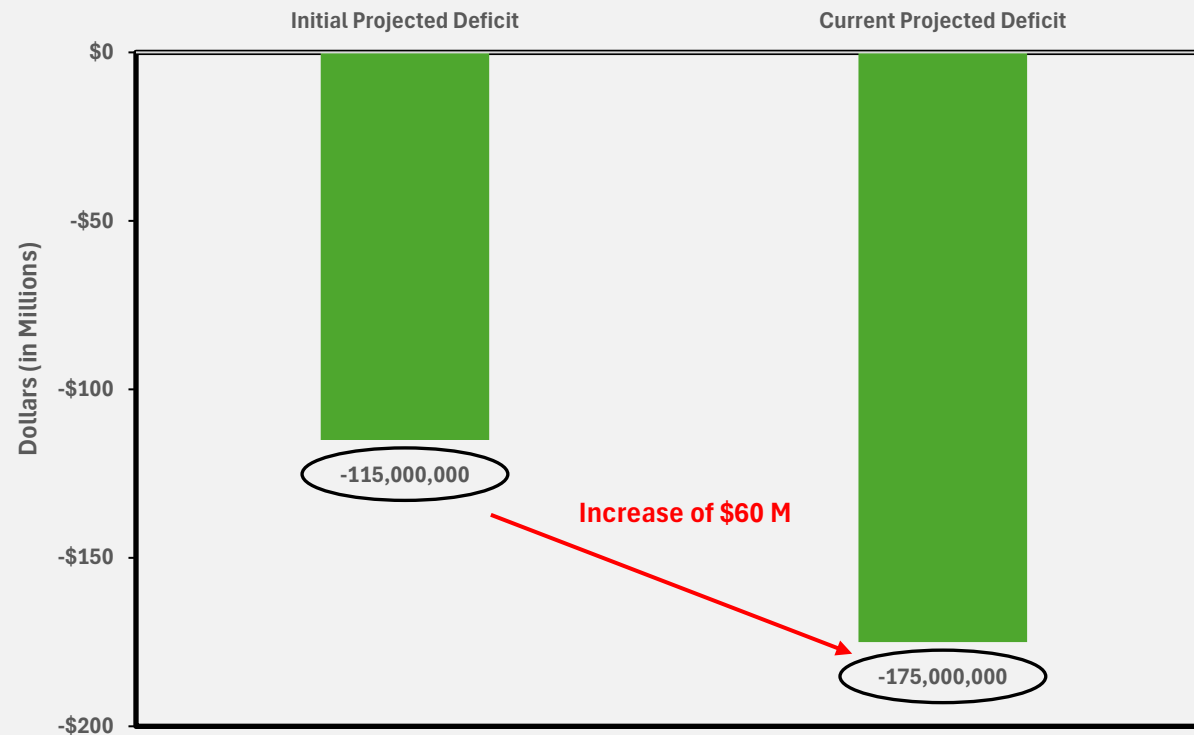
FY 2023-24 Available Fund Balance and Appropriations for Select Non-GPF Funds				
FUND	FY 2023-24 Audited Beginning Balance	FY 2023-24 Revenue Year-End Projections	FY 2023-24 Expenditure Year-End Projections	FY 2023-24 Estimated Available Ending Balance
Measure HH - Sugar Sweetened Beverage Distribution Tax (SSBT) Fund (1030)	10.76	7.12	14.35	3.52
Measure BB and Measure F Funds (2215, 2216, 2217, 2218, 2219, 2220)	54.39	38.48	69.45	23.41
State Transportation (Gas Tax) Funds (2230, 2232)	11.56	24.17	27.02	8.72
Measure Q - OPR Preservation, Litter Reduction, Homelessness Support Act Fund (2244)	21.13	31.27	40.32	12.09
Vacant Property Tax Fund (2270)	1.01	6.08	6.01	1.08
Landscaping & Lighting Assess. District Fund (LLAD) (2310)	—	19.45	19.35	0.09
False Alarm Reduction Program Fund (2411)	(3.66)	1.11	1.2	(3.75)
Development Service Fund (2415)	122.38	46.47	108.3	60.55
Measure C - Transient Occupancy Tax (TOT) Surcharge Fund (2419)	1.32	6	6.49	0.82
City Facilities Fund (4400)*	1.02	50.01	54.66	(3.64)

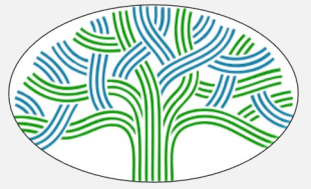
*Reported on a cash basis



FY 2024-25 Midcycle Budget GPF Deficit

- Initially when budget instructions were sent out in Mid-February, the Finance Department had projected a GPF deficit of **\$115,000,000** for FY 2024-25.
- With the most recent updates to revenues and expenditures, the Finance Department is now projecting a GPF deficit of **\$175,000,000** for FY 2024-25.





FY 2024-25 Midcycle Budget GPF Deficit

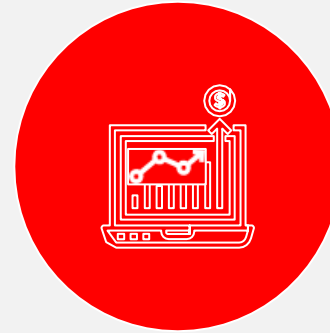
The primary drivers for the larger deficit number:



Reduced Ongoing Revenues
(Primarily RETT)



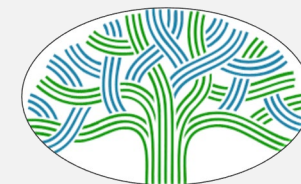
Lack of Fund Balance



Increased Internal Service Costs
(i.e. utilities & security)



Increased Insurance Costs



Q2 R&E & FY 2024-25 Midcycle Report Concluding Points



Staff projects a GPF operating shortfall of **\$177 million** for FY 2023-24.



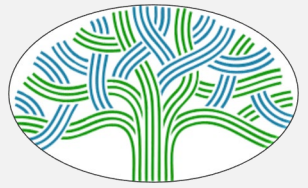
GPF available Fund Balance is projected to end FY 2023-24 at **negative \$118 million**.



For FY 2024-25 staff projects a GPF deficit of **\$175 million** and restricted funds deficit of **\$45 million**.



The City's structural budget issues will continue into future years unless corrective action is taken in the coming months.



Q2 R&E & FY 2024-25 Midcycle Report Next Steps

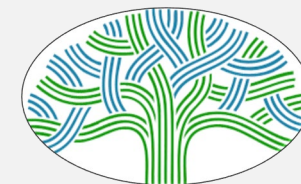
Current Year Next Steps

- Monitoring Revenues
- Hiring Freeze
- Slowing/Reducing Expenditures



Mid-Cycle Budget Next Steps

- Consolidation of Budget Proposals from Departments
- Providing Recommendations to Mayor
- Centering on Key Principles
 - ❖ Delivering Services for a Clean and Safe City
 - ❖ Revenue Generation and Enhanced Collections
 - ❖ Creating Efficiencies for Cost Savings
 - ❖ Focus on Basic/Critical Services of City Government
 - Divesting from expanded federal services during COVID –19 Pandemic
 - Engaging County Partners to Provide County Government Services
 - ❖ Engaging Labor Partners for Collaboration on Savings/Reductions
- Balanced Proposed Budget Presented to City Council



Questions?




AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: FY 2023-24 Q2 R&E Report

DATE: March 6, 2024

City Administrator Approval 
Jestin Johnson (Mar 14, 2024 22:54 PDT)

Date: Mar 14, 2024

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On Fiscal Year (FY) 2023-24 Second Quarter (Q2) Revenue and Expenditure (R&E) Results And Year-End Projections For The General Purpose Fund (GPF, 1010), and select funds.

EXECUTIVE SUMMARY

This report details the City of Oakland's (the City) unaudited Second Quarter (Q2) financial results for FY 2023-24 in the General Purpose Fund (GPF) and other select funds. It also contains preliminary FY 2023-24 projected year-end revenues and expenditures based on Second Quarter (Q2) trends. The second quarter reflects 28.3% of collected adjusted revenue budget and expenditures reflect 41.9% of adopted expenditure budget.

Our projections are reflecting the broader economy fluctuating from historical patterns. The projections in this report are made with limited information since less revenue data is collected in the first 6 months of the fiscal year due to seasonality of certain revenue categories, and the volatility and unpredictability of the economy due to the ongoing inflationary trends and effects of federal monetary policy. The purpose of the quarterly revenue and expenditure (R&E) report is to guide the City in managing its ongoing budget in comparison to the Adopted Budget as more financial data becomes available.

Table 1 below summarizes the FY 2023-24 GPF revenue and expenditures Adjusted Budget, current collections, and year-end estimates. **The current projection shows an estimate of a \$177.10 million year-end operating shortfall.**

Table 1: Summary of FY 2023-24 Q2 GPF Revenues & Expenditures Budget to Year-End Projections (\$ in millions)

	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Year-End Projections	Year-End \$ Over / Under Net Adjusted Budget	Year-End % (Over) / Under Net Adjusted Budget
FY2023-24 Revenues	834.12	890.07	251.75	720.98	(169.10)	(19.0) %
FY 2023-24 Expenditures	834.12	890.07	373.53	898.08	(8.01)	(0.9) %
Operating (Shortfall) / Surplus	—	—	(121.78)	(177.10)	(177.10)	—

In the Second Quarter of FY 2023-24, analysis of projected revenues and expenditures through December 31, 2023 suggests that the GPF will run an operating deficit in the current year.

The preliminary Q2 FY 2023-24 GPF revenue is projected to end the year at \$720.98 million, compared to the \$890.07 million FY 2023-24 Adjusted Budget, resulting in an overall shortfall of \$169.10 million or 19% under.

Sensitive revenue categories in the GPF have been revised to lower revenue projections to reflect recent real estate trends. Specifically for the Real Estate Transfer Tax (RETT), **the impact of rising interest rates on property demand and prices, contributes to the revenue shortfalls and anticipated worsening.** In addition, the Adjusted Budget assumes a one-time use of fund balance in the amount of \$30.12 million to balance adopted expenditures and \$55.24 million to support carryforwards.

The preliminary Q2 FY 23-24 GPF expenditures are forecasted to end the year at \$898.08 million, compared to the Adjusted Budget of \$890.07, which is \$8.01 million or 0.9% over. In the GPF, all of the Departments are trending to be under budget with the exception of one Department that is the driving cause for the overspending.

This projected overspending combined with the lowered revenue forecast of \$720.98 million, results in an operating deficit of \$177.10 million for the GPF in FY 2023-24.

BACKGROUND / LEGISLATIVE HISTORY

Below is a summary of Council's actions that have occurred from the beginning of the fiscal year through Q2 that have modified the FY 2023-24 Budget:

Pursuant to the City’s Consolidated Fiscal Policy - Part G. Criteria for Project Carryforwards and Encumbrances, the FY 2023-24 Adopted Budget has also been adjusted to include \$55.24 million in prior year carryforwards in the GPF which utilizes available fund balance to cover the cost.

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.

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)

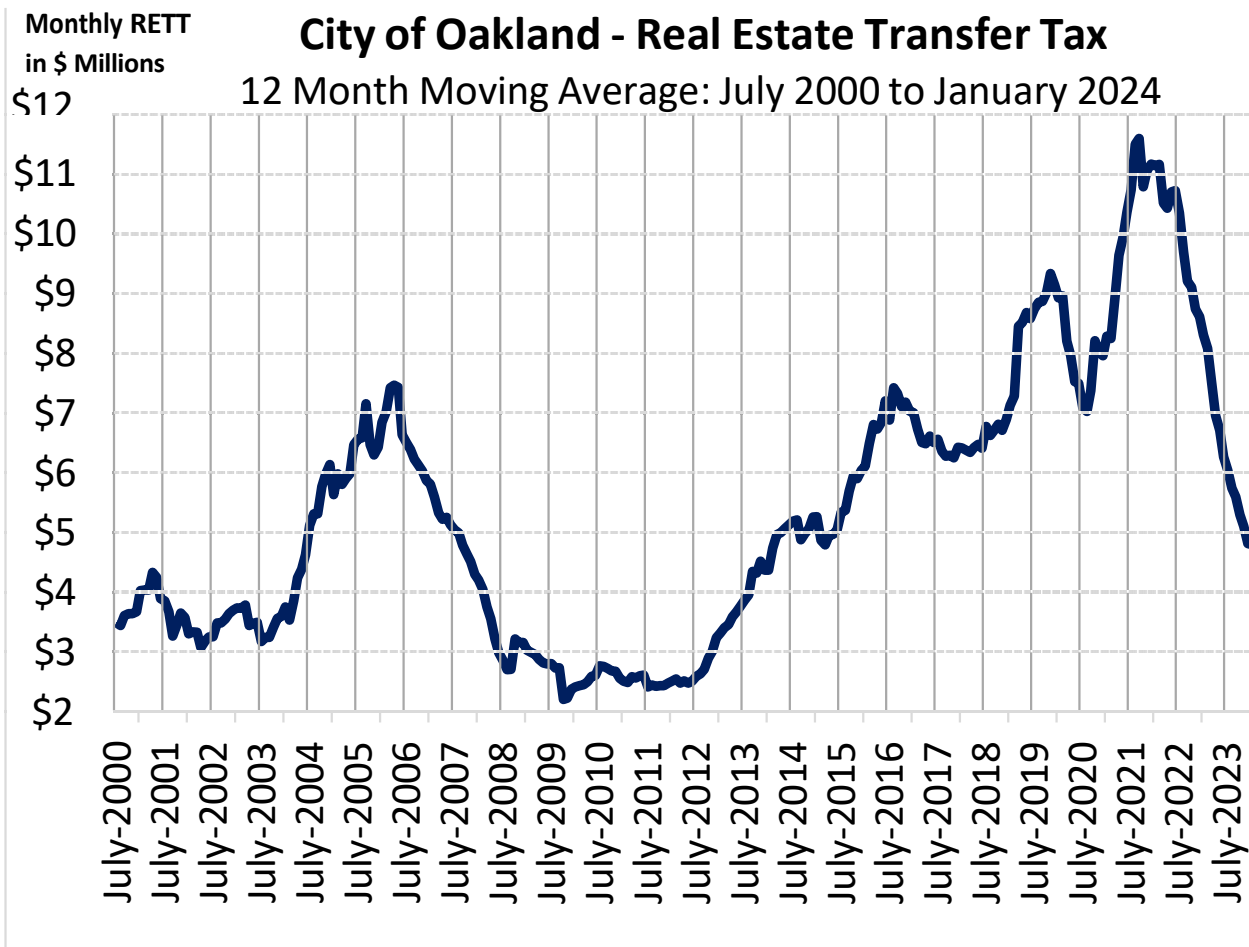
FY 2023-24 Q2 Revenues

The GPF revenues collected as of Q2 FY23-24 were 251.75 million or 31%. The overall trend for most of the City's revenue sources are trending downward and have revised year end projections. The revenue sources that have a downward trend are Real Estate Transfer Tax, Business License Tax, Miscellaneous Revenue, Sales Tax, Service Charges, Fines and Penalties, and Transient Occupancy Tax. The most significant downward trend being Real Estate Transfer Tax. In addition to the decline in RETT, Miscellaneous Revenue and Business Tax show the largest declines in projected revenue compared to the FY 2023-24 Adjusted Budget. The three categories represent 98.1% of the overall shortfall in the GPF.

Four revenue sources are trending upward; Those revenue sources are Property Tax, Utility Consumption Tax, Parking Tax, and Interest Income. However, those positive trends are not strong enough to counter the negative trends.

- **Real Estate Transfer Tax:** Through December 2023, Real Estate Transfer Tax collections totaled \$26.61 million or 24.1% of the Adjusted Budget. This level of collections is significantly below the prior year level of \$44.03 million at the same Q2 interval. Additional data of January tax receipts, of \$3.19 million, continue to affirm the trend when compared to the prior year level of \$47.43 million during the same time span. Several factors contributed to the significant decline in RETT. The FOMC increasing and then holding the federal funds rate to 5.25%-5.50% in an attempt to combat the inflationary trends is the primary cause. Consequently, the 30-year fixed mortgage interest rates averaged 6.43% as of December 2023, according to Zillow data. The higher the interest rate reduces the number of buyers as it makes home sales more expensive. This is reflected in the number of transactions through Q2, especially the

high-value property transfers. The decrease in volume is augmented when considering that through Q2 only 11 properties valued over \$5.00 million have been sold, compared to 25 that had been sold through the same period in FY 2022-23. Furthermore, only 4 of the properties that have sold through the Q2 were valued over \$10 million compared to 12 in the prior Fiscal Year. The second quarter RETT projection has been revised to end the year at \$53.22 million, which is \$57.19 million or 51.8% lower compared to the Adjusted Budget of \$110.41 million. This anticipated drop in the RETT accounts for 68.3% of the overall projected shortfall in the GPF.



The chart above shows the 12-month moving average of RETT collected over time, ranging from FY 1999-00 through the FY 2023-24 Q2. The last time that RETT had a comparable drop to the one experienced over the past couple years was during the great recession of 2008. At that time RETT peaked in Mid-2006 and was followed by a 3-year decline until it reached the trough in the second half of 2009. RETT remained at levels around the 2009 low until it started a continuous upward trend again three years later in the second half of 2012. However, it didn't reach the monthly collection average of the 2006 highs until 10 years later in 2016. In comparison, the most recent peak in

average monthly RETT collected reached its all-time high in the second half of 2021 and has been steadily declining for two years. A similar outcome to the post 2008 great recession timeframe would result in the City experiencing the current RETT low collection levels over the next three to four years and would not recover to the 2021 peak until approximately 2031.

- **Miscellaneous Revenue:** Through Q2 of FY23-24, collections of miscellaneous revenues has been \$4.58 million or 21.6% of the Adjusted Budget. The one-time revenue of land sales is included in the budget for miscellaneous revenue. This one-time land sale has been delayed and thus is the major contributor to the reduction of the year end projection. The year-end projection has been revised to \$5.79 million compared to the Adjusted Budget of \$21.22 million, which is 72.7% under budget. The second largest contributor to the projected shortfall in GPF revenues. As the land sales was delayed, it is now anticipated to be realized in the FY 2024-25 instead.
- **Business License Tax (BT):** For Q2 collections of BT is at \$8.22 million, which is 6.6% of the Adjusted Budget. The current collections represent delinquent collections from the prior year renewal season as, the business license tax renewals begin in January. For the year end projection, BT is expected to end the year at \$115.72 million, compared to FY 2023-24 Adjusted Budget of \$125.25 million, which is \$9.53 million or 7.6% under. The year-end estimate has been revised to a lower amount that is comparable to the FY 2022-23 year-end total of \$115.38 million.

