

CITY OF OAKLAND

BUDGET ADVISORY COMMISSION

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

The Budget Advisory Commission will be held in Hearing Room 3 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, Mike Forbes, 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]
 - Moved to Next Meeting
3. Finance Department Update [5 minutes]
4. FY2024-25 Midcycle Budget Amendments Discussion [30 Minutes]
5. 2024 Work Plan Update and Ad Hoc Study Groups [10 minutes]
6. Agenda Items for Future Meetings [5 minutes]
 - Department of Race & Equity Follow Up Discussion
 - Department of Economic & Workforce Development Request
7. Open Forum [5 minutes]
8. Adjournment

ATTACHMENTS: BAC Recommendations for FY 24-25 Mid-Cycle Budget

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

Hi there,

You are invited to a Zoom webinar.

When: June 6, 2024 06:00 PM Pacific Time (US and Canada)

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

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/86419724700>

Or One tap mobile :

+16694449171,,86419724700# US

+16699006833,,86419724700# 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)

+1 253 205 0468 US

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 719 359 4580 US

+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

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Webinar ID: 864 1972 4700

International numbers available: <https://us06web.zoom.us/j/86419724700>

WORK IN PROGRESS DRAFT

TO: City Council
FROM: Oakland Budget Advisory Commission
SUBJECT: Recommendations for FY 24-25 Mid-Cycle Budget
DATE: June 6, 2024

The Oakland Budget Advisory Commission (BAC) has prepared the attached presentation outlining our recommendations in response to the Mayor's proposed FY 24-25 Mid-Cycle Budget. We recognize that the City is still recovering from the economic effects of COVID-19 while federal pandemic relief funds are winding down.

The BAC offers three recommendations. We were heartened to hear during the May 28, 2024 Budget Town Hall that members of the City Council Finance and Management Committee and the City's Finance Department largely seem aligned with these recommendations.

Recommendation #1

The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget. The Mayor intends to spend \$1M on the City's performance management and strategic planning efforts to create a structurally balanced budget. The BAC recommends using that investment and the additional 4-month budget preparation time to examine where cost reductions would have no to minimal service impact and tangible ways to grow revenue streams equitably.

Recommendation #2

Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and crime/violence. The current Service Output Measures and Equitable Service Delivery Success Standards departments have for each service do not provide insight on the efficacy of the services. We recommend budget priorities made for the FY 25-27 cycle be grounded in evidence on outcome measures.

Recommendation #3

Oakland should establish more transparent justification practices for waiving limits in the Consolidated Fiscal Policy, and more discipline in replenishing emergency funds. We specifically recommend the creation and publishing of a budget "nutrition facts" label summarizing the budget's effect on the city's fiscal health, with clearly linked and accessible detail.

Recommendations for FY 24-25 Mid-Cycle Budget

Oakland, CA Budget Advisory Commission

DRAFT

Intended to be finalized and adopted June 6, 2024



Executive Summary

Context

Oakland has a \$0 Vital Services Stabilization Fund reserve balance, must still close a \$155M shortfall in FY 23-24, and has an estimated \$100M structural deficit in its budget.

The FY 24-25 proposed budget of \$2.23B assumes \$20.5M growth in a volatile revenue source (RETT) relative to projected FY 23-24 actuals, \$63M from the Coliseum sale ([\\$25M](#) going to restricted funds), and [\\$66M](#) in miscellaneous one-time revenue contributions to the General Purpose Fund.

Recommendation #1

The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget.

Recommendation #2

Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and crime/violence.

Recommendation #3

Oakland should establish more transparent justification practices for waiving limits in the Consolidated Fiscal Policy, and more discipline in replenishing emergency funds.

Recommendation #1

The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget

Since 2019, Oakland has overridden Consolidated Fiscal Policy limits on use of one-time revenue or excess RETT for ongoing expenses.

