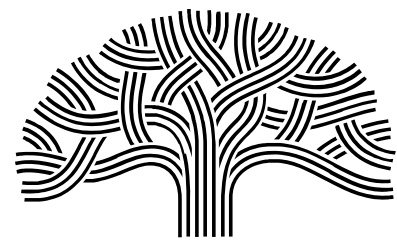


FY 2024-25 Budget Balancing

Jestin D. Johnson, City Administrator

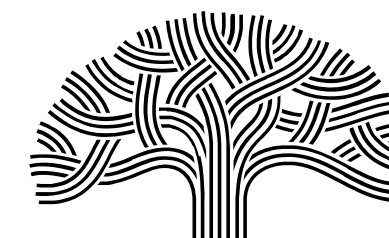


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Purpose

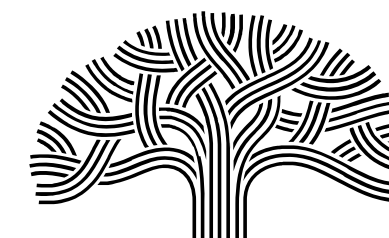
- Fiscal Challenges Leading to Projected Deficit
- Overview of FY 2024-25 Deficit
- Short-Term
 - Phase 1: Immediate Actions to Address Deficit (*End of December*)
 - Phase 2: Subsequent Actions to Address Deficit (*January 2025+*)
- Mid-Term and Long-Term Revenue Enhancements
 - One-Time Revenues
 - Service Delivery Changes Designed to Reduce Expenditures



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Fiscal Challenges Leading to Projected Deficit

- Growth of Ongoing Programming with One-Time Funds During COVID-19 Pandemic
- Funding the City's OPEB Liability
- Ever-growing Challenge of CalPERS Benefits Costs

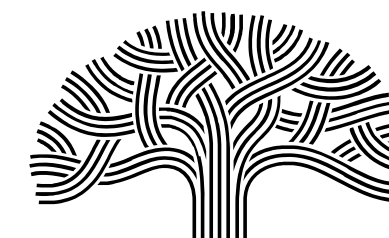


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History

Key Elements of Adopted Contingency Budget:

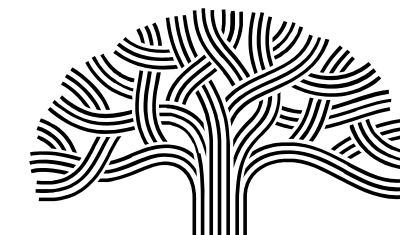
- Brown Out of Five Fire stations
- Elimination of Two police academies
- Grant reductions
- Unexecuted contracts



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Overview of FY 2024-25 Deficit

GENERAL PURPOSE FUND (1010)	FY 2024-25 Q1 Year-End Estimate	
Beginning Unassigned Fund Balance - Unaudited	\$	(6.83)
Revenue	\$	758.52
Expenditures	\$	851.60
Estimated Ending Fund Balance	\$	(99.91)
Use of Fund Balance in FY 2024-25		
Return of Excess Fund Balance in Equipment Fund	\$	8.32
Legal Settlements	\$	(10.58)
Carryforwards from FY 2023-24	\$	(27.63)
Estimated Ending Fund Balance	\$	(129.80)



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Priorities

**Housing Security &
Homelessness Solutions**

**Community Safety,
Prevention & Healing**

**Good Jobs & Vibrant
Economy**

**Clean, Healthy, Sustainable
Neighborhoods**



Summary of Phases

Phases	Action	Method	Amount
Start	GPF Fund Balance		\$(129.79)
Immediate Actions			\$ 113.82
	Use Excess Amount in Emergency Reserve Above 7.5%	Council	\$ 9.62
	City Council and Administrative Reductions (no staff layoffs), including key items: <ul style="list-style-type: none"> - OPD OT Control and Postpone Police Academies to next FY - Brown Out 2 Add'l Fire Companies, excluding Fire Station 10 - Unrestrict and Transfer Funds to GPF from Funds 1100 (Self-Insurance), 1870 (AFH), 1030 (SSBT), 1020 (Rainy Day Fund) 	Admin Admin Council	\$104.20
Actions with Later Effect			
	Additional Cuts Including 91.96 Filled FTE (Non-Sworn Positions) and Brown Out 4 Additional Fire Engines OR Engaging with Labor Partners to Discuss Alternatives that Address Outstanding Deficit OR Balance by Declaring Fiscal Emergency and Using Emergency Reserves	Admin Admin Council	\$ 15.97
Target GPF Balance			\$ -

Phase 1: Immediate Actions

Transfer Emergency Reserve 1011 Fund Balance in Excess Above 7.5% Policy (\$9.62 million) – City Council Action Required

	FY 21-22	FY 22-23	FY 23-24
Emergency Reserve Fund Balance History			
Beg Fund Balance	\$0	\$53,970,926	\$66,630,337
Budgeted Transfer	\$54,613,179	\$10,799,210	\$0
Interest	\$112,099	\$1,618,074	\$2,964,897
Other Gains /(Losses)	(\$754,352)	\$242,127	\$566,762
Ending Fund Balance	\$53,970,926	\$66,630,337	\$70,161,996
Calculation of 7.5% Requirement Against Available Fund Balance			
FY2024-25 Midcycle Adopted Budget			\$807,189,360
Fund 1011 Reserve Fund Balance			\$70,161,995
Required GPF Emergency Reserve Amount (7.5%)			\$60,539,202
Amount above 7.5% Requirement			\$9,622,793