Early indications from the current renewal season support the downward trend of the revenue. As of March 6, 2024, the FY 2023-24 total amount accounted for in BT was at \$103.15 million. Businesses that have renewed to date, in FY23-24, have on average reported a half percent decrease in year over year gross receipts compared to FY 2022-23. Assuming a similar decrease of 0.5% in gross receipts, we anticipate the pending active accounts will only yields an additional \$12.56 million. This would result in approximately \$115.72 million in BT collected as a whole for FY 2023-24, closely matching FY 2022-23.

- **Sales Tax:** Collections of sales tax revenue through Q2 are \$21.03 million or 31.1% the Adjusted Budget. Sales tax revenue collections lag behind other revenues by 2-3 months. The current collections represent the summer months of calendar year 2023. and Oakland's Sales Tax receipts from July through September were 6.0% below the same period in the prior year. Sales tax revenue collections for the holiday season have yet to be received. However, early reports of collection data from the state indicate a reduction in sales tax as a result of inflation moderating and certain business sectors contracting. The year-end projection of sales tax receipts is projected to end the year at \$62.72 million, short of the FY 2023-24 Adjusted Budget of \$67.69 million, by approximately \$4.97 million or 7.3%.

- Transient Occupancy Tax ("TOT"): Q2 collections of TOT is \$9.95 million or 44.3% of the Adjusted Budget. Declining volume in travel, which correlates to lower occupancy rates at hotels is being observed. The year-end projection is now estimated to come in at \$19.61 million, compared to the FY 2023-24 Adjusted Budget of \$22.48 million, projecting to end the year \$2.87 million short or 12.8% under.
- Service Charges: Collections of service charges for Q2 are \$12.15 million or 23.2% of the Adjusted Budget. Project to end the year at \$46.98 million which is a decrease of approximately \$5.30 million or (10.1)% from the FY 2023-24 Adjusted Budget of \$52.28 million. The new projection represents a decrease in service charges across multiple areas including sewer service fees.
- Fines & Penalties: Collections of Fines and Penalties for Q2 are \$8.92 million or 38.7% of the Adjusted Budget. Based on this trend, a decrease of approximately \$5.23 million or 22.7% from the Adjusted Budget is projected by year-end, resulting in an estimated year-end total of \$17.84 million, comparable to FY 2022-23 year-end total of \$18.85 million. These are primarily composed of revenues resulting from parking citations. The FY 2023-24 Adjusted budget anticipated an increment in revenues raised from enforcement of the inclusion of a Lake Merritt parking meter pilot and the integration of off-street and on-street parking systems. A major contributor to the shortfall in estimated revenues is due to the Parking Enforcement Unit being understaffed.

Revenue categories with projected surpluses as of the Second Quarter (Q2) compared to the FY 2023-24 Adjusted Budget in the GPF are led by the Property Tax, the Utility Consumption Tax (UCT), and Parking Tax.

- Property Tax: Collections of Property Tax for Q2 are \$122.53 million or 41.7% of the Adjusted Budget. The revenue is projected to exceed the FY 2023-24 Adjusted Budget of \$294.17 million by approximately \$4.18 million or 1.4% and is now forecast to end the year at \$298.35 million based on data from the most recent property tax rolls from the Alameda County. This data indicates an overall growth of taxable value of approximately 6.6% when compared to FY 2022-23, higher than the original assumption in the Adjusted Budget. The data trends show the increase resulting from the added property values, partially offset by loss from pending property assessment appeals.
- Utility Consumption Tax: Collections of Utility Consumption Tax for Q2 are \$30.73 million or 49.6% of the Adjusted Budget. The estimate has been revised and is projected to grow by approximately \$4.42 million or 7.1% above the FY 2023-24 Adjusted Budget of \$61.90 million and is now expected to end the year at \$66.32 million driven by increases to the utility rates charged to customers. The California's Public Utilities Commission (CPUC) approved a 12.8% increase to consumer rates which became effective in the second half of this fiscal year.

- Parking Tax ("PT"): Collections of Parking Tax for Q2 are \$6.01 million or 53.4% of the Adjusted Budget. Parking Tax is projected to come in at \$12.37 million which is an increase of \$1.11 million or 9.8% higher compared to the FY 2023-24 Adjusted Budget of \$11.26 million. Actual receipts through Q2 of FY 2024 have come in at \$6.01 million or \$0.81 million higher compared to the FY 2022-23 total of \$5.20 million collected during the same period. PT is now projected to come in above pre-Covid-19 Pandemic levels.

The FY 2023-24 Adjusted Revenue Budget assumes \$30.12 million in use of fund balance to support expenditures adopted in the budget and \$55.24 million in prior year carryforwards. Net of these, actual revenues are estimated to end the year at \$720.98 million, compared to the Adjusted Budget of \$804.71 million, representing a net shortfall of \$83.73 million or 10.4%.

Table 2 below highlights revenue categories with projection changes when compared to the FY2023-24 Adjusted Budget.

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Table 2: FY 2023-24 Q2 GPF Revenues Budget to Actuals (\$ in millions)

Revenue Category	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Property Tax	294.17	294.17	122.53	298.35	4.18	1.4 %
Business License Tax	125.25	125.25	8.22	115.72	(9.52)	(7.6) %
Real Estate Transfer Tax	110.41	110.41	26.61	53.22	(57.19)	(51.8) %
Sales Tax	67.69	67.69	21.03	62.72	(4.97)	(7.3) %
Utility Consumption Tax	61.90	61.90	30.73	66.32	4.42	7.1 %
Service Charges	51.60	52.28	12.15	46.98	(5.30)	(10.1) %
Fines & Penalties	23.07	23.07	8.92	17.84	(5.23)	(22.7) %
Transient Occupancy Tax	22.48	22.48	9.95	19.61	(2.87)	(12.8) %
Miscellaneous Revenue	21.22	21.22	4.58	5.79	(15.43)	(72.7) %
Interfund Transfers	13.08	13.08	—	13.08	—	— %
Parking Tax	11.26	11.26	6.01	12.37	1.11	9.8 %
Licenses & Permits	1.39	1.39	0.59	1.39	—	— %
Interest Income	0.48	0.48	(0.26)	5.00	4.52	— 932.9 %
Grants & Subsidies	—	0.03	0.71	2.59	2.56	N / A
Subtotal	804.00	804.71	251.75	720.98	(83.73)	(10.4) %
Transfers from Fund Balance	30.12	30.12	—	—	(30.12)	(100.0) %
Project Offsets & Carryforwards	—	55.24	—	—	(55.24)	(100.0) %
Total Revenue	834.12	890.07	251.75	720.98	(169.10)	(19.0) %

Detailed information is provided on **Attachment A**.

FY2023-24 Q2 Expenditures

At the end of Q2, the GPF expenditure budget, only 42.1% of expenditures have been made compared to the Adjusted Budget, replicating the seasonality of spending. The GPF expenditures are forecasted to come in at \$898.08 million, compared to the Adjusted Budget of \$890.07 million, which is higher by \$8.01 million. All but one Department is projected to be under or at budget. The one Department is overspending is at a much higher rate than can be offset by the other Departments. Per the City’s Consolidated Fiscal Policy, Departments projected to overspend in the General Purpose Fund by more than one percent (1%), shall bring an informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget.

By and large, the savings being observed by most departments is due to vacancy savings. The budgeted vacancy factor assumed in the FY 2023-24 Biennial Budget is 8.00% across most City Departments, recognizing the trend and capturing vacancy savings. The actual vacancy rate as of Q2 in the GPF is 16.6%, which is more than twice of that assumed in the budget, resulting in further savings.

The Biennial Adopted Budget assumed a use of fund balance in the amount of \$30.12 million to balance the expenditures as budgeted. This follows a trend in recent years, during which one-time funding was needed in the balancing of the expenditures. 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 have an impact on spending trends by year-end. **Table 3** below breaks down the FY 2023-24 Expenditures by Department.

Table 3 below summarizes the GPF's Q2 FY 2023-24 expenditures budget to actuals, estimated at year-end.

Table 3: FY 2023-24 Q2 GPF Expenditures Budget to Actuals (\$ in millions)

Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	0.55	1.96	0.07	1.96	—	— %
City Administrator	9.81	10.89	3.97	10.43	0.46	4.3 %
City Attorney	21.75	23.40	8.98	22.98	0.42	1.8 %
City Auditor	3.31	3.60	1.26	3.17	0.43	11.8 %
City Clerk	7.85	10.80	1.42	10.58	0.22	2.1 %
City Council	7.12	7.68	3.26	7.37	0.31	4.1 %

Finance and Management Committee
 March 26, 2024

Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Department of Transportation	20.54	23.01	7.41	21.90	1.11	4.8 %
Department of Violence Prevention	10.79	13.08	2.50	12.41	0.66	5.1 %
Department of Workplace and Employment Standard	4.31	5.67	2.49	5.44	0.23	4.0 %
Economic and Workforce Development Department	11.19	17.01	5.70	16.87	0.15	0.9 %
Finance Department	30.00	33.33	11.78	31.55	1.78	5.3 %
Fire Department	199.87	212.29	91.46	205.26	7.03	3.3 %
Housing and Community Development Department	0.24	2.91	1.05	2.91	—	— %
Human Resources Management Department	9.50	9.79	4.31	9.63	0.16	1.6 %
Human Services Department	44.76	44.32	9.23	44.32	—	— %
Information Technology Department	16.97	18.63	6.78	17.92	0.71	3.8 %
Mayor	4.60	4.66	2.07	4.39	0.27	5.8 %
Non Departmental and Port	55.60	60.80	9.35	59.10	1.70	2.8 %
Oakland Animal Services	6.49	6.54	2.83	6.25	0.29	4.4 %
Oakland Parks and Recreation Department	18.30	19.23	10.47	18.57	0.65	3.4 %
Oakland Public Library Department	12.31	12.32	7.91	12.32	—	— %

Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Oakland Public Works Department	1.36	2.06	1.22	2.05	—	0.1 %
Planning and Building Department	—	—	—	—	—	N / A
Police Commission	7.96	8.94	2.53	8.12	0.81	9.1 %
Police Department	325.39	333.34	174.20	358.98	(25.64)	(7.7) %
Public Ethics Commission	2.25	2.35	0.73	2.16	0.18	7.9 %
Race and Equity Department	1.29	1.48	0.53	1.43	0.05	3.4 %
Total	834.12	890.07	373.53	898.08	(8.01)	(0.9) %

The City's number of vacancies is a contributing factor to projected expenditure savings in the GPF. At Q2, the GPF's vacancy rate (net positions that are frozen as part of the FY 2023-24 Adopted Budget), is 16.6% as shown in **Table 4** below. The vacancy rate assumed in the FY 2023-24 Adopted Budget is 8.00% across most City Departments.

Table 4: FY 2023-24 Q2 GPF Filled and Vacant Positions (Percent %)

Status as of Q2 FY 2023-2024	Percent (%)
Filled or Encumbered	83.4 %
Vacant	16.6 %

Fund Balance

The City's GPF Fund Balance, net obligations, is projected to end FY 2023-24 at negative \$83.82 million. Obligations are reserves required by City Ordinances and the City Charter (mandated emergency reserves). **Table 5** below shows mandated reserves required by City Ordinances and the City Charter (mandated emergency reserves) totaling \$33.84 million, decreasing the estimated FY 2023-24 year-end available fund balance from negative \$92.23 million to negative \$117.66 million. The estimated FY 2023-24 available Fund Balance is the amount of unobligated funding available to the City in the GPF.

Table 5: Summary of FY 2023-24 GPF Fund Balance (\$ in millions)

GENERAL PURPOSE FUND (1010)	FY 2023-24 Q2 Projected FYE
Estimated FY 2023-24 Beginning Audited Fund Balance	93.28
FY2023-24 Q2 Performance	
Revenue	720.98
Expenditures	898.08
FY 2023-24 Projected Operating Surplus / Deficit	(177.10)
Unaudited Projected Ending Fund Balance	(83.82)
Obligations Against Ending Fund Balance	
Use of Fund Balance in FY 2024-25	(33.84)
Estimated FY 2023-24 Ending Available Fund Balance	(117.66)

Summary

FY 2023-24 Q2 projections indicate that GPF revenues will come in below budgeted and expenditures will come in above budget, the combination of the two culminating in an approximately \$177.10 million operating deficit. The adjusted budget also assumes the use of fund balance in the amount of \$30.12 million to balance budgeted expenditures, plus \$55.24 million to support Carryforwards, thus creating a structurally imbalanced budget. Several City departments are projected to have significant savings, primarily due to underspending in personnel costs from vacancies. The main outlier is the Police Department, who is projected to exceed their budget by \$25.64 million, primarily due to overspending in personnel from overtime costs.

Consolidated Fiscal Policy (CFP) Implications

Per the City’s Consolidated Fiscal Policy, Part I. Alterations to the Budget, Departments projected to overspend in the General Purpose Fund by more than one percent (1%), shall bring an informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget. The Police Department projected year-end total of 7.7% over budget for the second quarter meets this provision.

Conclusion

One-time Federal relief funding from American Rescue Plan Act (ARPA) of \$188 million temporarily relieved the structural imbalance in the GPF over the past three years. With the exhaustion of ARPA funding, the City still faces a structural imbalance. This is now amplified

with the steep drop of RETT which projects to end the year at \$53.22 million compared to its peak during FY 2021-22 which ended the year at \$138.40 million. Inflationary 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 decisive management in the current and coming years.

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 between the Finance Department, the City Administrator's Office and various 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 The City Council Receive An Informational Report On Fiscal Year (FY) 2023-24 Second Quarter (Q2) Revenue and Expenditure (R&E) Results And 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 \(Mar 13, 2024 15:11 CDT\)](#)

ERIN ROSEMAN
Director of Finance, Finance Department

Reviewed by:
Bradley Johnson, Budget Administrator
Sherry Jackson, Revenue & Tax Administrator

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Attachments (1):

A: FY 2023-24 Q2 Detailed Report

Attachment A: FY 2023-24 Q2 Detailed Report

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AA: Consolidated Fiscal Policy

Summary of FY 2023-24 Q2 GPF Revenues & Expenditures

FY2023-24 GPF Revenue is projected to come in \$169.10 million or 19.0% lower compared to the Adjusted Budget of \$890.07 million. GPF Expenditures are estimated to come in \$8.01 million or 0.9% over the Adjusted Budget of \$890.07 million. **Table 1** below shows the FY2023-24 General Purpose Fund revenue and expenditures Adjusted Budget and year-end estimates which currently project a year-end operating shortfall of \$177.10 million.

Table 1: Summary of FY 2023-24 Q2 GPF Revenues & Expenditures Budget to Estimated Year-End Actuals (\$ in millions)

	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Projected Year-End % (Over) / Under Adopted Budget
FY2023-24 Revenues	890.07	251.75	720.98	(169.10)	(19.0) %
FY 2023-24 Expenditures	890.07	373.53	898.08	(8.01)	(0.9) %
Operating (Shortfall) / Surplus	—	(121.78)	(177.10)	(177.10)	(19.9) %

I. GENERAL PURPOSE FUND Q2 REVENUES

This section of the report provides an assessment of the City's revenue condition in the current fiscal year as compared to the FY 2023-24 Adjusted Budget based on actual performance during the first six months of FY 2023-24, quarterly trends established in prior fiscal years, and external data sources such as the State of California (State), the County of Alameda (County), and the City's Sales Tax and Property Tax consultant HDL Companies (HDL). Based on this analysis, the GPF tax revenue is projected to end the year with a net shortfall of \$83.73 million. The Adjusted Budget also assumes \$30.12 million in use of fund balance and \$55.24 million in prior year carryforwards. Without accounting for the before mentioned one-time use of available funds, the GPF revenues forecast to come in at \$720.98 million, which is \$169.10 million lower, when compared to the Adjusted Budget of \$890.07 million.

Overall, the external effects of persistent high inflation, high gas prices, high interest rates, decreased consumer confidence, and well-publicized theft and vandalism at local businesses will continue to pose risks to City revenues. The biggest impact is felt as a consequence of high interest rates which continue to negatively affect Real Estate Transfer Taxes by reducing demand and price of properties on the market as well as Sales Tax as it affects the cost of financing a car for prospective buyers and consequently affect the sales of automobiles. For these reasons, the Administration will continue closely monitor economic conditions and the performance of all City funds.

Q2 REVENUE HIGHLIGHTS

Property Tax: The largest revenue source for the City is now estimated to end the year at \$298.35 million, exceeding the FY 2023-24 Adjusted Budget of \$294.17 million by \$4.18 million or 1.4%. The projected increase of \$4.18 million is driven by the overall increase in taxable values in the City of approximately 6.6% according to the most recent County Property Tax Rolls, which result in an increase in the amount of property tax assessments. The adjustment based on the increased property valuations would have resulted in a year-end projection of \$299.84 million for Property Tax. This increase is being partially offset by \$1.49M in projected revenue loss, according to data provided by HDL, resulting from pending property assessment appeals. The potential revenue loss is estimated based on prior success rates of appeals applied to the current pending appeals.

The largest secured roll increase was reported on a developing vacant property owned by CVOW Parcel J Owner LLC at 37 8th Avenue with growth of \$116.6 million. This is an 8-story residential building under development as part of the Brooklyn Development in the Brooklyn Basin of Downtown Oakland. The second largest increase in property value comes from an office building in Uptown Oakland owned by 300 F Ogawa Plaza LP at the same address on Frank Ogawa Plaza, which reported an increase in value of \$94.1 million between FY 2022-23 and FY 2023-24 after this property was revalued after the current owner purchased the property in 2021. The third highest increase in property value comes from a vacant site developing into a mixed-use site in downtown Oakland. Owned by 19 Bdwy Tower Development LLC, at 1920 Broadway, the added improvements resulted in an increase in property value of \$62 million.

Overall, residential use values increased 7.9% for a total of \$4.2 billion and represented 79% of all growth experienced in the City. The annual growth in this use type was \$2 billion lower this year than last year. Commercial properties posted an increase in value of \$599 million or a year over year increase of 5.2%. Industrial properties posted gains in property value of 9.6% for \$302.3 million and was \$80 million higher than last year.