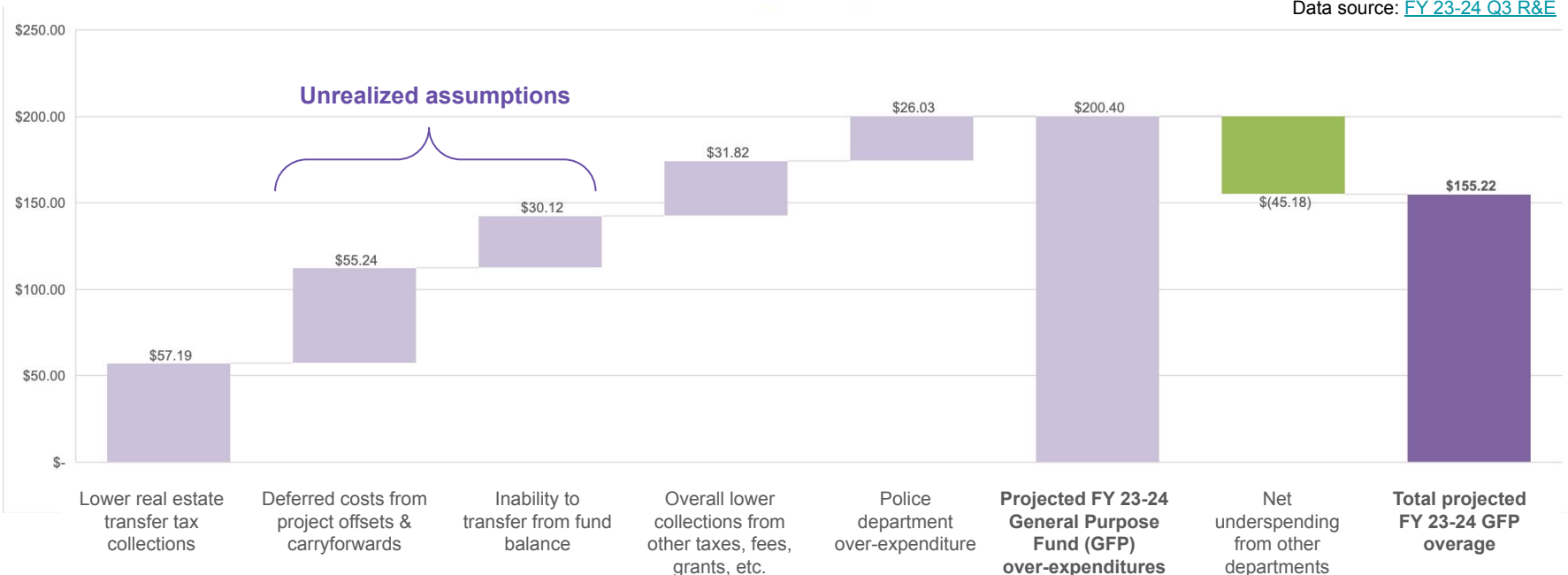
The City has used excess Real Estate Transfer Tax (RETT), Coronavirus Aid, Relief, and Economic Security Act (CARES), and American Rescue Plan Act (ARPA) one-time funds to maintain services post-COVID. CARES funds ended in 2020 and ARPA funds run out Dec 31, 2024.

post-COVID

Adopted Budget	Adhered to Section 1, Part C? <i>Excess RETT should be used for reserves, retiring debt, and funding unfunded long-term obligations</i>	Adhered to Section 1, Part D? <i>Unrestricted one-time revenues should be used for one-time expenses</i>
FY 17-18	✓ Replenished reserves, paid down liabilities	✓ Funded one-time expenses, paid down liabilities
FY 18-19	✓ Replenished reserves, paid down liabilities	✓ Funded one-time expenses, paid down liabilities
FY 19-20	✓ Replenished reserves, paid down liabilities	✗ Waived for parks and paramedics
FY 20-21	● N/A - no excess RETT	✗ Waived for parks and paramedics
FY 21-22	✗ Used for ongoing expenses	✗ Waived for libraries, parks, fire, youth, other funds
FY 22-23	✗ Used for ongoing expenses	✗ Waived for libraries, parks, fire, youth, other funds
FY 23-24	● N/A - no excess RETT	✗ Waived for libraries, parks, fire, youth, other funds
FY 24-25* <i>proposed</i>	● N/A - no excess RETT	✗ Requesting waiver; "accompanying resolution" explaining why could not be found on budget website

Since FY 21-22*, Oakland has also depended on meaningful amounts of assumed fund transfers and carryforwards to balance the budget.