Business License Tax (BT): The second largest revenue source is projected to end the year at \$115.72 million, which is \$9.53 million or 7.6% under the FY 2023-24 Adjusted Budget of \$125.25 million. The year-end estimate is comparable to the FY 2022-23 year-end total of \$115.38 million. The Q1 R&E report lowered the FY 2023-24 year-end estimate to \$118.84 million, as an inflationary increase to the FY 2022-23 year-end total was expected based on the recent period of high inflationary trends at the macroeconomic level. However, net of increased revenues resulting from the effect of Measure T, BT has been on a downward trend for the past three Fiscal Years. BT ended FY 2020-21 at \$104.23 million, FY 2021-22 at \$101.29 million, and FY 2022-23 would have ended at \$97.73 million, after deducting from the FY 2022-23 year-end total of \$115.38 million the \$17.64 million attributable to the effect of Measure T. The approved changes in the tax rates, as captured in Measure T, affected approximately 25,000 businesses, excluding tax rates applicable to property owners and cannabis industry

As of March 6, 2024, the FY2023-24 total amount accounted for in BT was at \$103.15 million. This figure is preliminary as renewals are still being processed following the yearly March 1 renewal deadline. Active accounts that have yet to renew in FY 2023-24 accounted for \$ 12.63 million in Business Tax paid in FY 2022-23. These accounts are those that reported gross receipts in FY2022-23 and have not been closed by the Taxpayer. The renewals that have been accounted for to date in FY 2023-24 have on average reported a half percent decrease in year over year gross receipts compared to FY 2022-23. Assuming that a similar decrease of 0.5% in gross receipts will be reported by the pending active accounts would yield an additional \$12.56 million. This would result in approximately \$115.72 million in BT collected as a whole for FY 2023-24. Therefore, BT projects to hold the same level as FY 2022-23 which was the first year that Measure T took effect.

Real Estate Transfer Tax (RETT): The third largest revenue source for the City is projected to have the largest decrease in the GPF, by an estimated \$57.19 million from the FY 2023-24 Adjusted Budget of \$110.41 million, now projecting to end the year at \$53.22 million. The significant reduction of 51.8% is attributable to rising interest rates that impact the affordability factor and consequently the number of property sales subject to RETT. Through Q2, the number of properties sold through the first six months dropped by 16.9%, or 350 less properties, compared to the number of properties sold during the same time period in the prior year. The amount decreased is amplified when considering that the gross sales fell by 30.1% when accounting for the sales prices.

Recent trends do not indicate that a rebound is to be expected for the second half of the year. During the three previous years, 53% of the year-end totals for RETT had been collected through the second quarter of FY 2020-21, 52% through Q2 of FY2021-22, and 62% through Q2 of FY 2022-23. The Federal Reserve is not expected to begin lowering the Federal Funds Rate until the summer months at the earliest. Therefore, the second half is expected to perform similarly to the first half of the year during which \$26.61 million has been collected so far. The high budget dollar amount adopted in the FY 2023-25 Biennial Budget was assumed coming off FY 2021-22 during which RETT ended the year at \$138.40 million. This was followed by a huge drop in FY 2022-23 which ended the year at \$78.05 million. The decline has continued during the first half of FY 2023-24, which has realized even lower figures than FY 2022-23 had through Q2. **Table 2** Below summarizes the year over year variance in gross sales and volume, comparing the performance of RETT through Q2 of the current year to that of FY 2022-23.

Table 2: RETT Growth Rate (\$ in millions)

Sale Price	FY 2022-23		FY 2023-24		Year-Over-Year Variance Thru Q2	
	Gross Sales	Volume	Gross Sales	Volume	Gross Sales	Volume
\$300,000 or below	\$19.80	126	\$22.21	127	12.2 %	0.8 %
\$300,001 to \$2 Million	\$1,616.00	1,766	\$1,500.21	1,503	(7.2) %	(14.9) %
\$2 million to \$5 Million	\$415.13	151	\$58.84	77	(85.8) %	(49.0) %
\$5 -10 Million	\$88.87	13	\$45.52	7	(48.8) %	(46.2) %
\$10 - 50 Million	\$251.05	11	\$84.05	4	(66.5) %	(63.6) %
\$50.01-100 Million	\$55.50	1	\$0.00	—	(100.0) %	(100.0) %
Over \$100 Million	\$—	—	\$0.00	—	— %	— %
Total	\$2,446.34	2,068	\$1,710.83	1,718	(30.1) %	(16.9) %

Sales Tax: The fourth largest revenue source for the City is projected to come in below the FY 2023-24 Adjusted Budget of \$67.69 million by approximately by \$4.97 million, and is now estimated to end the year at \$62.72 million. Detailed Sales Tax data is available through the First Quarter (Q1) of FY 2023-24. Per data provided by the City's Sales Tax consultant HDL, Oakland's receipts from July through September (Q1) were 6.0% below the Q1 period in 2022. Excluding reporting aberrations, actual sales were down 6.1%.

Per HDL, through Q1, while modest sales improvement occurred in the food delivery, catering, and fast casual segments, restaurants and hotels overall fell 2.9%. Casual dining venues declined 6% as patronage fatigue linked to inflated menu prices limited dining in visits. Meanwhile, autos-transportation's returns contracted 4.0%. While new vehicle dealerships had 8% growth thanks to new openings over the past year, used car sellers plunged as a corporation shut down all operations nationally inclusive of the Oakland site. Expected reductions in petroleum prices provoked a 22.9% drop off by fuel-service stations. Further analysis of taxpayers selling jet fuel products revealed lower transaction volumes as airlines looked to refuel at locations outside of the Bay Area. Cannabis has another downward outcome, more so than regional and statewide trends. This sectors decrease was the primary cause of the food-drugs group weaker returns of 12.1% lower compared to the same period in FY 2022-23. Other business-to-business based classifications that remitted smaller tax payments included plumbing, electrical, repair shops and medical/biotech. From the Sales tax derived from the allocation of the county pool, a 7.0% bump in pool allocations revealed a larger proportionate share for the City as tax collections in another jurisdiction declined dramatically. Net of aberrations, taxable sales for all the Bay Area shrank 3.1%. Table 3 below compares the Sales Tax totals received by category through Q1 of FY 2022-23 and Q1 of FY 2023-24.

Table 3: Sales Tax Comparison by Category FY2022-23 and FY 2023-24 (\$ in millions)

Category	Thru Q1 FY 2022-23	Thru Q1 FY 2023-24	Inc/Dec
Autos & Transportation	\$2.65	\$2.54	-4.0%
Building & Construction	\$1.69	\$1.61	-4.5%
Business & Industry	\$1.45	\$1.32	-9.4%
Food & Drugs	\$1.38	\$1.21	-12.1%
Fuel & Service Stations	\$2.29	\$1.77	-22.9%
General Consumer Goods	\$1.40	\$1.25	-10.3%
Restaurants & Hotels	\$2.76	\$2.68	-2.9%
State/County Pools & Transfers	\$2.89	\$3.09	7.0%
Average	\$2.07	\$1.94	-6.2%

Utility Consumption Tax: This fifth largest revenue source for the City is projected to come in with the second largest projected increase in the GPF. It is now estimated that it will end the year above the FY 2023-24 Adjusted Budget of \$61.90 million by approximately \$4.42 million or 7.1%, at \$66.32 million. The expected increase is mainly attributed to the approval from the California’s Public Utilities Commission (CPUC) of a 12.8% increase to consumer utility rates which became effective in the second half of this fiscal year.

Interfund transfers & Transfers From Fund Balance: The FY 2023-24 Adjusted Budget assumes \$30.12 million in use of fund balance to balance budgeted expenditures and \$55.24 million in use of fund balance to support carryforward expenditures. Additionally, there is \$13.08 million budgeted in anticipated interfund transfers.

All Other Revenue Sources:

Table 4 below summarizes the FY 2023-24 GPF revenues by category.

Table 4: FY2023-24 Q2 Adopted Budget to Actuals and Year-end Estimate (\$ in millions)

Revenue Category	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Property Tax	294.17	294.17	122.53	298.35	4.18	1.4 %
Business License Tax	125.25	125.25	8.22	115.72	(9.52)	(7.6) %
Real Estate Transfer Tax	110.41	110.41	26.61	53.22	(57.19)	(51.8) %
Sales Tax	67.69	67.69	21.03	62.72	(4.97)	(7.3) %
Utility Consumption Tax	61.90	61.90	30.73	66.32	4.42	7.1 %
Service Charges	51.60	52.28	12.15	46.98	(5.30)	(10.1) %
Fines & Penalties	23.07	23.07	8.92	17.84	(5.23)	(22.7) %
Transient Occupancy Tax	22.48	22.48	9.95	19.61	(2.87)	(12.8) %
Miscellaneous Revenue	21.22	21.22	4.58	4.58	(15.43)	(72.7) %
Interfund Transfers	13.08	13.08	—	13.08	—	— %
Parking Tax	11.26	11.26	6.01	12.37	1.11	9.8 %
Licenses & Permits	1.39	1.39	0.59	1.39	—	— %
Interest Income	0.48	0.48	(0.26)	5.00	4.52	932.9%%
Grants & Subsidies	—	0.03	0.71	2.59	2.56	N / A
Internal Service Funds	—	—	—	—	—	N / A
Subtotal	804.00	804.71	251.75	720.98	(83.73)	(10.4) %
Transfers from Fund Balance	30.12	30.12	—	—	(30.12)	(100.0) %
Project Offsets & Carryforwards	—	55.24	—	—	(55.24)	(100.0) %
Total Revenue	834.12	890.07	251.75	720.98	(169.10)	(19.0) %

II. GENERAL PURPOSE FUND Q2 EXPENDITURES

GENERAL PURPOSE FUND EXPENDITURE HIGHLIGHTS

The GPF expenditures are forecasted to come in at \$898.08 million, which is an increase of \$8.01 million, compared to the Adjusted Budget of \$890.07 million. The FY 2023-24 Adjusted Budget required a use of fund balance in the amount of \$30.12 million to balance the expenditures as budgeted. This follows a trend in recent years, during which one-time funding was needed in the balancing of the FY2019-20, FY2020-21, FY2021-22 and FY2022-23 expenditures in the budget by programming CARES dollars (\$36.99 million), ARPA dollars (\$188 million), and use of VSSF (\$14.65 million) for a total of \$239.64 million, which would equal 27% of FY 2023-24 GPF budgeted expenditures. The budgeted personnel expenditures also assume a vacancy factor of 8.00%, expediting hiring to a large degree could change the outcome. Overall, the increase in the appropriations level compared to previous years merits further consideration as it reflects the current global inflationary trend affecting the economy.

Table 5 below reflects the GPF expenditures forecasted to come in at \$898.08 million, which is \$8.01 million or 0.9% over the adjusted budget of \$890.07 million.

Table 5: Summary of FY 2023-24 Q2 GPF Expenditures Budget to Actuals (\$ in millions)

	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
FY 2023-24 Expenditures	834.12	890.07	373.53	898.08	(8.01)	(0.9) %

Department Level Spending Trends

Table 6 below reflects department level spending and projected year-end GPF expenditures. As a result, City-wide GPF departmental expenditure projections are projected to come in above the FY 2023-24 Adjusted Budget by \$8.01 million. Per the City’s Consolidated Fiscal Policy, Departments projected to overspend in the General Purpose Fund by more than one percent (1%), shall bring an informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget.

Table 6: Summary of FY 2023-24 GPF Projected Expenditure Variance (\$ in millions)

Department	FY 2023-24 Adopted Budget	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	0.55	1.96	0.07	1.96	—	— %
City Administrator	9.81	10.89	3.97	10.43	0.46	4.3 %
City Attorney	21.75	23.40	8.98	22.98	0.42	1.8 %
City Auditor	3.31	3.60	1.26	3.17	0.43	11.8 %
City Clerk	7.85	10.80	1.42	10.58	0.22	2.1 %
City Council	7.12	7.68	3.26	7.37	0.31	4.1 %
Department of Transportation	20.54	23.01	7.41	21.90	1.11	4.8 %
Department of Violence Prevention	10.79	13.08	2.50	12.41	0.66	5.1 %
Department of Workplace and Employment Standard	4.31	5.67	2.49	5.44	0.23	4.0 %
Economic and Workforce Development Department	11.19	17.01	5.70	16.87	0.15	0.9 %
Finance Department	30.00	33.33	11.78	31.55	1.78	5.3 %
Fire Department	199.87	212.29	91.46	205.26	7.03	3.3 %
Housing and Community Development Department	0.24	2.91	1.05	2.91	—	— %
Human Resources Management Department	9.50	9.79	4.31	9.63	0.16	1.6 %

Human Services Department	44.76	44.32	9.23	44.32	—	— %
Information Technology Department	16.97	18.63	6.78	17.92	0.71	3.8 %
Mayor	4.60	4.66	2.07	4.39	0.27	5.8 %
Non Departmental and Port	55.60	60.80	9.35	59.10	1.70	2.8 %
Oakland Animal Services	6.49	6.54	2.83	6.25	0.29	4.4 %
Oakland Parks and Recreation Department	18.30	19.23	10.47	18.57	0.65	3.4 %
Oakland Public Library Department	12.31	12.32	7.91	12.32	—	— %
Oakland Public Works Department	1.36	2.06	1.22	2.05	—	0.1 %
Police Commission	7.96	8.94	2.53	8.12	0.81	9.1 %
Police Department	325.39	333.34	174.20	358.98	(25.64)	(7.7) %
Public Ethics Commission	2.25	2.35	0.73	2.16	0.18	7.9 %
Race and Equity Department	1.29	1.48	0.53	1.43	0.05	3.4 %
Total	834.12	890.07	373.53	898.08	(8.01)	(0.9) %

The following section details Q2 projected GPF savings or overspending by Department, as compared to the FY 2023-24 Adjusted Budget.

Capital Improvement Program (CIP)

The Capital Improvement Program is projected to end the fiscal year at its adjusted budget of \$1.96 million.

City Administrator (CAO)

The City Administrator’s Office is projected to underspend by \$0.46 million, or 4% of their budget due to vacancies. In the General Purpose Fund, CAO has a vacancy rate of 21%, with eight vacant positions.

City Attorney (OCA)

The City Attorney is projected to underspend by \$0.42 million, or 2% of their budget, due to vacancies. In the General Purpose Fund, OCA has a vacancy rate of 2%, with one vacant position.

City Auditor

The City Auditor is projected underspend by \$0.43 million, or 12% of their budget due to vacancies. In the General Purpose Fund, City Auditor has a vacancy rate of 33%, with four vacant positions.

City Clerk

The Office of the City Clerk is projected to underspend their budget by \$0.22 million, or 2% of their budget, due to vacancies. In the General Purpose Fund, City Clerk has a vacancy rate of 33%, with four vacant positions.

City Council

The City Council is projected to underspend their budget by \$0.31 million, or 4% of their budget, due to vacancies. In the General Purpose Fund, City Council has a vacancy rate of 3%, with one vacant position.

Department of Transportation (DOT)

The Department of Transportation is projected to underspend by \$1.11 million, or 5% of their budget, due to vacancies. In the General Purpose Fund, DOT has a vacancy rate of 16%, with 14 vacant positions.

Department of Violence Prevention (DVP)

The Department of Violence Prevention is projected to underspend by \$0.66 million or 5% of their budget, due to vacancies. In the General Purpose Fund, DVP has a vacancy rate of 26%, with eight vacant positions.

Department of Workplace & Employment Standards (DWES)

The Department of Workplace & Employment Standards is projected to underspend by \$0.23 million, or 4% of their budget, due to vacancies. In the General Purpose Fund, DWES has a vacancy rate of 42%, with eight vacant positions.

Economic & Workforce Development (EWD)

Economic & Workforce Development is projected to underspend by \$0.15 million, or 1% of their budget, due to vacancies. In the General Purpose Fund, EWDD has a vacancy rate of 6%, with one vacant position.

Finance Department

The Finance Department is projected to underspend by \$1.78 million, or 5% of their budget, due to vacancies. In the General Purpose Fund, Finance has a vacancy rate of 16%, with 18 vacant positions.

Fire Department

The Oakland Fire Department is projected to underspend by \$7.03 million, or 3% of their budget. In the General Purpose Fund, Fire has a vacancy rate of 16%, with 92 vacant positions which results in savings in the amount of \$28.77 million. However, these estimated savings from the vacancies are partially offset by \$18.24 million in projected over-time overspending resulting in a net personnel year-end projected underspend in the amount of \$10.53 million.

Housing & Community Development (HCD)

Housing & Community Development is projected to end the fiscal year at the adjusted budget of \$2.91 million.

Human Resources Management (HRM)

Human Resources Management is projected to underspend by \$0.16 million, or 2% of their budget, due to vacancies. In the General Purpose Fund, HRM has a vacancy rate of 9%, with three vacant positions.

Human Services Department (HSD)

Human Services Department is projected to end the fiscal year at the adjusted budget of \$44.32 million.

Information Technology (ITD)

The Information Technology Department is projected to underspend by \$0.71 million, or 4% of their budget, due to vacancies. In the General Purpose Fund, ITD has a vacancy rate of 23%, with twelve vacant positions.

Mayor's Office

The Mayor's Office is projected to underspend by \$0.27 million, or 6% of their budget, due to vacancies. In the General Purpose Fund, Mayor's Office has a vacancy rate of 18%, with two vacant positions.

Non-Departmental

Non-Departmental is projected to underspend by \$1.70 million, or 3% of the budget.

Oakland Animal Services

The Department of Animal Services is projected to underspend by \$0.29 million, or 4% of their budget, due to vacancies. In the General Purpose Fund, Animal Services has a vacancy rate of 19%, with six vacant positions.

Oakland Parks, Recreation and Youth Development (OPRYD)

Oakland Parks, Recreation and Youth Development is projected to underspend by \$0.65 million, or 3% of their budget, due to vacancies. In the General Purpose Fund, OPRYD has a vacancy rate of 26%, with 28 vacant positions.

Oakland Public Library (OPL)

Oakland Public Library is projected to end the fiscal year at the adjusted budget of \$12.32 million.

Oakland Public Works (OPW)

Oakland Public Works is projected to end the fiscal year at the adjusted budget of \$2.06 million.

Police Commission

The Police Commission is projected to have savings of \$0.81 million, or 9% of their budget, due to vacancies. In the General Purpose Fund, Police Commission has a vacancy rate of 24%, with six vacant positions.

Police Department

The Police Department is projected to overspend by \$25.64 million, or 8% of their budget, due to overtime overspending. A detailed explanation of this overage can be found in the "Public Safety Costs & Analysis" section below.

Public Ethics Commission (PEC)

The Public Ethics Commission is projected to have savings of \$0.18 million, or 8% of their budget, due to vacancies. In the General Purpose Fund, PEC has a vacancy rate of 10%, with one vacant position.

Race & Equity

The Department of Race & Equity is projected to have savings of \$0.05 million, which is 3% of their budget. In the General Purpose Fund, Race & Equity has a vacancy rate of 0%, with no vacant positions.

Public Safety Costs & Analysis

Table 7 below shows the personnel expenditures, including overtime, for Public Safety in the GPF. Once all other personnel costs are accounted for, Oakland Police Department currently shows a projected year-end personnel budget to be overspent by \$27.20 million in the General Purpose Fund. Details are provided on **Table 7** below.

Table 7: FY 2023-24 Public Safety GPF Personnel Expenditures (\$ in millions)

Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Police Department**					
<i>Overtime (OT)</i>	24.08	27.61	52.84	(28.77)	(119.5) %
<i>Reimbursable OT (Special</i>		(5.31)	(5.31)	5.31	
<i>All Other Personnel (non-</i>	262.44	133.40	261.94	0.50	0.2
OPD Total Personnel	286.51	157.49	309.47	(22.96)	(8.0)
Fire Department					
<i>Overtime (OT)</i>	10.89	14.56	29.13	(18.24)	(167.5)
<i>All Other Personnel (non-</i>	166.12	69.24	137.35	28.77	17.3
OFD Total Personnel	177.01	83.80	166.48	10.53	6.0

As shown on **Table 7** above, OPD was budgeted \$24.08 million for overtime and is projected to exceed this budgeted amount by \$28.77 million for a projected year-end total of \$52.84 million. In the table below, are the top five organizations in OPD where overspending has occurred most outlined in **Table 8**:

Table 8: FY 2023-24 OPD Top 5 Organizations in Overtime Expenditures (\$ in millions)

Top 5 Organizations in OPD for Overtime	FY 2023-24 Adjusted Budget	FY 2023-24 Year-End Estimate	Year-End \$ (Over) / Under Budget
Special Operations Division (SOD)	2.59	10.63	(8.04)
Area 1	2.13	5.98	(3.85)
Area 5	2.15	3.77	(1.63)
Area 3	2.08	3.50	(1.42)
Training Unit	1.8	3.10	(1.30)

The Oakland Police Department (OPD) was allocated \$24,075,587 in overtime for Fiscal Year (FY) 2023-24. Since July 1, 2023, OPD has experienced a significant surge in overtime expenses in the Personnel/Overtime category. Based on payroll data from Quarter 2 (Q2), the Department is projected to exceed its allocated overtime budget by approximately \$28,767,770. The Department anticipates receiving \$5,305,572 in reimbursable overtime funds, offsetting overtime spending to a projected average of \$22,664,648.

The top five areas where overspending has occurred in Q2 are outlined in the table above:

One of the department’s main objectives is to reduce violent crime and improve public safety. Maintaining that objective requires overtime by sworn personnel and increased spending in the Special Operations Division (SOD), Training Unit, and Areas 1, 3, and 5.

The increase in overtime expenditures can be attributed to several key factors. Firstly, there was a significant shift in the Special Operations Division's (SOD) involvement in Division Level Investigations (DLIs) starting from 2023. This shift resulted in an average of eight sergeants, each managing up to three DLIs concurrently, significantly enhancing the division's workload and leading to increased overtime expenses. Additionally, the implementation of updated Use of Force (UOF) investigative protocols and compliance with California Assembly Bill (AB) 481, which mandated the completion of forms for Military Equipment Deployment (MEU), further intensified the administrative burden on supervisors and officers, contributing to increases in expenditures.

Furthermore, consistent requests for assistance from departments such as Oakland Public Works, The Encampment Management Team, and the Department of Transportation added strain to SOD's resources. Additionally, a nearly three-fold surge in SWAT team callouts in 2023, known as "Blue Alerts," substantially increased financial commitments for SOD. The integration of the Drone (ESU) unit into SOD and the heightened demand for the Air Unit (ARGUS) due to mandated sideshow operations, special operations, and increased patrol requests further compounded the challenges faced by SOD, ultimately leading to increased overtime expenditures.

One of the primary drivers behind overtime expenditures within the Training Division stems from the comprehensive nature of our training protocols, including both foundational academies and ongoing, in-depth instruction. The Department's efforts to schedule offsite training, particularly crucial firearms instruction, are intricately tied to range availability, which may not always align seamlessly with our officer's regular duty hours. This inherent scheduling challenge often leaves us with limited control over coordinating range time to best accommodate the diverse schedules of our dedicated training. Moreover, stringent safety protocols mandate adequate staffing levels for training events, sometimes exceeding the capacity of our full-time instructor roster. To meet this demand, we enlist the support of adjunct and auxiliary instructors, a necessity that frequently incurs additional overtime costs. When considering these factors collectively, it becomes evident that the complete volume and essential nature of our training obligations represent the predominant factor contributing to the elevation of overtime expenditures within the Training Unit.

In 2023, Area 1 witnessed a slight decrease (-1%) in shootings, recording 80 incidents and 26 homicides, compared to 81 shootings and 30 homicides in 2022. Most of these incidents occurred in West Oakland and were gang related. To address this issue, violence suppression officers were deployed on overtime to hotspots like Acorn, Ghost Town, and Campbell Village, focusing on proactive car stops and visible deterrence. Additionally, in response to increased robberies and violence in Oakland Chinatown since 2021, overtime officers were deployed to reduce Part 1 crimes. However, officer numbers were reduced from an average of six to eight officers to an average of only two officers in July 2023, leading to a 50% increase in robberies. Despite this, the presence of overtime officers has shown a correlation with reduced robberies and thefts. Furthermore, Area 1 faced challenges with violent crime, traffic congestion, illegal vendors, and nightclubs operating without permits. The captain's initiative to use barricades on Broadway and Telegraph initially resulted in a reduction in violent crime. However, the decision was made on October 2, 2023, to discontinue this approach. Importantly, nightclubs such as Mr. Fabs Night Club, New Karibbean City, and Lux Pub and Club have been associated with violence. Consequently, there is ongoing overtime officer presence downtown as a more permanent solution is developed for weekend nights.

In Area 3, overtime primarily stems from several initiatives and deployments. These include the deployment of Violence Suppression officers working overtime in the San Antonio/Saigon Area, operations targeting Human Trafficking along International Boulevard, and the pre-authorized Lake Merritt Summer Weekend detail, which concluded in November 2023. During October to December 2023, the Violence Suppression unit (coded San Antonio Special Assignment) maintained staffing levels with one sergeant and four to five officers, operating seven days a week. The majority of the violence in Area 3 is linked to Human Trafficking activities. The stretch from the 500 to 2300 blocks of International Boulevard has a longstanding reputation as Oakland's "Track" or "Blade" for street prostitution, a practice which frequently escalates into incidents of violence including shootings, murders, and robberies. To address this issue, the

Vice Unit conducts two to four operations monthly, focused on rescuing juveniles and apprehending both buyers and exploiters.

During January through February of 2023, Area 5 experienced a significant challenge, nearly leading the city in homicides (7) within that timeframe, along with 95 aggravated assaults. To address this concerning trend, Area 5 consistently deployed violence suppression teams, primarily funded by the area itself, to combat the rising crime rates. These teams also provided valuable assistance to Bureau of Field Operations 2. The violence suppression units have shown effectiveness in reducing aggravated assaults, with a slight decrease of (-2%) and year-to-date, only one homicide.

Area 5 has implemented five violence suppression overtime assignments, with each unit assigned to one of the five sectors. These teams are directed to remain in their designated sector, maintaining a high visibility presence and conducting enforcement and security checks as needed. The determination of these sectors was based on analysis of statistical data, identifying areas with the highest concentration of violent crime and ShotSpotter activity. The sectors are reviewed weekly, allowing for adjustments to align with evolving crime trends. However, alongside these endeavors, Area 5 also encountered an increase in administrative responsibilities. This included the necessity for two Lieutenants and seven Sergeants to work overtime to fulfill administrative tasks. This escalation in administrative duties can be largely attributed to the implementation of the Division Level Investigation (DLI), introducing additional administrative requirements. Additionally, the Type 32 UOF investigations and updated investigative protocols for pursuits, and the documentation of other uses of force further strained Area 5's overtime budget.

Overall, the department remains committed to addressing violent crime while managing overtime expenditures and administrative burdens across different areas and units.

Table 9: Year-Over-Year Comparison of Public Safety GPF Personnel Expenditures (\$ in millions)

Police Department					
Overtime (OT)	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	16.56	15.39	33.36	30.90	24.08
Actuals (FY24 Proj)	35.07	29.18	34.35	51.16	52.84
(Over)/Under	(18.51)	(13.79)	(0.99)	(20.26)	(28.77)
All Other Personnel (non-OT)	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	232.95	239.29	245.01	252.38	262.44
Actuals (FY24 Proj)	242.01	244.23	234.29	182.02	261.94
(Over)/Under	(9.06)	(4.94)	10.71	70.36	0.50
Total Personnel	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	249.51	254.68	278.37	283.28	286.51
Actuals (FY24 Proj)	277.08	273.41	264.27	233.18	314.78
(Over)/Under	(27.57)	(18.73)	14.09	51.57	(28.27)
Fire Department					
Overtime (OT)	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	2.37	4.22	19.83	11.19	10.89
Actuals (FY24 Proj)	20.63	24.22	29.83	29.96	29.13
(Over)/Under	(18.26)	(20.00)	(10.00)	(18.77)	(18.24)
All Other Personnel (non-OT)	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	142.70	144.73	132.44	143.28	166.12
Actuals (FY24 Proj)	123.59	126.99	119.50	129.85	137.35
(Over)/Under	19.11	17.74	12.94	13.44	28.77
Total Personnel	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Adjusted Budget	145.07	148.95	152.27	154.47	177.01
Actuals (FY24 Proj)	144.22	151.21	149.33	159.80	166.48
(Over)/Under	0.85	(2.26)	2.94	(5.33)	10.53

III. GENERAL PURPOSE FUND - FUND BALANCE

The City's GPF Fund Balance, net obligations, is projected to end FY 2023-24 at negative \$83.82 million. Obligations are reserves required by City Ordinances and the City Charter (mandated emergency reserves). **Table 10** below shows mandated reserves required by City Ordinances and the City Charter (mandated emergency reserves) totaling \$33.84 million, decreasing the estimated FY2023-24 year-end available fund balance from negative \$92.23 million to negative \$117.66 million. The estimated FY 2023-24 available Fund Balance is the amount of unobligated funding available to the City in the GPF.

Table 10: FY 2023-24 Year-End Available GPF Fund Balance

GENERAL PURPOSE FUND (1010)	FY 2023-24 Q2 Projected FYE
Estimated FY 2023-24 Beginning Audited Fund Balance	93.28
FY2023-24 Performance	
Revenue	720.98
Expenditures	898.08
FY 2023-24 Projected Operating Surplus / Deficit	(177.10)
Unaudited Projected Ending Fund Balance	(83.82)
Obligations Against Ending Fund Balance	
Use of Fund Balance in FY 2024-25	(33.84)
Estimated FY 2023-24 Ending Available Fund Balance	(117.66)

IV. RESERVES

On December 9, 2014 Council Ordinance No. 13279 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 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, was calculated by multiplying 7.5% by the FY2022-23 Adopted Budget amount of \$872.07 million and carried forward on to FY 2023- 24. The reserve is approximate to one month of FY 2023-24 Adopted Budget 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 past few 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).

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 FY 2022-23 ending available balance of \$10.27 million was assumed in its entirety in the FY 2023-24 Adopted Budget to balance expenditures as City Council declared that the City is experiencing a severe financial event and state of extreme fiscal necessity. The target funding level per the City's Consolidated Fiscal Policy is \$125.22 million, or 15% of the GPF revenues.

Table 11 below shows the estimated FY 2023-24 year-end reserve balances.

Table 11: FY 2023-24 Q2 Reserve Balances (\$ in millions)

Description	FY 2023-24 Beginning Balances	FYE Estimated 2023-2024 Balances
Mandated Emergency Reserves FY 2022-23*	65.41	65.41
Vital Services Stabilization Fund	10.27	
OMERS Reserves (Reso. No. 85098 C.M.S)	2.36	2.36
Total Reserves	78.04	67.77

**The 7.5% GPF reserve is not a cumulative balance*

V. SELECTED Q2 NON-GPF

This section of the Q2 report contains additional analysis on selected non-GPF funds. For additional fund descriptions, please visit <https://stories.opengov.com/oaklandca/published/dhbkIVRjPB>. This Q2 report discusses selected funds that are of special interest to the City because the revenue comes from a special tax or local measure, or because of the particular revenue or expenditure restrictions. For these funds, the revenue tables below will show year-end estimates compared to the adopted budget. The expenditure tables in this section compares the FY 2023-24 Adopted Budget to FY 2023-24 year-end estimates.

The fund balance tables compare the FY 2023-24 audited beginning fund balance to the FY 2023-24 projected ending fund balance for these funds. Please note that some of the fund tables below show a budgeted transfer from fund balance for FY 2024-25. These amounts represent dollars designated to balance the Adopted Budget.

All other funds are summarized in **Table 41**.

Measure HH - Sugar Sweetened Beverage Distribution Tax (SSBT) Fund (1030)

Measure HH - SSBT Fund (1030) is a City of Oakland ballot initiative approved by voters on November 8, 2016, that established a general tax of one cent per fluid ounce on the sugar sweetened beverage products. The tax is imposed upon the first non-exempt distribution of sugar-sweetened beverage products in the City. While this revenue is not restricted by State statute, City Council has elected to restrict it by policy and separate it into its own fund because the primary purpose of the tax is to raise revenue to support programs designed to discourage sugar consumption and to reduce the growing burden of obesity and non-communicable diseases.

The measure formed a nine-member Community Advisory Board, appointed by the Mayor, and approved by City Council. The Board is responsible for:

1. Making recommendations to City Council on use of funding/programs that will reduce the health consequences from consuming sugar-sweetened beverages (final allocations are still determined by City Council);
2. Publishing an annual report regarding the implementation of the Board's recommendations and the impact on the use of these funds.

Revenues - This revenue source has continued to decline at a rate of about 8% each year since its inception in FY 2017-2018. The FY 2023-24 Adjusted Budget of \$16.27 million includes \$9.09 million in use of fund balance to support the FY 2023-24 carryforwards. Net of use of fund

balance, the actual Sales Tax for Measure HH projects to come in at \$6.88 million which is at Budget. Through first 6 payments of the year, we have collected 98% in SSBT compared through first 6 months in FY2022-23; 98% of the FY2022-23 total would represent \$6.95 million.

Table 12: FY 2023-24 Measure HH (SSBT) Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / (Under) Adjusted Budget	Year-End % Over / (Under) Adjusted Budget
Project Offsets & Carryforwards	9.09	—	—	(9.09)	(100.0)
Local Tax	6.88	2.79	6.88	—	— %
Transfers from Fund Balance	0.29	—	—	(0.29)	(100.0)%
Interest Income	—	0.15	0.15	0.15	— %
Miscellaneous Revenue	—	0.08	0.08	0.08	— %
Total Revenue	16.27	3.02	7.12	(9.15)	(56.2)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$14.35 million, which is a savings of \$1.92 million, compared to the Adjusted Budget of 16.27 million. The savings are primarily due to underspending in personnel costs.

Table 13: FY 2023-24 Measure HH (SSBT) Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	2.08	—	2.08	—	— %
City Administrator	1.72	0.13	1.29	0.43	24.9 %
Economic and Workforce Development Department	0.71	0.29	0.69	0.02	3.4 %
Finance Department	0.37	0.12	0.37	—	(0.1) %
Human Services Department	6.70	0.38	6.66	0.03	0.5 %
Non Departmental and Port	0.50	—	0.50	—	— %
Oakland Parks and Recreation Department	4.05	1.36	2.61	1.43	35.4 %
Oakland Public Library Department	0.11	0.02	0.11	—	— %
Oakland Public Works Department	0.05	—	0.05	—	— %
Total	16.27	2.29	14.35	1.92	11.8 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$7.12 million. Expenditures are projected to end the year at \$14.35 million. As a result, the estimated available fund balance in Measure HH (SSBT) Fund (1030) is projected to decrease from \$10.76 million to \$3.52 million in FY 2023-24.

Table 14: FY 2023-24 Measure HH (SSBT) Fund Year-End Available Fund Balance (\$ in millions)

MEASURE HH SSBT (1030)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance – Audited	\$ 10.76
Revenue	7.12
Expenditures	14.35
Estimated Current Year Surplus/(Shortfall)	(7.24)
Estimated Ending Fund Balance	3.52

Measures BB & F Funds (2215, 2217, 2218, 2219, 2220)

Measure BB and F Funds are administered by the Alameda County Transportation Commission (Alameda CTC) which manages the following local fund sources:

1. Measure BB, passed by voters in November 2014, authorized collection of the initial half-cent transportation sales tax by the Board of Equalization. Collection began on April 1, 2015 and extended through March 31, 2022 as a compliment to Measure B which sunset in March 2022. The full one-cent sales tax authorized by Measure BB took effect April 1, 2022 and will extend through March 31, 2045. Starting in July 2015, Alameda CTC began making monthly direct local distribution payments to local jurisdictions and transit agencies, per the 2014 Transportation Expenditure Plan, for the following programs: local streets and roads (including county bridges), bicycle and pedestrian, transit, and paratransit.
2. Measure F, approved by voters in November 2010, authorizes the collection of \$10 per year per vehicle registration fee to fund the Local Road Improvement & Repair Program and other congestion relief, transportation technology, and pedestrian/bicyclist safety programs in Alameda County.

Revenues - The FY 2023-24 \$79.18 million Adjusted Budget assumes \$4.67 million in use of fund balance to balance the Adjusted Budget as adopted, and \$35.74 million in use of fund balance to support FY 2022-23 carry forwards. The year-end revenues totals of \$38.48 million come in \$40.70 million or 51.4% under the Adjusted Budget of \$79.18 million, net of the use of

fund balance. The actual Sales Tax for Measure BB projects to come in at \$35.10 million which is \$1.86 million or 5.0% lower compared to the Adjusted Budget based on the latest estimates from the Alameda CTC.