These factors account for \$85M in FY 23-24, which is 55% of the current FY 23-34 General Purpose Fund (GFP) shortfall.



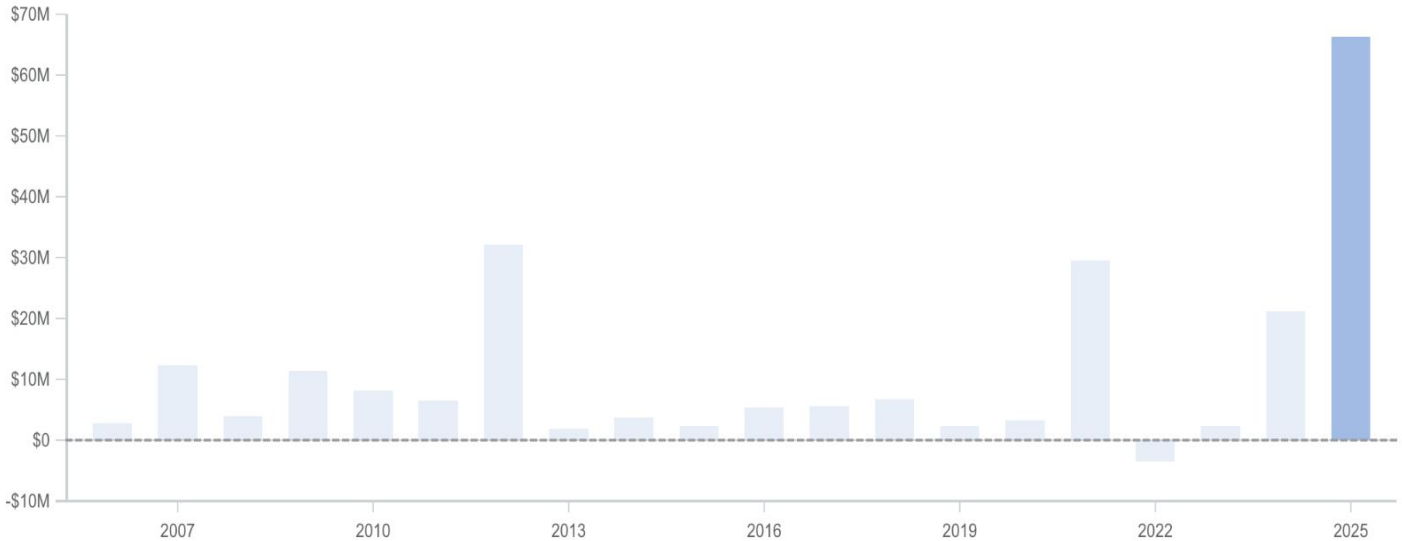
* Data source: [R&E reports](#)

The proposed FY 24-25 mid-cycle budget continues these unsustainable practices, with miscellaneous one-time funds expected to cover \$66M, or 7% of the proposed \$898M General Purpose Fund.

As a reference point, in the current FY 23-24 budget year, we are still trying to close a 19% GFP shortfall.

Miscellaneous

GPF Sales Tax Over Time ● FY06-23
Actuals ● FY23-24 Budget ●
FY24-25 Proposed
Data Updated May 21, 2024, 5:22 PM



Data source: [FY 24-25 Proposed Policy Budget](#)

BAC Recommendation: City and Council should spend the next year of “bought time” to identify evidence-based adjustments to structurally balance the FY25-27 biennial budget

The Mayor intends to spend \$1M on the City’s performance management and strategic planning efforts to create a structurally balanced budget. The BAC recommends using that investment and the additional 4-month budget preparation time to examine:

How to grow revenue streams

- How can Oakland attract more businesses to increase more stable revenue streams?
- How can Oakland attract more residents to increase local consumption?

Where cost reductions would have no to minimal service impact

- Which programs have little to no evidence suggesting positive impact?
- What business process improvements can be made to measurably reduce cost for operations?