Table 15: FY 2023-24 Measure BB & F Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Sales Tax	36.96	8.56	35.10	(1.86)	(5.0) %
Project Offsets & Carryforwards	35.74	—	—	(35.74)	(100.0) %
Transfers from Fund Balance	4.67	—	—	(4.67)	(100.0) %
Grants & Subsidies	1.81	—	1.81	—	— %
Interest Income	—	0.69	0.69	0.69	— %
Service Charges	—	0.06	0.06	0.06	— %
Miscellaneous Revenue	—	0.82	0.82	0.82	— %
Total Revenue	79.18	10.13	38.48	(40.70)	(51.4) %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$69.45 million, which is a savings of \$9.73 million, compared to the Adjusted Budget of \$79.18 million. The savings is primarily due to underspending in personnel costs.

Table 16: FY 2023-24 Measure BB/F Funds Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	32.73	1.20	32.83	(0.10)	(0.3) %
City Administrator	0.39	0.10	0.19	0.20	51.0 %
City Attorney	0.05	0.03	0.05	—	(8.4) %
Department of Transportation	37.97	9.98	28.14	9.84	25.9 %
Finance Department	0.01	—	0.01	—	— %
Human Resources Management Department	0.24	0.03	0.07	0.17	70.1 %
Human Services Department	5.31	0.57	5.18	0.13	2.4 %
Information Technology Department	—	—	—	—	— %
Mayor	0.23	0.13	0.25	(0.01)	(5.2) %
Non Departmental and Port	0.52	—	0.52	—	— %
Oakland Public Works Department	1.74	0.81	2.22	(0.48)	(27.5)%
Police Department	—	—	0.01	(0.01)	— %
Total Expenditures	79.18	12.86	69.45	9.73	12.3 %

*The adjusted budget includes Council Budget Amendments and Carryforwards

Fund Balance - FY 2023-24 revenue is projected to end the year at \$38.48 million. Expenditures are projected to end the year at \$69.45 million. As a result, the estimated available fund balance in the Measure BB/F Funds is projected to decrease from \$54.39 million to \$23.41 million in FY 2023-24.

Table 17: FY 2023-24 Measure BB/F Funds Year-End Available Fund Balance (\$ in millions)

Measure B/BB and Measure F Funds (2211, 2212, 2213, 2215, 2216, 2217, 2218, 2219, 2220)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 54.39
Revenue	38.48
Expenditures	69.45
Estimated Current Year Surplus/(Shortfall)	(30.97)
Estimated Ending Fund Balance	23.41

State Transportation Gas Tax Funds (2230, 2232)

The State of California imposes a per-gallon excise tax on gasoline and diesel fuel, sales taxes on gasoline and diesel fuel, and registration taxes on motor vehicles with allocations dedicated to transportation purposes. The local (city and county) portions of these allocations flow through the Highway Users Tax Account (HUTA) into the Gasoline Tax Fund (2230) and the Road Maintenance and Rehabilitation Account (RMRA) (Fund 2232), which allocates much of the revenue from the Road Repair and Accountability Act of 2017.

Revenues - Year-end revenues project to come in at \$24.17 million, which is \$7.76 million or 24.3% under the Adjusted Budget of \$31.94 million. The FY 2023-24 \$31.94 million Adjusted Budget assumes \$5.74 million in use of fund balance to balance the Adjusted Budget and \$6.45 million in use of fund balance to support FY 2022-23 carryforwards. The actual Gas Tax projects to come in at \$21.89 million which is \$2.29 million or 11.7% above the Adjusted Budget estimate. The new projection is taken from the estimates for FY 2023-24 provided by the State, for the State revenue allocations to Cities and Counties for the Local Streets and Roads including Highway Users Tax Account (HUTA), and for the Road Maintenance and Rehabilitation Account (RMRA). Estimates are as of January 2024.

Table 18: FY 2023-24 State Transportation Gas Tax Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Gas Tax	19.60	7.73	21.89	2.29	11.7 %
Project Offsets & Carryforwards	6.45	—	—	(6.45)	(100.0)%
Transfers from Fund Balance	5.74	—	—	(5.74)	(100.0)%
Grants & Subsidies	0.14	—	0.14	—	— %
Service Charges	0.01	—	0.01	—	— %
Miscellaneous Revenue	—	1.98	1.98	1.98	121176.8 %
Interest Income	—	0.16	0.16	0.16	— %
Total Revenue	31.94	9.87	24.17	(7.76)	(24.3)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$27.02 million, which is a savings of \$4.92 million, when compared to the Adjusted Budget of \$31.94 million. The savings is primarily due to underspending in personnel costs.

Table 17: FY 2023-24 State Transportation Funds Gas Tax Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	5.47	0.10	5.47	—	— %
City Administrator	0.18	0.06	0.18	0.01	4.5 %
Department of Transportation	25.95	8.01	21.26	4.69	18.1 %
Economic and Workforce Development Department	0.01	—	0.01	—	— %
Finance Department	0.09	—	0.01	0.09	91.7 %
Human Resources Management Department	0.24	0.03	0.07	0.17	70.1 %
Oakland Public Works Department	(0.01)	0.01	0.03	(0.03)	471.7 %
Total Expenditures	31.94	8.22	27.02	4.92	15.4 %

*The adjusted budget includes Council Budget Amendments and Carryforwards

Fund Balance - FY 2023-24 revenue is projected to end the year at \$24.17 million. Expenditures are projected to end the year at \$27.02 million. As a result, the estimated available fund balance in the State Transportation Gas Tax Funds is projected to decrease from \$11.56 million to \$8.72 million in FY 2023-24.

Table 18: FY 2023-24 State Transportation Funds Year-End Available Fund Balance (\$ in millions)

State Transportation (Gas Tax) Funds (2230, 2232)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 11.56
Revenue	24.17
Expenditures	27.02
Estimated Current Year Surplus/(Shortfall)	(2.85)
Estimated Ending Fund Balance	8.72

Measure Q - OPR Preservation, Litter Reduction, Homelessness Support Act Fund (2244)

Measure Q, the 2020 Oakland Parks and Recreation, Preservation, Litter Reduction, and Homelessness Support Act Fund (2244), is a City of Oakland ballot initiative approved by voters on March 3, 2020, that established an annual special parcel tax for 20 years. This measure,

which passed by more than a two-thirds majority, imposes a special parcel tax for the purpose of raising revenue to provide services for parks, landscape maintenance, and recreational services; to address homelessness and enable unsheltered and unhoused residents to access temporary shelters, transitional, supportive, and permanent housing; and to address water quality and litter reduction, including the maintenance and cleaning of stormwater trash collection systems.

Revenues - Year-end revenues project to come in at \$31.27 million, which is \$16.33 million or 34.3% under the Adjusted Budget of \$47.60 million. The FY 2023-24 \$47.60 million Adjusted Budget assumes \$2.53 million in use of fund balance to balance the Adjusted Budget and \$14.28 million to support carryforward expenditures. The actual Measure Q Tax, net of use of fund balance, projects to come in at \$30.78 million which is at budget. This local measure is collected through property tax bills and is a consistent revenue source. As of Q2, the \$16.02 million tax collected represents 52% of the Adjusted Budget.

Table 19: FY 2023-24 Preservation, Litter Reduction, Homelessness Support Act Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Local Tax	30.78	16.02	30.78	—	— %
Project Offsets & Carryforwards	14.28	—	—	(14.28)	(100.0)%
Transfers from Fund Balance	2.53	—	—	(2.53)	(100.0)%
Interest Income	—	0.28	0.28	0.28	— %
Miscellaneous Revenue	—	0.20	0.20	0.20	— %
Total Revenue	47.60	16.51	31.27	(16.33)	(34.3)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$40.32 million, which is a savings of \$7.29 million, when compared to the Adjusted Budget of \$47.60 million. The savings are primarily due to underspending in personnel costs.

Table 20: FY 2023-24 Measure Q - OPR Preservation, Litter Reduction, Homelessness Support Act Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	2.18	0.32	2.18	—	— %
City Administrator	4.35	0.35	4.40	(0.05)	(1.2) %
City Auditor	0.04	—	—	0.04	100.0 %
Economic and Workforce Development Department	0.11	—	—	0.11	100.0 %
Finance Department	0.11	—	0.11	—	— %
Human Services Department	10.89	1.51	9.65	1.24	11.4 %
Non Departmental and Port	0.92	—	0.92	—	— %
Oakland Parks and Recreation Department	0.13	—	0.13	—	— %
Oakland Public Works Department	28.89	8.18	22.93	5.96	20.6 %
Total Expenditures	47.60	10.37	40.32	7.29	15.3 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$31.27 million. Expenditures are projected to end the year at \$40.32 million. As a result, the estimated available fund balance in Measure Q Fund (2244) is projected to decrease from \$21.13 million in FY 2023-24 to \$12.09 million in FY 2023-24.

Table 21: FY 2023-24 Measure Q Year-End Fund Balance (\$ in millions)

MEASURE Q (2244)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	21.13
Revenue	31.27
Expenditures	40.32
Estimated Current Year Surplus/(Shortfall)	(9.05)
Estimated Ending Fund Balance	12.09

Vacant Property Tax Fund (2270)

Measure W - Vacant Property Tax Fund (2270) is a City of Oakland ballot initiative approved by

voters on November 6, 2018, that established an annual special tax on vacant property for 20 years to raise revenue necessary to support and fund homelessness programs and services, affordable housing, code enforcement, and clean-up of blighted properties and illegal dumping. A property is considered vacant if it is not in-use for at least 50 days in a calendar year. "Use" is defined as the performance of a function or operation. The per-parcel tax rates are \$6,000 for vacant properties or lots and \$3,000 for vacant condominium, duplex, townhouse and commercial ground floor commercial spaces. The tax is included in the secured property tax bill administered by the Alameda County.

Revenues - Year-end revenues project to come in at \$6.08 million, which is \$0.04 million or 0.6% under the Adjusted Budget of \$6.12 million, The Adjusted Budget assumes \$0.19 million in use of fund balance to balance the Adjusted Budget and \$0.58 million to support carryforward expenditures. Net of use of fund balance, the actual Vacant Property Tax projects to come at \$6.08 million which is \$0.73 million or 13.6% above budget. At Q2, 89% of the Adjusted Budget has been collected. In comparison, last year at Q2 70% had been collected and ended the year at 92% of budget. FY 2022-23 slowed down during the second half as it collected 22% of its year-end total during that span. Similarly, FY2021-22 only collected 28% in the second half. The new projection assumes that the average of the past two years, or 25% of the FY 2023-24 Adjusted Budget will be collected in the 2nd half.

Table 22: FY 2023-24 Vacant Property Tax Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Local Tax	5.35	4.54	6.08	0.73	13.6 %
Project Offsets & Carryforwards	0.58	—	—	(0.58)	(100.0)%
Transfers from Fund Balance	0.19	—	—	(0.19)	(100.0)%
Miscellaneous Revenue	—	0.01	0.01	0.01	— %
Total Revenue	6.12	4.55	6.08	(0.04)	(0.6) %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$6.01 million, which is savings of \$0.11 million, when compared to the Adjusted Budget of \$6.12 million.

Table 23: FY 2023-24 Vacant Property Tax Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
City Administrator	0.23	0.13	0.27	(0.04)	(16.3) %
Finance Department	0.81	0.35	0.59	0.22	27.6 %
Human Services Department	0.17	—	0.09	0.08	49.0 %
Oakland Public Works Department	4.90	2.21	5.06	(0.16)	(3.3) %
Total Expenditures	6.12	2.69	6.01	0.11	1.8 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$6.08 million. Expenditures are projected to end the year at \$6.01 million. As a result, the estimated available fund balance in the Vacant Property Tax Fund (2270) is projected to increase from \$1.01 million to \$1.08 million in FY 2023-24.

Table 24: FY 2023-24 Vacant Property Tax Fund Year-End Available Fund Balance (\$ in millions)

Vacant Property Tax Fund (2270)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 1.01
Revenue	6.08
Expenditures	6.01
Estimated Current Year Surplus/(Shortfall)	0.07
Estimated Ending Fund Balance	1.08

Landscaping and Lighting Assessment District (LLAD) Fund (2310)

The Landscaping and Lighting Assessment District (LLAD) Fund (2310) revenue is generated through a direct benefit assessment, or special assessment and is restricted by statute to be used for street lighting, landscaping, and public parks and recreation facility maintenance, and multi-use fields.

Revenues - The FY 2023-24 year-end revenues project to come in at \$19.45 million, which is \$0.17 million below the FY 2023-24 Adjusted Budget of \$19.62 million, The actual Local tax is projected to come in at the Adjusted Budget amount of \$19.08 million. The overall discrepancy is mainly due to FY 2023-23 carryforwards in the amount of \$0.26 million that will be supported with use of fund balance. There is an ongoing deficit in the District which can no longer be sustained without significant reductions in service levels. In order to address the difference between

revenues and expenditures, the City reallocated costs commencing with the Fiscal Year 2022-23 budget process to align District-eligible costs to the revenue source paying the landscape and park costs. As an example, some costs are paid from non-assessment revenues, like Gas Tax Funds and the Measure Q Parks Fund, to maintain service levels and fund the historical District shortfall associated with landscape and park costs.

Table 25: FY 2023-24 Landscaping and Lighting Assessment District (LLAD) Fund Revenue (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Local Tax	19.08	9.54	19.08	—	— %
Project Offsets & Carryforwards	0.26	—	—	(0.26)	(100.0)%
Service Charges	0.21	—	0.21	—	— %
Licenses & Permits	0.08	0.03	0.08	—	— %
Interest Income	—	(0.03)	—	—	— %
Grants & Subsidies	—	0.10	0.10	0.10	— %
Miscellaneous Revenue	—	(0.01)	—	—	— %
Total Revenue	19.62	9.63	19.45	(0.17)	(0.9) %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$19.35 million, which is a savings of \$0.27 million, when compared to the Adjusted Budget of \$19.62 million.

Table 26: FY 2023-24 Landscaping and Lighting Assessment District (LLAD) Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Department of Transportation	2.60	1.20	2.55	0.05	1.8 %
Finance Department	0.03	0.01	0.03	—	— %
Non Departmental and Port	2.94	—	2.94	—	— %
Oakland Parks and Recreation Department	5.00	5.00	5.00	—	— %
Oakland Public Works Department	9.04	3.87	8.82	0.22	2.4 %
Total Expenditures	19.62	10.08	19.35	0.27	1.4 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$19.45 million. Expenditures

projected to end the year at \$19.35 million. As a result, the estimated available fund balance in the Landscaping and Lighting Assessment District (2310) is projected to increase to \$0.09 million in FY 2023-24.

Table 27: FY 2023-24 Landscaping and Lighting Assessment District (LLAD) Fund Balance (\$ in millions)

Landscaping & Lighting Assess. District Fund (LLAD) (2310)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance – Audited	\$ —
Revenue	19.45
Expenditures	19.35
Estimated Current Year Surplus/(Shortfall)	0.10
Estimated Ending Fund Balance	0.09

False Alarm Reduction Program Fund (2411)

The False Alarm Reduction Program was implemented by OPD in November 2003 by Ordinance No. 13015 C.M.S., and amended in 2010, to address the large number of false alarms that OPD was responding to each year. The revenue generated by these fees is to offset a portion of the expense that OPD incurs as a result of false alarm response. Fees also assist in encouraging residents and businesses to properly use and maintain their alarm systems, thus reducing false alarms.

Revenues - The FY 2023-24 year-end revenues in the False Alarm reduction Program Fund project to come in at \$1.11 million, which is \$0.33 million lower compared to the FY 2023-24 Adjusted Budget of \$1.44 million, inclusive of the \$0.06 million in use of Fund Balance assumed to support FY 2022-23 carryforwards. The year-end projection is slightly lower than the recent trend over the past three fiscal years, during which, on average, revenues have ended the year at \$1.15 million. During that same time span, on average, 35% of the year-end revenues had been collected through the second quarter. The second quarter of FY 2023-24 came in at a slower pace, with 28% of the Adjusted Budget for service charges collected through Q2.

Table 28: FY 2023-24 False Alarm Reduction Program Fund Revenue (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Service Charges	1.27	0.36	1.08	(0.19)	(15.1)%
Fines & Penalties	0.11	—	0.11	—	— %
Project Offsets & Carryforwards	0.06	—	—	(0.06)	(100.0)%
Interest Income	—	(0.05)	—	—	— %
Miscellaneous Revenue	—	(0.03)	—	—	— %
Total Revenue	1.44	0.28	1.11	(0.33)	(23.1)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$1.20 million, which is a savings of \$0.24 million, compared to the Adjusted Budget of \$1.44 million. The savings are primarily due to underspending in personnel costs.

Table 29: FY 2023-24 False Alarm Reduction Program Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Information Technology Department	0.11	0.06	0.13	(0.01)	(13.3)%
Police Department	1.33	0.42	1.07	0.26	19.5 %
Total Expenditures	1.44	0.49	1.20	0.24	16.9 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$1.11 million. Expenditures projected to end the year at \$1.20 million. As a result, the estimated available fund balance in False Alarm Reduction Program Fund (2411) is projected to decrease from negative \$3.66 million to negative \$3.75 million in FY 2023-24.

Table 30: FY 2023-24 False Alarm Reduction Program Fund Balance (\$ in millions)

False Alarm Reduction Fund (2411)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance – Audited	(3.66)
Revenue	1.11
Expenditures	1.20
Estimated Current Year Surplus/(Shortfall)	(0.09)
Estimated Ending Fund Balance	(3.75)

Development Service Fund (2415)

The Development Service Fund (2415) was created on June 20, 2006 by Ordinance No. 12741 C.M.S. This fund collects revenues from licenses, fees, and permits from housing and commercial planning and construction-related activities to support planning and zoning services, construction inspections and permit approvals, building code enforcement, plan checks and engineering services. This fund is required to keep a minimum 7.5% reserve of annual budgeted revenues for its balance, which would be \$5.48 million in FY2023-24.

Table 31: Historical Revenue for Fund 2415

Fiscal Year	Budgeted Revenue	Projected Year-end Revenue
FY 2023-24	73.02	46.47
FY 2021-22	63.98	73.94
FY 2020-21	47.33	50.25
FY 2019-20	61.58	60.71
FY 2018-19	49.92	63.20
FY 2017-18	45.14	90.13
FY 2016-17	38.03	77.15

Revenues - Year-end revenues project to come in at \$46.47 million, which is \$88.28 million or 65.5% under the Adjusted Budget of \$134.75 million. The FY 2023-24 \$134.75 million Adjusted Budget assumes \$31.27 million in use of fund balance to balance the FY 2023-24 Adjusted Budget and \$30.46 million in use of fund balance to support FY 2022-23 carryforward expenditures. The new year-end projection estimates that Licenses and Permits and Service Charges will match the first half performance during the second half of FY 2023-24.

Table 32: FY 2023-24 Development Service Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Licenses & Permits	41.91	10.67	21.34	(20.57)	(49.1)%
Transfers from Fund Balance	31.27	—	—	(31.27)	(100.0)%
Project Offsets & Carryforwards	30.46	—	—	(30.46)	(100.0)%
Service Charges	30.11	10.32	20.65	(9.46)	(31.4) %
Fines & Penalties	0.62	0.21	0.21	(0.42)	(66.9) %
Miscellaneous Revenue	0.38	1.96	1.96	1.58	417.4 %
Interest Income	—	1.84	1.84	1.84	— %
Grants & Subsidies	—	0.48	0.48	0.48	— %
Total Revenue	134.75	25.48	46.47	(88.28)	(65.5) %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures project to come in at \$108.30 million, which is a savings of \$26.44 million, when compared to the adjusted budget of \$134.75 million. The projected savings are mainly attributed to vacancies.

Table 33: FY 2023-24 Development Service Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
City Administrator	3.48	1.54	3.24	0.24	6.9 %
City Attorney	3.59	1.84	3.62	(0.03)	(0.8) %
City Auditor	0.05	0.03	0.05	—	(6.3) %
Department of Transportation	20.10	4.88	15.71	4.40	21.9 %
Economic and Workforce Development Department	2.62	1.14	2.31	0.32	12.1 %
Finance Department	1.81	0.68	1.84	(0.03)	(1.9) %
Fire Department	14.45	3.12	8.22	6.23	43.1 %
Human Resources Management Department	2.03	0.66	1.29	0.74	36.3 %
Information Technology Department	5.40	1.52	3.66	1.74	32.3 %
Mayor	0.35	0.07	0.12	0.23	64.7 %
Non Departmental and Port	2.68	0.06	2.68	—	— %
Oakland Public Works Department	3.21	0.66	2.99	0.22	6.9 %
Planning and Building Department	74.96	22.56	62.57	12.40	16.5 %
Total Expenditures	134.75	38.77	108.30	26.44	19.6 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - The large fund balance, \$27.76 million at the end of FY 2022-23, has accumulated over the life of the fund due to revenues exceeding the budget as well as longstanding underspending or delays in expenditures attributed to a high number of vacancies within the Planning and Building Department.

This fund is required to keep a minimum 7.5% reserve of annual budgeted revenues for its balance, which would be \$5.48 million in FY 2023-24.

FY 2023-24 revenue projects to end the year at \$46.47 million. Expenditures project to end the year at \$108.30 million. As a result, the estimated available fund balance in the Development Service Fund (2415) projects to decrease from \$122.38 million to \$60.55 million in FY 2023-24.

Table 34: FY 2022-23 Development Service Fund Year-End Available Fund Balance (\$ in millions)

Development Service Fund (2415)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 122.38
Revenue	46.47
Expenditures	108.30
Estimated Current Year Surplus/(Shortfall)	(61.83)
Estimated Ending Fund Balance	60.55

Transient Occupancy Tax (Measure C) Fund (2419)

The Transient Occupancy Tax (Hotel Tax) Fund (2419) is a City of Oakland initiative approved by voters in July 2009 that imposed a 3% special transient occupancy tax on the privilege of renting a hotel room in the City. The revenue generated by this special tax is allocated as follows: 50% to the Oakland Convention and Visitor’s Bureau for its expenses and promotion of tourism activities, and 12.5% each to the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and the City’s Cultural Arts Programs and Festivals.

Revenues - The FY 2023-24 year-end revenues project to come in at \$6.00 million, which is \$0.68 million or 10.2% under the Adjusted Budget of \$6.68 million. Declining volume in travel, which correlates to lower occupancy rates at hotels contribute to the estimated shortfall.

Table 35: FY 2023-24 Transient Occupancy Tax (Measure C) Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Transient Occupancy Tax	6.13	2.38	5.95	(0.18)	(2.9) %
Project Offsets	0.55	—	—	(0.55)	(100.0)%
Interest Income	—	0.03	0.03	0.03	— %
Miscellaneous Revenue	—	0.02	0.02	0.02	— %
Total Revenue	6.68	2.42	6.00	(0.68)	(10.2)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 year-end expenditures are projected to come in at \$6.49 million, which is a savings of \$0.19 million, when compared to the Adjusted Budget of \$6.68 million. The savings are primarily due to underspending in personnel costs.

Table 36: FY 2023-24 Transient Occupancy Tax (Measure C) Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Economic and Workforce Development Department	1.31	0.07	1.13	0.19	14.3 %
Non Departmental and Port	5.37	2.10	5.37	—	— %
Total Expenditures	6.68	2.17	6.49	0.19	2.8 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenues are projected to end the year at \$6.00 million. Expenditures are projected to end the year at \$6.49 million. As a result, the estimated available fund balance in the Measure C Fund (2419) is projected to decrease from \$1.32 million to \$0.82 million in FY 2023-24 .

Table 37: FY 2023-24 Transient Occupancy Tax (Measure C) Fund Year-End Available Fund Balance (\$ in millions)

Measure C - Transient Occupancy Tax (TOT) Surcharge Fund (2419)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 1.32
Revenue	6.00
Expenditures	6.49
Estimated Current Year Surplus/(Shortfall)	(0.49)
Estimated Ending Fund Balance	0.82

City Facilities Fund (4400)

The Facilities Fund (4400) is reported on a modified full accrual basis to reflect current assets and liabilities. The Fund supports the Citywide function for building maintenance and janitorial services of City-owned facilities. Revenues are generated by charges to internal user departments.

Revenues - The FY 2023-24 year-end revenues project to come in at \$50.01 million, which is \$3.53 million lower than the FY 2023-24 Adjusted Budget. The Adjusted Budget assumes \$6.74 million in use of fund balance to balance carryforward expenditures. The actual internal service fund revenues are expected to come in at \$46.24 million which is at budget since the cost recovery of the ISF funds budget is built into the budget.

Table 38: FY 2023-24 City Facilities Fund Revenues (\$ in millions)

Revenue Category	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Internal Service Funds	46.24	46.23	46.24	—	— %
Project Offsets & Carryforwards	6.74	—	—	(6.74)	(100.0)%
Service Charges	0.55	0.41	0.55	—	— %
Interest Income	—	(0.04)	—	—	— %
Miscellaneous Revenue	—	3.25	3.25	3.25	— %
Total Revenue	53.54	49.84	50.01	(3.53)	(6.6)%

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Expenditures - FY 2023-24 expenditures are projected to end the year at \$54.66 million, which is a savings of \$2.10 million, compared to the Adjusted Budget of \$56.76 million. The savings are primarily due to underspending in personnel costs.

Table 39: FY 2023-24 City Facilities Fund Expenditures (\$ in millions)

Agency / Department	FY 2023-24 Adjusted Budget	FY 2023-24 Q2 YTD Actuals	FY 2023-24 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	2.24	—	2.24	—	— %
City Administrator	0.41	0.23	0.46	(0.05)	(13.2) %
Human Resources Management Department	0.02	—	0.02	—	— %
Human Services Department	0.88	0.28	0.57	0.31	35.6 %
Non Departmental and Port	0.25	—	0.25	—	— %
Oakland Parks and Recreation Department	3.42	—	3.42	—	— %
Oakland Public Works Department	49.23	19.41	47.66	1.57	3.2 %
Police Department	0.31	0.01	0.04	0.27	88.1 %
Total	56.76	19.03	54.66	2.10	3.7 %

**The adjusted budget includes Council Budget Amendments and Carryforwards*

Fund Balance - FY 2023-24 revenue is projected to end the year at \$50.01 million. Expenditures ended the year at \$54.66 million. As a result, the estimated available fund balance in the Reproduction Fund (4400) is estimated to decrease from \$1.02 million to negative \$3.64 million in FY 2023-24.

Table 40: FY 2023-24 Facilities Fund Year-End Available Fund Balance (\$ in millions)

City Facilities Fund (4400)	FY 2023-24 Q2 Year-End Estimate
Beginning Fund Balance - Audited	\$ 1.02
Revenue	50.01
Expenditures	54.66
Estimated Current Year Surplus/(Shortfall)	(4.66)
Estimated Ending Fund Balance	(3.64)

ALL OTHER FUNDS – FUND BALANCE SUMMARY

Table 41: FY 2023-24 All Other Funds Year-End Available Fund Balances (\$ in millions)

Fund Description	FY23-24 Audited Beg Fund Balance	FY23-24 Year-End Rev Projections	FY23-24 Year-End Exp Projections	FY23-24 Year-end Estimated Fund Balance
1020 - Vital Services Stabilization Fund	10,633,663	-	10,485,706	147,957
1100 - Self Insurance Liability	29,693,820	59,999,561	60,421,442	29,271,939
1150 - Worker's Compensation Insurance Claims	-	578,188	9,891,333	(9,313,145)
1200 - Pension Override Tax Revenue	305,342,789	93,094,389	93,094,389	305,342,789
1610 - Successor Redevelopment Agency Reimbursement Fund	(98,586)	1,213,226	1,008,162	106,478
1700 - Mandatory Refuse Program	(2,288,891)	2,408,782	2,923,995	(2,804,104)
1710 - Recycling Program	4,147,109	6,445,018	6,346,216	4,245,911
1720 - Comprehensive Clean-up	939,179	24,112,197	24,634,770	416,606
1750 - Multipurpose Reserve	(6,078,873)	8,449,302	8,980,786	(6,610,357)
1760 - Telecommunications Reserve	(1,074,992)	1,273,113	1,304,872	(1,106,752)
1770 - Telecommunications Land Use	1,880,940	792,986	802,295	1,871,632
1780 - Kid's First Oakland Children's Fund	11,650,428	24,766,580	33,049,172	3,367,836
1820 - OPRCA Self Sustaining Revolving Fund	6,584,746	6,978,895	9,280,768	4,282,873

1870 - Affordable Housing Trust Fund	19,312,804	14,351,490	46,753,765	(13,089,470)
1882 - Multi Service Center/Rent	161,881	107,050	206,450	62,482
1885 - 2011A-T Subordinated Housing	24,141,386	748,351	1,237,938	23,651,800
2102 - Department of Agriculture	(461,789)	959,809	963,932	(465,912)
2103 - HUD-ESG/SHP/HOPWA	(9,124,618)	29,452,128	28,312,152	(7,984,642)
2108 - HUD-CDBG	(8,098,910)	13,513,155	12,962,830	(7,548,585)
2109 - HUD-Home	2,250,534	27,933,201	25,993,326	4,190,410
2112 - Department of Justice	(2,419,263)	3,294,262	2,788,829	(1,913,830)
2113 - Department of Justice - COPS Hiring	(1,009,715)	876,370	97,728	(231,073)
2120 - Federal Action Agency	75,221	833,319	652,654	255,887
2123 - US Dept of Homeland Security	(309,521)	1,960,163	1,943,799	(293,156)
2124 - Federal Emergency Management Agency (FEMA)	(599,992)	22,676,411	3,431,697	18,644,722
2125 - Environmental Protection Agency	2,738,637	1,429,569	1,538,626	2,629,581
2128 - Department of Health and Human Services	1,141,930	36,253,852	29,479,860	7,915,923
2138 - California Department of Education	1,393,501	5,566,161	3,297,441	3,662,221
2139 - California Department of Conservation	(4,799,157)	9,104,200	8,981,678	(4,676,635)
2144 - California Housing and Community Development	421,816	114,599,581	113,328,868	1,692,530
2152 - California Board of Corrections	(4,097,675)	11,443,634	9,106,795	(1,760,836)
2159 - State of California Other	5,697,405	144,749,602	135,535,497	14,911,510
2160 - County of Alameda: Grants	1,093,920	1,859,860	1,800,798	1,152,982
2162 - Metro Transportation Com: TDA	(57,255)	1,221,259	1,605,921	(441,916)
2163 - Metro Transportation Com: Program Grant	(201,264)	(1)	(1)	(201,264)
2164 - Congestion Mitigation & Air Quality (CMAQ)	(91,003)	-	-	(91,003)

2172 - Alameda County: Vehicle Abatement Authority	(327,889)	34,506	193,014	(486,397)
2190 - Private Grants	93,109	168,409	83,196	178,322
2195 - Workforce Investment Act	1,014,733	7,918,228	6,669,813	2,263,148
2215 - Measure F - Vehicle Registration Fee	3,258,649	1,813,031	4,032,380	1,039,301
2241 - Measure Q-Library Services Retention & Enhancement	10,204,898	20,324,834	21,453,591	9,076,141
2243 - Measure D - Parcel Tax to Maintain, Protect & Improve Library Services	10,211,470	15,345,586	15,994,327	9,562,729
2250 - Measure N: Fund	863,491	2,053,220	2,473,344	443,367
2252 - Measure Z - Violence Prevention and Public Safety Act of 2014	13,445,310	30,825,609	37,081,619	7,189,299
2253 - Oakland Zoo Fund	-	14,227,333	14,227,333	-
2261 - Measure AA - Oversight	2,598,961	2,814,861	4,755,169	658,653
2262 - Measure AA - Early Education	13,151,155	24,931,626	36,521,878	1,560,903
2263 - Measure AA - Oakland Promise	5,417,689	12,465,813	18,261,170	(377,668)
2330 - Werner Court Vegetation Mgmt District	63,119	3,627	3,200	63,545
2331 - Wood Street Community Facilities District	543,047	91,251	181,875	452,424
2332 - Gateway Industrial Park	939,470	1,281,807	1,913,071	308,207
2333 - Brooklyn Basin Public Services	503,533	502,382	979,403	26,511
2412 - Measure M - Alameda County: Emergency Dispatch Service Supplemental Assessment	880,758	2,578,140	2,511,153	947,745
2413 - Rent Adjustment Program Fund	1,095,131	10,924,431	10,795,749	1,223,813
2416 - Traffic Safety Fund	89,106	987,453	941,316	135,243
2417 - Excess Litter Fee Fund	1,454,361	892,115	437,849	1,908,627
2420 - Transportation Impact Fee	9,373,212	1,844,081	8,276,387	2,940,906

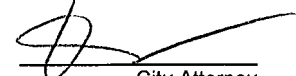
2421 - Capital Improvements Impact Fee Fund	5,898,947	1,795,540	4,760,224	2,934,263
2423 - Jobs Housing Impact Fee Fund	13,960,546	4,979,581	12,804,226	6,135,901
2424 - Affordable Housing Impact Fee Fund	23,618,274	3,481,733	15,596,378	11,503,629
2430 - Lead Settlement 2022	4,887,401	-	9,453,356	(4,565,955)
2826 - Mortgage Revenue	2,061,198	89,492	1,945,391	205,299
2830 - Low and Moderate Income Housing Asset Fund	25,235,715	5,990,000	34,501,568	(3,275,853)
2990 - Public Works Grants	(911,022)	326,687	365,858	(950,193)
2994 - Social Services Grants	442,929	1,234,859	911,333	766,454
2996 - Parks and Recreation Grants 2001	(16,941)	101,224	101,224	(16,941)
2999 - Miscellaneous Grants	9,761,559	12,880,543	13,410,318	9,231,784
3100 - Sewer Service Fund	100,101,582	70,591,238	144,466,666	26,226,154
3200 - Golf Course	(252,843)	776,882	633,289	(109,250)
4100 - Equipment	27,345,262	33,286,368	44,033,868	16,597,762
4200 - Radio / Telecommunications	6,106,374	7,928,265	9,861,261	4,173,378
4210 - Telephone Equipment and Software	(227,294)	955,341	897,955	(169,908)
4300 - Reproduction	613,089	1,385,264	1,205,782	792,571
4450 - City Facilities Energy Conservation Projects	(202,490)	-	3,799	(206,289)
4500 - Central Stores	(120,856)	619,201	687,848	(189,503)
4550 - Purchasing	(35,849)	3,210,525	2,518,706	655,970
4600 - Information Technology	15,319,957	15,990,315	27,937,643	3,372,630
5322 - Measure DD: 2017C Clean Water, Safe Parks & Open Space Trust for Oakland	11,506,260	195,324	11,701,585	-
5330 - Measure KK: Infrastructure and Affordable Housing	6,589,367	115,817	6,705,184	-

5331 - Measure KK: Affordable Housing (GOB 2017A-2 Taxable)	9,508,883	167,306	9,676,190	-
5332 - Measure KK: Infrastructure Series 2020B-1 (Tax Exempt)	19,959,648	341,323	20,300,970	-
5333 - Measure KK: Affordable Housing Series 2020B-2 (Taxable)	14,804,071	250,834	15,054,905	-
5335 - Measure KK: Infrastructure Series 2022C-1 (Tax Exempt)	144,715,421	2,620,573	147,335,994	-
5337 - Measure KK: Series 2023 GOB	-	52,179,375	52,179,375	-
5340 - Measure U: Affordable Housing and Infrastructure GOB	-	100,575,625	100,575,625	-
5341 - Measure U: Affordable Housing GOB Series 2023A-2 (Taxable)	-	68,000,000	68,000,000	-
5505 - Municipal Capital Improvement: Public Arts	3,301,801	211,648	1,431,128	2,082,321
5610 - Central District Projects	23,650,797	200,000	9,683,740	14,167,058
5611 - Central District: TA Bonds Series 2003	12,831,140	36,097	2,299,738	10,567,499
5612 - Central District: TA Bonds Series 2005	6,063,664	41,676	2,572,300	3,533,039
5613 - Central District: TA Bonds Series 2009T	3,274,844	565,362	4,169,615	(329,410)
5614 - Central District: TA Bonds Series 2006T	11,496,245	2,135,877	7,676,869	5,955,252
5638 - BMSF: TA Bond Series 2006C-T	435,165	4,629	157,679	282,115
5643 - Central City East TA Bonds Series 2006A-T (Taxable)	19,373,751	122,191	6,763,942	12,732,001
5650 - Coliseum Projects	5,038,104	107,759	3,453,105	1,692,758
5656 - Coliseum: TA Bonds Series 2006B-T (Taxable)	46,387,935	-	6,120,122	40,267,812
5671 - OBRA: Leasing & Utility	54,713,494	1,600,000	4,628,187	51,685,307
5999 - Miscellaneous Capital Projects	3,005,830	3,007,843	7,352,872	(1,339,199)
6013 - 2013 LED Streetlight Acquisition Lease Financing	107,199	1,469,110	1,469,110	107,199
6029 - Taxable Pension Obligation Bonds: 2012 Series-PFRS	7,346,983	53,280,555	53,267,865	7,359,673
6032 - Taxable Pension Obligation: Series 2001	328,744	6,179	-	334,924