Recommendation #2

Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and crime/violence

In the [2022 City of Oakland Budget Priorities Survey](#), the most frequently named issues residents said to prioritize in the budget were homelessness and crime/violence

Homelessness

- 36% of polled residents named homelessness as their first priority.
- The proposed FY 24-25 budget [adds a net \\$21M and 8 FTE](#) for housing security and homelessness solutions.

Crime/Violence

- 18% of polled residents named crime/violence as their first priority.
- The proposed FY 24-25 budget [adds 11 FTE](#) to the Department of Violence Prevention

BAC Recommendation: As the City and Council identify structural fixes to balance the budget from FY 25-26 onward, they should clearly communicate the estimated effect on reducing homelessness and crime

The current budget lists the Service Output Measures and Equitable Service Delivery Success Standards departments have for each service (example: [Department of Violence Prevention information](#)). These measures do not provide insight on the efficacy of the services.

Illustrative ways service efficacy can be determined and communicated

- Define outcome measures
- Analyze effect on key outcome measures through methods such as: randomized control trials (when practical and ethical); difference-in-difference analysis; or regression analysis
- Cite research published by similar programs run in other municipalities

Recommendation #3

Oakland should establish more transparent justification practices for waiving limits in the Consolidated Fiscal Policy, and more discipline in replenishing emergency funds

The current requirement for City Council to pass a resolution explaining the need for exceptions to CFP rules is inadequate.

Reason #1: “Accompanying” resolutions are difficult to find

For example, the proposed [FY 24-25 budget states](#) “*The resolution accompanying the Budget contains the necessary explanations for the need to use one-time revenues for purposes other than those established in the CFP.*” **This resolution is not linked to in the budget and the Budget Advisory Council was not able to find the resolution when searching any of the recent or future agendas for City Council or the Finance & Management Committee on Legistar.**

Reason #2: One-time revenue streams are not clearly identified in the budget

Oakland’s budgets have not clearly distinguished one-time vs. ongoing revenues and expenses since [FY 20-21 budget](#). Furthermore, the detailed budget data are not available on Oakland’s open data portal and CSV exports from the budget book only provide aggregate summaries. As a result, it is difficult and time-consuming to discern the dependency of the proposed budget on one-time revenue streams and other uncertain assumptions.

BAC Recommendation: Oakland’s budgets should be published with a “nutrition facts” label summarizing its effect on the city’s fiscal health, with clearly linked and accessible detail

Illustrative Budget Nutrition Facts to include:

Nutrition Facts	
Total budget	\$X.XXB
<hr/>	
GFP budget	
Amount added to reserves	
Number of major assumptions	
<hr/>	
% ongoing expenses funded by one-time sources	
<hr/>	
CFP RETT limit waived?	
CFP one-time use limits waived?	
Reserves used?	
<hr/>	

The thought process for how much funding is being allocated to reserves should be explained in the budget, including a trade-off analysis of (re)building a rainy-day fund, deferring maintenance, and continuing services.

High-impact assumptions affecting the budget should be outlined in a single page within the budget book for easy reference and scrutiny. These assumptions include asset sales, policy changes, balance fund use, and growth in volatile revenue sources like RETT.

Budgets should clearly distinguish one-time vs. ongoing revenue sources and expenditures. For each case there is one-time funding supporting an ongoing service, the budget should include a brief narrative describing where the ongoing funding is expected to come from and what the contingency plan is if that funding source does not come through.

Reasons for waivers / suspensions of Consolidated Fiscal Policy terms should be summarized directly within proposed and adopted budget books, with hyperlinks to accompanying resolutions

Appendix A

BAC FY24-25 Ad Hoc Workgroup Focus Areas

Over the next fiscal year, the BAC will study the following questions to prepare targeted recommendations to City Council

Ad Hoc Committee	Key Questions
Community engagement	X
Economic and workforce development	X
Houselessness	Which activities designed to prevent and reduce houselessness have the highest return on investment?
Public safety	What public safety programs have strong evidence on their effectiveness? What services can be civilianized?
Unfunded liabilities and pensions	X