6064 - GO Refunding Bonds, Series 2015A	2,995,920	5,510,175	5,510,175	2,995,920
6322 - Measure DD: 2017C Clean Water, Safe Parks & Open Space Trust for Oakland	609,368	1,456,932	2,066,300	-
6330 - Measure KK: 2017A-1 (TE) Infrastructure and Affordable Housing	1,380,783	2,247,557	3,628,340	-
6331 - Measure KK: 2017A-2 (Taxable) Infrastructure and Affordable Housing	1,095,854	4,141,280	5,237,134	-
6332 - Measure KK: 2020B-1 GOB	2,408,892	3,941,200	6,350,092	-
6333 - Measure KK: 2020B-2 GOB	498,704	4,965,017	5,463,721	-
6334 - 2020 GOB Refunding	3,070,178	5,808,027	8,878,205	-
6335 - Measure KK: Infrastructure Series 2022C-1 GOB (Tax Exempt)	20,963,275	10,451,150	31,414,425	-
6336 - Measure KK: Infrastructure Series 2022C-2 GOB (Taxable)	(13,772,151)	36	(13,772,116)	-
6337 - Measure KK: Infrastructure Series 2023D GOB (Tax-Exempt)	-	4,472,690	4,472,690	-
6340 - Measure U: Infrastructure Series 2023 A-1 GOB (Tax-Exempt)	-	9,223,221	9,223,221	-
6341 - Measure U: Affordable Housing GOB Series 2023A-2 (Taxable)	-	370,000	370,000	-
6540 - Skyline Sewer District - Redemption	35,448	-	20,000	15,448
6557 - Piedmont Pines P1 2018 Reassessment Refunding Bond	224,451	111,885	131,626	204,710
6587 - 2012 Refunding Reassessment Bonds-Debt Service	908,328	419,687	419,687	908,328
6613 - JPFA Lease Revenue Refunding Bonds, Series 2018	(9,095)	8,335,000	8,335,000	(9,095)
6999 - Miscellaneous Debt Service	-	25,000,000	25,000,000	-
7100 - Police and Fire Retirement System	416,185,696	16,961,963	3,316,397	429,831,262
7130 - Employee Deferred Compensation	2,636	42,505	51,484	(6,344)
7320 - Police and Fire Retirement System Refinancing Annuity Trust	42,045,196	4,086,166	4,086,166	42,045,196
7540 - Oakland Public Library Trust	1,360,232	103,399	1,133,530	330,100

7640 - Oakland Public Museum Trust	628,637	19,856	584,790	63,703
7760 - Grant Clearing	(5,744,471)	-	11,180,092	(16,924,563)
7999 - Miscellaneous Trusts	2,931,973	377,536	1,992,575	1,316,933

2018 APR 13 AM 9:29


City Attorney

OAKLAND CITY COUNCIL
ORDINANCE NO. 13487 C.M.S.

**ORDINANCE AMENDING THE CITY OF OAKLAND
CONSOLIDATED FISCAL POLICY**

WHEREAS, the City Council adopted Ordinance No. 13279, known as the Consolidated Fiscal Policy, on December 9, 2014; and,

WHEREAS, the Government Finance Officers Association (GFOA) recommends that local governments adopt formal policies in the areas of financial management, planning, revenues, and expenditures; and

WHEREAS, the Consolidated Fiscal Policy sets forth guidelines for budget balancing, use of volatile revenues, use of one-time revenues, process for carryforward appropriations, long-term financial planning, and transparency & public participation; and

WHEREAS, the Consolidated Fiscal Policy establishes reserve funds for emergencies, insurmountable and unanticipated hardship, and for capital improvement; and

WHEREAS, the Consolidated Fiscal Policy establishes a reserve fund to stabilize the provision of vital services, and protect against service reductions, layoffs, furloughs, and similar measures in times of economic hardship; and

WHEREAS, the Consolidated Fiscal Policy provides for accelerated debt repayment and pay-down of unfunded long-term obligations; and

WHEREAS, City staff recommends the definition of excess Real Estate Transfer Tax should be modified based on historical experience; and

WHEREAS, the Consolidated Fiscal Policy will include the policies on budgeting practices, reserve funds, and budget process, fiscal planning, transparency, and public participation; now, therefore

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The Council does find, determine and declare the foregoing recitals to be true and correct and hereby adopts and incorporates them into this Ordinance.

Section 2. The City of Oakland Consolidated Fiscal Policy is hereby, amended, approved, and adopted in the form attached hereto as Exhibit 1.

Section 3. In conformance with best practice and sound financial management, the City shall continue to separately maintain and submit on an as needed basis to the City Council, statements of the City's Debt Policy and Investment Policy.

IN COUNCIL, OAKLAND, CALIFORNIA, MAY 15 2018

PASSED BY THE FOLLOWING VOTE:

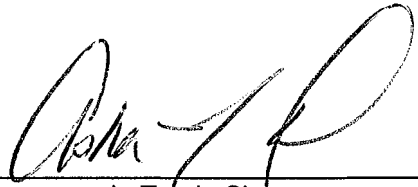
AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN, ~~AND PRESIDENT~~ - 7

NOES- 0

ABSENT- 0

ABSTENTION- 0

Excusee - Reid

ATTEST: 

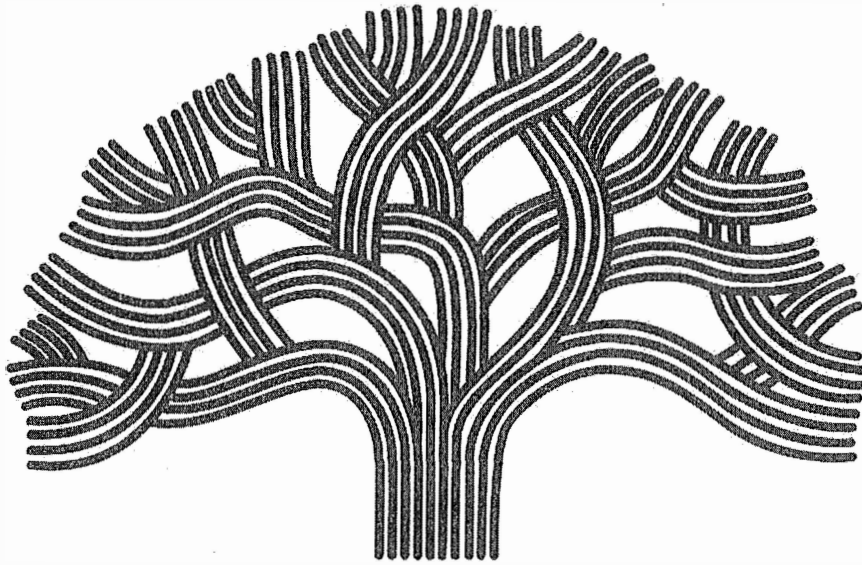
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

Introduction Date

MAY 01 2018

CITY OF OAKLAND

CONSOLIDATED FISCAL POLICY



Section 1. Budgeting Practices

Part A. General Provisions

The City's Fiscal Year shall begin on July 1st of each year and end on June 30th of the subsequent year. The City shall adopt a two-year biennial policy budget by June 30th of odd-numbered calendar years. The City shall amend its biennial policy budget (midcycle) by June 30th of even-numbered years. The budget and midcycle amendments shall be adopted by resolution of the City Council as required by the City Charter.

Part B. Policy on Balanced Budgets

The City shall adopt 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.

This policy entails the following additional definitions and qualifications:

1. The budget must be balanced at an individual fund level.
2. City policies on reserve requirements for individual funds must be taken into account. The appropriated expenditures included in the balanced budget equation must include the appropriations necessary to achieve or maintain reserve targets.
3. Appropriated revenues can include transfers from unallocated fund balance where such fund balance is reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. Transfers from fund balance are not to be counted as revenue if the fund balance is not reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. (Note: The precise definition of 'fund balance' will vary from fund to fund, depending on the fund's characteristics and accounting treatment.)
4. Appropriated expenditures can include transfers to fund balance or to reserves.

From time to time the City Council may present changes in policy and consider additional appropriations that were not anticipated in the most recently adopted budget. Amendments by the City Council shall maintain a balanced budget.

Each fiscal year the City Administrator shall report to the City Council on actual revenues and expenditures in the General Purpose Fund and other funds as deemed necessary.

Part C. Use of Excess Real Estate Transfer Tax (RETT) Revenues

To ensure adequate levels of the General Purpose Fund reserves and to provide necessary funding for municipal capital improvement projects and one-time expenses, the City shall require that excess Real Estate Transfer Tax revenues be defined and used as follows:

1. The excess Real Estate Transfer Tax (RETT) revenue is hereby defined as any amount of projected RETT revenues that exceed 15% of General Purpose Fund Tax Revenues (inclusive of RETT).
2. The excess Real Estate Transfer Tax, as described in this section, shall be used in the following manner and appropriated through the budget process:
 - a. At least 25% shall be allocated to the Vital Services Stabilization Fund, until the value in such fund is projected to equal to 15% of total General Purpose Fund revenues over the coming fiscal year; and
 - b. At least 25% shall be used to fund debt retirement and unfunded long-term obligations such as negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post-Employment Benefits (OPEB) unfunded liabilities; and
 - c. The remainder shall be used to fund one-time expenses or to augment reserves.
3. Use of the excess RETT revenues for purposes other than those established in this section must be authorized by City Council resolution. The resolution shall explain the need for using excess RETT revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using excess RETT revenues pursuant to this section.
4. Following the completion of the annual audit, excess RETT revenues will be analyzed to determine whether the transfers to the Vital Services Stabilization Fund or expenditures to fund debt retirement and unfunded long-term obligations were sufficient. If insufficient funds were transferred, a true-up payment shall be made in the next fiscal year. If the transfers exceed the actual requirement, the amounts in excess may be credited against allocations in the next fiscal year.

Part D. Use of One-Time Revenues

1. One-time revenues are defined as resources that the City cannot reasonably expect to receive on an ongoing basis, such as proceeds from asset sales and debt refinancing. This part shall not apply to the use of excess RETT revenues pursuant to Section 1. Part C.
2. Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses. Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes: to fund one-time expenditures, to fund debt retirement and unfunded long-term obligations such as negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post-Employment Benefits (OPEB) unfunded liabilities; or shall remain as fund balance.

3. Use of one-time revenues for purposes other than those established in in this section must be authorized by City Council resolution. The resolution shall explain the need for using one-time revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using one-time revenues pursuant to this section.

Part E. Use of Unassigned General Purpose Fund Balance

Any unassigned General Purpose Fund balance, as projected in the 3rd Quarter Revenue and Expenditure Report, and not budgeted for other purposes, shall be used in accordance with Section 1, Part D.

Part F. Analysis of Funding for Debt or Unfunded Long-Term Obligations From Certain Revenues

When excess RETT or other one-time revenues are used to fund accelerated debt retirement or unfunded long-term obligations, the City Administrator shall present his or her analysis and recommendations to the Council based on the best long-term financial interest of the City.

Part G. Criteria for Project Carryforwards and Encumbrances

Previously approved but unspent project appropriations ("carryforwards") and contingent liability reserves for current purchases or contracts that are paid in the following fiscal year ("encumbrances") are financial obligations against reserves. Fiscal prudence requires that such obligations be limited.

Each fiscal year, the Finance Department will submit a list of eligible carryforwards and encumbrances to all departments for evaluation for all funds, including the General Purpose Fund. Departments may request to retain some or all carryforwards and encumbrances when such balances are:

1. Deemed essential to the delivery of active city projects, programs and services; or
2. If the liquidation of such balances would be in violation of legislative or legal requirements.

A departmental request to retain project carryforwards and/or encumbrances must be submitted to the Finance Department. Departments shall provide specific reasons for requested project carryforwards and encumbrance carryforwards, including, but not limited to, those reasons outlined above. Carryforward of project appropriations in funds with negative balances will only be allowed on an exception basis.

The Finance Department will recommend to the City Administrator an action on the departmental requests. The City Administrator shall make a final determination on project carryforward and encumbrances, and will direct the Finance Department to make carryforwards

available to the appropriate department.

Part H. Grant Retention Clauses

Prior to the appropriation of revenues from any grant outside of the budget process, the City Council shall be informed of any retention clauses that require the City to retain grant-funded staff, services, programs, or operations beyond the term of the grant. The fiscal impacts of such retention clauses shall be disclosed. During the biennial budget process staff shall report to the Council the ongoing projected fiscal impacts of such retention clauses.

Part I. Alterations to the Budget

Substantial or material alterations to the adopted budget including shifting the allocation of funds between departments and substantial or material changes to funded service levels, shall be made by resolution of the City Council.

The Finance Department will include departmental expenditure projections for the General Purpose Fund in the Second Quarter Revenue & Expenditure Report. In the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), the City Administrator shall bring an informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget.

Part J. Transfers of Funds between accounts.

The City Administrator shall have the authority to transfer funds between personnel accounts, and between non-personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts within a department provided that cumulative transfers within one fiscal year do not exceed 5% of the original personnel account allocation of that department. The City Administrator shall have the authority to transfer funds from non-personnel accounts to personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts if the transfer is required to meet the conditions of or maximize the funding derived from a grant that has been approved by the City Council. For the purposes of this section accounts for the provision of temporary personnel services shall be considered personnel accounts.

Part K. Pay-Go Account Expenditures, Priority Project Fund Expenditures, and Grants

The City Council hereby finds and determines that it is in the public interest to spend Pay-go account fund to facilitate and support programs & services of the City of Oakland, capital improvement projects of the City of Oakland, and programs & capital improvement projects of the public schools and other public entities within the City of Oakland. The Council authorizes Pay-Go account funds to be used for the following purposes:

Capital Improvements:

1. To pay for or augment funding for a City of Oakland capital improvement project including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and
2. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or other public entity for use on capital improvement project within the City of Oakland, including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and

Furniture & Equipment:

3. To pay for or augment funding for purchase of furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the City of Oakland; and
4. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or another public entity to be used for furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the public school or public entity.

Pay-go purposes stated above shall operate as restrictions on Pay-go expenditures or Pay-go grants, regardless of the Pay-go account funding source.

Pay-go purposes stated above shall apply to any and all Pay-go expenditures or grants made by the Mayor and each City Councilmember. All Pay-go expenditures and grants shall be administered by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

In accord with the City Council's motion approving the initial allocation of Councilmember Priority Project funds on June 8, 2006, the City Councilmembers must obtain City Council approval for all Priority Project expenditures.

All Priority Project fund grants approved by the City Council and shall be administered and executed by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

Section 2. Reserve Funds

Part A. General Purpose Fund Emergency Reserve Policy

1. Council hereby declares that it shall be the policy of the shall City of Oakland maintain in each fiscal year a reserve equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations as adopted in the biennial or midcycle budget, and not including prior year carryforwards, encumbrances, or appropriations to Fund Balance for, such fiscal year (the "General Purpose Fund Emergency Reserve Policy"),
2. Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the General Purpose Funds Emergency Reserve to the City Council and on the adequacy of the of the 7.5% reserve level. If in any fiscal year the General Purpose Fund Reserve Policy is not met, the City Administrator shall present to Council a strategy to meet the General Purpose Funds Emergency Reserve Policy. Each year, the City Administrator shall determine whether the 7.5% reserve level requires adjustment and recommend any changes to the City Council.
3. The amounts identified as the General Purpose Funds Emergency Reserve may be appropriated by Council only to fund unusual, unanticipated and seemingly insurmountable events of hardship of the City, and only upon declaration of fiscal emergency. For the purposes of this Ordinance, "fiscal emergency" may be declared (1) by the Mayor and approved by the majority of the City Council, or (2) by a majority vote of the City Council.
4. Prior to appropriating monies from the General Purpose Funds Emergency Reserve, the City Administrator shall prepare and present such analysis to the City Council. Upon review and approval of the proposed expenditure by the City Council, and appropriate fiscal emergency declaration necessary for the use of GPF reserve, the City Administrator will have the authority to allocate from the reserves.

Part B. Vital Services Stabilization Fund Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Vital Services Stabilization Fund (VSSF) with a target funding level of 15% of General Purpose Fund Revenues. The funding of the Vital Services Stabilization Fund shall be made pursuant to Section 1, Part C concerning excess Real Estate Transfer Tax.
2. In years when the City forecasts that total General Purpose Fund revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services.
3. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years.

Part C. Capital Improvements Reserve Fund

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Capital Improvements Reserve Fund.
2. Revenue received from one time activities, including the sale of Real Property, shall be deposited into the Capital Improvements Reserve Fund, unless otherwise directed by a majority vote of the City Council. Interest earnings on monies on deposit in the Capital Improvements Reserve Fund shall accrue to said fund and be maintained therein.
3. Monies on deposit in the Capital Improvements Reserve Fund may be appropriated by Council to fund unexpected emergencies, major capital maintenance, repair costs to City-owned facilities and to fund capital improvement projects through the Five-Year Capital Improvement Program.

Section 3. Budget Process, Fiscal Planning, Transparency, and Public Participation

Unless otherwise noted all timelines apply only to budget development years, normally odd numbered years and not to mid-cycle revisions to an adopted two-year budget.

1. Assessment of Stakeholder Needs, Concerns and Priorities

Timeline: Budget Advisory Committee review prior to survey release. Survey completion by December 5th of even-numbered years. Results publicly available within three weeks of survey's close.

Requirements: The City Administrator should develop or secure a statistically valid survey for assessing the public's concerns, needs and priorities prior to the development of the biennial budget. Whenever feasible, the City should conduct a professional poll administered to a statistically relevant and valid sample of residents that is representative of Oakland's population in terms of race, income, neighborhood, age, profession, family size, homeownership/renter-ship, etc. If that's not possible, then demographic information should be collected and reported out with the survey results.

Prior to release, the survey questions shall be submitted to the Budget Advisory Committee by September 1st of even numbered years for review of bias, relevance, consistency in administration, inclusion of benchmark questions, and ability to assess concerns, needs and priorities. The survey instrument, method of dissemination, and any instructions for administration shall be publicly available. The survey should be conducted following the November election and before December 5th.

If the City cannot afford a professional survey, an informal survey shall be made available for broad dissemination by the Mayor and Councilmembers through community list serves and other communication channels. Furthermore, the City Administrator shall take steps to promote participation, such as issuing a Flyer promoting participation in the survey and methods of participation (survey internet link, email, phone number) and posting such Fliers near publicly available computers in all City libraries, Recreation Centers, and Senior Centers. A list of those dissemination channels should be publicly available along with survey results.

Survey results should be publicly available within three weeks of the completion and analysis of the survey. Survey results should be made widely available, shared on social media, and published on the City's Budget website. In the event that City's statistically valid survey has been completed, the Mayor and City Administrator shall include in their proposed budget a summary of the survey data and a statement regarding how the data was or was not incorporated into the final proposed budget. Informal surveys and their results shall be made public but not included in their proposed budget document.

The City Administrator shall development a standardized and diverse means of collecting resident input via other means prior to budget development.

2. Council Initial Budget Briefing and Priorities Discussion

Timeline: February

Requirements: The Mayor and City Council will hold a bi-annual budget workshop soon after the commencement of the Council term. The workshop will include briefings on estimated baseline expenditures, revenue projections and an overview of the City's budgeting process. The workshop will provide the Mayor and Council with the opportunity to begin discussing priorities for the next budget year based on the Assessment of Stakeholder Needs, Concerns and Priorities.

3. Five-Year Forecast

Timeline: Produced and heard by the Council's Finance & Management Committee or the full City Council in February or March. Forecast Fact Sheets should be distributed to City community centers and Forecast data should be available on Open Data Portal within two weeks of the Council hearing.

Requirements: Each Budget Cycle, the City Administrator must prepare a Five-Year Forecast.

The Five-Year Financial Forecast ("Forecast") is a planning tool that estimates the City's likely revenues and expenditures over five-years, based on appropriate financial, economic, and demographic data. The purpose of the Forecast is to surface all major financial issues and estimate future financial conditions to support informed long-term decision making. Such planning provides for greater financial stability, signals a prudent approach to financial management, and is consistent with best practices.

The Forecast shall contain the two-year baseline budget for the forthcoming budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus an additional three-year forecast of revenues and expenditures. The Baseline Budget shall consist of projected expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues for the two-year period.

The Forecast shall also contain information on the variance between prior forecasts and actual amounts, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available; minimally revenue projections shall take into account projected revenue for the current fiscal year, as reflected in the 2nd quarter Revenue and Expenditure Report, with appropriate trending into future years and an explanation as to how such revenue projections were derived.

The report shall include a Five-Year Forecast "Fact Sheet" document, which summarizes the Forecast's key findings with simplified text and graphics to make this important budgetary information more accessible to the general public. Within two weeks after the Forecast is heard by the City Council, the City Administrator shall print and distribute the Forecast Fact Sheet to all City libraries, recreation centers and senior centers, including in languages required by Oakland's Equal Access Ordinance. The full Forecast shall also be posted on the City of Oakland's website. Forecast data shall be available in open data format on Oakland's data portal.

4. **Statement of Councilmember Priorities**

Timeline: Written submission due by March 15th.

Requirements: City Council Members will have the opportunity to advise the Mayor and City Administrator publicly of their priorities. Each Councilmember shall be invited to submit up to seven expenditure priorities in ranked and/or weighted order for changes to the baseline budget as presented in the Five-Year Forecast. Councilmember priority statements must be submitted as part of a report to be heard by the City Council and/or in a publicly available writing to the Mayor and City Administrator by March 15. In addition to the priorities, Councilmembers may also submit other suggestions, including revenue suggestions.

5. **Administrator's Budget Outlook Message & Calendar Report**

Timeline: Heard by City Council before April 15th.

Requirements: The City Administrator shall bring as a report to the City Council a Budget Outlook Message & Calendar no later than April 15th that provides an overview of the budget development process and lists all key dates and estimated dates of key budget events, including, but not limited to the release of the Mayor and Administrator's Proposed Budget, Community Budget Forums, Council meetings, and formal budget passage dates. This publication shall be posted on the City's website and by other means determined by the City Administrator.

6. **Release of Mayor & Administrator's Proposed Budget & Fact Sheet**

Timeline: Published and publicly available by May 1st. Heard by City Council and Fact Sheet distributed by May 15th.

Requirements: The Proposed Budget must be released by May 1st and shall clearly indicate any substantive changes from the current baseline budget, including all changes to service levels from the current budget. The Proposed Budget shall indicate staffing by listing the number of positions in each classification for each Department, including a listing of each position proposed for addition or deletion. The Council shall hold a public meeting to present the Proposed Budget no later than May 15th in budget adoption years. The full proposed budget document shall be made available online from the City's website, and printed copies shall be available in all City libraries. Additionally, the proposed budget data shall be available in open data format on the City's open data portal by May 1st. Every effort should be made to thoroughly respond to any public request for departmental budget details, such as line item budgets. The requested information shall also be made available on the City's website and open data portal within a reasonable time following the request.

The Proposed Budget must include a Budget Fact Sheet with easy-to-understand graphics and text explaining the City's overall finances, the Proposed Budget and that year's Budget Calendar. The Fact Sheet shall be published in languages required by Oakland's Equal Access Ordinance. The Fact Sheet shall be printed and made available in all City Recreation Centers and Senior Centers as well as all City libraries by May 15th or the presentation to the Council, whichever is

sooner.

7. Community Budget Forums

Timeline: During the months of May and June of odd-numbered years

Requirements: The Administration and Council shall hold at least one (1) Community Budget Forum in each council district. These forums, organized by the City Administrator's Office in partnership with Councilmembers shall be scheduled to maximize residents' access. The forums should include sufficient time for a question and answer period in a format that maximizes community participation, as well as a presentation of budget facts by City staff. One or more of the forums must be scheduled in the evening. Another must be scheduled on the weekend. These meetings shall also be scheduled so that Councilmembers have sufficient opportunity to attend a meeting close to their council district. Every member of the City Council shall make their best effort to attend the Community Budget Forum in their council district. Sufficient Fact Sheets in all available languages shall be available at all Forums.

These forums should be publicized in social media and via other means in a manner that is linguistically and culturally appropriate. City Council staff shall work with community-based, faith-based, identity based, and district specific organizations to ensure that a representative and broad group of residents is aware and encouraged to attend each forum.

8. Ongoing Public Education

Timeline: During the months of May and June of even-numbered years

Requirements: Beginning with the first even-numbered year following adoption of this ordinance, the Administration and City Council shall hold at least three (3) Community Budget Education Presentations in different neighborhoods throughout the City and outside of City Hall. These presentations shall seek to increase Oakland residents understanding and awareness of the City Budget and Budget process.

9. Budget Advisory Commission's Report

Timeline: June 1st

Requirements: The Budget Advisory Committee (BAC) shall be requested to submit published, written report to the full City Council regarding the proposed budget with any suggested amendments no later than June 1 in budget adoption years. If submitted, the statement shall be published as part of the next budget report to the City Council. The BAC is encouraged to provide similar statements during the mid-cycle budget revise and any other significant budget actions.

10. Council President's Proposed Budget

Timeline: June 17th

Requirements: The City Council President, on behalf of the City Council, shall prepare a proposed budget for Council consideration to be heard at a Special City Council Budget Hearing occurring on or before June 17th. The Council President may delegate the duty to prepare a budget proposal to another member of the Council. The Finance Department will provide a costing analysis for proposed amendments. The City Council may schedule additional Special City Council Budget Hearings or Workshops as needed.

11. Council Budget Amendments

Timeline: No later than up to three (3) days prior to final budget adoption for public noticing

Requirements: In addition to the Council President's proposed budget, any Councilmember or group of Councilmembers may submit proposed budget amendments at any time during the budget process. However, the adopted budget shall not contain substantive amendments made on the floor by Councilmembers at the final meeting when the budget is adopted. All substantive amendments must have been published in the City Council agenda packet for at least three days prior to the budget's final adoption and posted on the City's budget website. This shall not preclude Council members from combining elements from various proposals, provided each element considered has been published in the City Council agenda packet as a component of one proposal. This three-day noticing requirement may be waived by a vote of Council upon a finding that (1) new information impacting the budget by at least \$1 million dollars came to the attention of the body after the publication deadline making it not reasonably possible to meet the additional notice requirement and (2) the need to take immediate action on the item is required to avoid a substantial adverse impact that would occur if the action were deferred to a subsequent special or regular meeting, such as employee layoffs.

Councilmembers will present their proposed amendments in an easy to understand, standardized format provided by the City Administrator. The format should allow the proposals to be easily compared to the Mayor's Proposed Budget and to one another. Additions and reductions shall be clearly noted in separate sections.

In order to provide sufficient time to evaluate the cost of proposals, Councilmembers should request costing analyses for proposed budget amendments or line-items within a budget amendment to the City Administrator at least six (6) working days prior to the City Council meeting where that amendment will be considered.

12. Process Feedback & Continual Improvement

Timeline: September 30th following budget adoption

Requirements: The Budget Advisory Commission (BAC) shall be requested to submit an Informational Report to the Council's Finance and Management Committee and City Council containing their analysis of the budget adoption process including, but not limited to: 1) the informational quality of the Proposed Budget; 2) the City Administration's and City Council's attention to engaging the public and its impacts on the budget process and product; 3) the level of

transparency and open dialogue in all public meetings dedicated to the budget; and 4) opportunities for improving the process in future years. In assessing opportunities for continually improving public participation in the budget process, the Administration, City Council and BAC shall be requested to consider the following guiding principles:

- **Inclusive Design:** The design of a public participation process includes input from appropriate local officials as well as from members of intended participant communities. Public participation is an early and integral part of issue and opportunity identification, concept development, design, and implementation of city policies, programs, and projects.
- **Authentic Intent:** A primary purpose of the public participation process is to generate public views and ideas to help shape local government action or policy.
- **Transparency:** Public participation processes are open, honest, and understandable. There is clarity and transparency about public participation process sponsorship, purpose, design, and how decision makers will use the process results.
- **Inclusiveness and Equity:** Public participation processes identify, reach out to, and encourage participation of the community in its full diversity. Processes respect a range of values and interests and the knowledge of those involved. Historically excluded individuals and groups are included authentically in processes, activities, and decision and policymaking. Impacts, including costs and benefits, are identified and distributed fairly.
- **Informed Participation:** Participants in the process have information and/or access to expertise consistent with the work that sponsors and conveners ask them to do. Members of the public receive the information they need, and with enough lead time, to participate effectively.
- **Accessible Participation:** Public participation processes are broadly accessible in terms of location, time, and language, and support the engagement of community members with disabilities.
- **Appropriate Process:** The public participation process uses one or more engagement formats that are responsive to the needs of identified participant groups; and encourage full, authentic, effective and equitable participation consistent with process purposes. Participation processes and techniques are well- designed to appropriately fit the scope, character, and impact of a policy or project. Processes adapt to changing needs and issues as they move forward.
- **Use of Information:** The ideas, preferences, and/or recommendations contributed by community members are documented and given consideration by decision-makers. Local officials communicate decisions back to process participants and the broader public, with a description of how the public input was considered and used.
- **Building Relationships and Community Capacity:** Public participation processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders. This may include relationships with other temporary or ongoing community participation venues.
- **Evaluation:** Sponsors and participants evaluate each public participation process with the collected feedback and learning shared broadly and applied to future public participation efforts.

AN ORDINANCE AMENDING ORDINANCE NO. 13279 C.M.S. (THE CITY OF OAKLAND CONSOLIDATED FISCAL POLICY, OR “CFP”) TO ESTABLISH AND MODIFY THE FINANCIAL POLICIES OF THE CITY OF OAKLAND.

NOTICE AND DIGEST

This Ordinance authorizes an amendment to Ordinance Number 13279 C.M.S. (The Consolidated Fiscal Policy, “CFP”), to establish and modify the financial policies and budgeting practices of the City of Oakland. The first public reading of this ordinance is scheduled at a public hearing on 5/1/18 and second on 5/15/18. The location is at City Council Chambers located on the Third Floor of City Hall, One Frank H. Ogawa Plaza, Oakland, California, at 5:30pm. The CFP will be effective upon final adoption of the Ordinance and will remain in effect until further notice.



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Finance Director

SUBJECT: FY 2024-25 Midcycle Budget
General Purpose Fund Deficit

DATE: February 29, 2024

City Administrator Approval


Jestin Johnson (Mar 14, 2024 23:01 PDT)

Date: Mar 14, 2024

RECOMMENDATION

Staff recommends that the City Council accept this informational report that provides an overview of the financial and structural challenges facing the City during and after the Fiscal Year (FY) 2024-25 Midcycle Budget.

EXECUTIVE SUMMARY

There exists a considerable immediate deficit in the General Purpose Fund (GPF) and many other funds that must be resolved this current budget cycle. There exists a larger structural deficit across many of the City's fund sources, our focus must be on both immediate and near-term solutions. Achieving a balanced budget necessitates a focused and collaborative effort to address the City's structural deficits.

The General Purpose Fund is facing a shortfall in the FY 2024-25 Midcycle Budget of approximately **\$115,000,000**; there are also deficits totaling over **\$45,000,000** across several non GPF Funds. In addition to these immediate near-term deficits, there exists an estimated additional shortfall of approximately \$60 Million across the City's Operating Funds that will need to be resolved in the next Biennial Budget.

During the FY 2024-25 Midcycle Budget development process, we must confront the financial challenges facing the City. In pursuit of this objective, Departments are being asked to carefully review their services and programs given the reality of limited ongoing resources. This strategic approach prioritizes ongoing sustainable solutions for the resolution of structural deficits over the reliance on one-time options that are temporary.

Since we issued budget instructions in mid-February, the GPF shortfall has grown from \$115,000,000 to **\$175,000,000**. The leading cause of the deficit is reduced revenues as

Finance & Management Committee
March 26, 2024

described in the FY23-24 Second Quarter Q2 Revenue & Expenditure (R&E) report. Even if departments are successful in meeting their reduction targets for the Midcycle Budget, additional solutions will need to be identified in order to balance the budget and address the shortfall.

BACKGROUND / LEGISLATIVE HISTORY

On June 26, 2023, the City Council adopted [Resolution No. 89804 C.M.S.](#) which adopted the City's FY 2023-25 Biennial Budget. The FY 2023-25 Biennial Budget highlighted the largest budget deficit in the City's history. The projected shortfall at the time was approximately \$360 million over the two fiscal years as a result of two factors: the loss of federal pandemic funding and a reduction in revenue generated from the real estate transfer tax (RETT) and transient occupancy tax (TOT).

Also, on June 26, 2023, the City Council adopted [Resolution No. 89803 C.M.S.](#) which authorized the execution of maintenance of effort waivers and use of one-time revenues to balance the Biennial Budget. The reductions in revenues and the expiration of Federal aid warranted the declaration of a state of extreme fiscal necessity and constituted a severe and unanticipated financial event. This extreme fiscal necessity required the City to suspend the maintenance of effort funding requirements for several City local measures and various Charter-mandated minimum budget set-asides.

On November 21, 2023, The Finance Department provided an informational report to the City Council on the preliminary revenue and expenditure projections for the First Quarter (Q1) of FY 2023-24. In this report, GPF revenue forecast projected 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. GPF expenditures were 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. The impact of rising interest rates on property demand and prices, particularly affecting RETT, contributes to anticipated revenue shortfalls compared to the budget.

ANALYSIS AND POLICY ALTERNATIVES

As of February 2024, the General Purpose Fund faced a shortfall in the Fiscal Year (FY) 2024-25 Midcycle Budget of approximately **\$115,000,000**; there are also deficits totaling over **\$45,000,000** across several non GPF Funds. The prime causes of the estimated GPF deficit are reduced GPF ongoing revenue (most of which is real estate transfer tax), a lack of fund balance, increased internal service costs such as utilities, security, etc., and increased insurance costs.

On February 14, 2024, the Departments were provided with a balancing measure template with targets (dollar amount) by fund. These balancing targets are unique by department. All departments have been asked to propose their lowest priority services for reduction or elimination. Budget proposals should mitigate the impacts to service levels as much as possible, particularly if such a service reduction would impact communities experiencing historical racial disparities or have high-need and/or vulnerable populations. Departments were instructed to adhere to the following Budget principles in developing the budget proposals to embrace the opportunity and necessity for process improvements. In addition, these principles are anchored in the imperative to address and resolve the City’s structural budget deficits:

- Centering Equity – Centering equity is an intentional effort to prevent exacerbating racial disparities and to reduce racial disparities wherever possible.
- Valuing the City Workforce – Prioritizing the wellbeing and professional development of our dedicated & talented workforce, especially during this difficult time and into the future. No layoffs.
- Strategic Thinking – Encouraging creative and innovative strategies to become a more efficient and effective City. Soliciting ideas for improvement Citywide regarding service delivery, organizational structures, communication, deployment of human resources, City processes, and utilization of technology, to become more efficient, effective, and equitable given limited resources.

The timeline below includes key dates in the FY 2024-25 Midcycle Budget development process.

Date(s)	Task(s)
December 2023	Training on PBCS (“Hyperion”)
February 13, 2024	Budget Instructions and Forms released to Departments
February 14, 2024	Midcycle Budget Kickoff Meeting & Add/Delete Moratorium Begins
March 19, 2024	FINAL Budget Proposals & MFS Changes Due to the Finance Department
Between April 1 and April 17, 2024	Departmental Budget Meetings with the Mayor (As Needed)
May 2 to 9, 2024	Administration’s FY 2024-25 Midcycle Budget Proposal Released
Early/Mid-June 2024	Budget, MFS, and Local Measures Adoption by City Council

The Q2 R&E reports that the GPF revenue forecast projected an overall shortfall of \$177.50 million which is a \$63.59 million difference compared to the Q1 projection of \$113.91 million. Because of the continually decreasing revenues, the GPF shortfall for the FY24-25 Midcycle Budget has increased from \$115,000,000 to **\$175,000,000**, mostly due to falling RETT. Additional solutions will need to be identified in order to balance the budget since the shortfall has increased from the time budget instructions were released.

	PRIME CAUSES
(57,000,000)	Reduced GPF Ongoing Revenue of Which \$51M is RETT
(37,000,000)	Fund Balance Not Available
(30,000,000)	OPD Over-Expenditure
(15,000,000)	Increased Internal Service Costs (Utilities, Security, etc.)
(6,000,000)	Increased Insurance Costs

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 and the City Administrator's Office.

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 the City Council accept this informational report that provides an overview of the financial and structural challenges facing the City during and after the Fiscal Year (FY) 2024-25 Midcycle Budget.

For questions regarding this report, please contact Brad Johnson, Budget Administrator, at (510) 207-5730.

Respectfully submitted,



Erin Roseman (Mar 13, 2024 12:23 CDT)

ERIN ROSEMAN
Director of Finance
Finance Department

Reviewed by:
Bradley Johnson, Budget Administrator

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