Phase 1: Immediate Actions

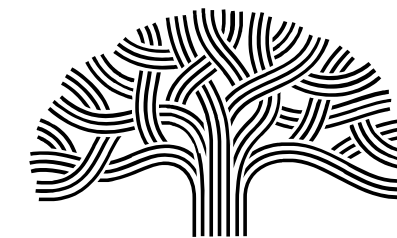
Assumption Changes, Reductions, and Cost Shifts (\$104.20 million in GPF)

Assumption Changes: (\$11.50 million)

Reductions: (\$60.65 million)

- **These were largely developed at the Agency Director level**
- **Evaluation Criteria was provided from the Strategic Planning Design Team**

Cost Shifts (\$38.52 million)



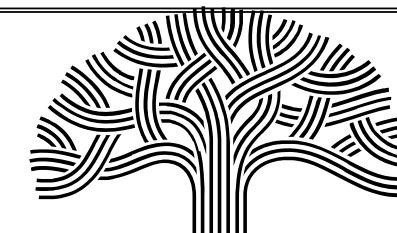
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Phase 1: Immediate Actions

Revenue/Cost Saving Assumption Changes (\$11.50 million) – Administrative

Decision

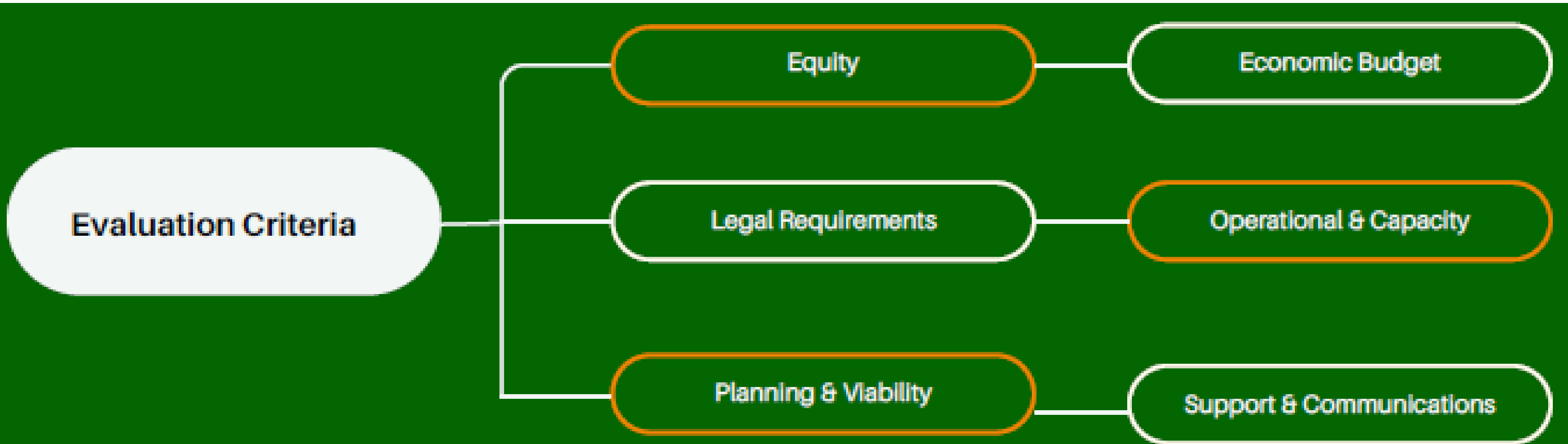
Fund	Dept	Brief Description	Assumption Change Value
1010	City Council	Savings from Councilmember serving as Interim Mayor (5mo)	\$ (0.07)
1010	Fire	Academy related OT backfills	\$ (2.50)
1010	Finance	BT Revenue Tax Enforcement Efforts	\$ (4.25)
1010	Fire	Mutual Aid Reimbursements (Revenue)	\$ (0.99)
1010	DOT	Restoration of Parking Enforcement Efforts	\$ (3.69)
Total Revenue/Cost Saving Assumption Change Value			\$ (11.50)



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Phase 1: Immediate Actions

Agency Directors were provided the following evaluation criteria for budget decisions. This criteria was developed by the Strategic Planning Design Team to support the FY 2025-2027 Biennial Budget Cycle and made available to support this budget balancing effort.



Phase 1: Immediate Actions

Reductions (\$60.65) – Administrative Decision

Key Reductions Exceeding \$1m

Fund	Dept	Brief Description	Total Reduction
1010	OPD	Reduce GPF Overtime & Reallocation Special OPD Units	\$ (25,150,411)
1010	OPD	Reduce two Remaining FY Police Academies- (Contingency Budget)	\$ (6,938,277)
4200	City Wide	Reallocation of Fund Balance	\$ (5,605,295)
1010	Fire	Brownouts of two additional Fire Stations (beyond Station 10), January 1 - June 30, 2025.	\$ (5,543,070)
4510	City Wide	Reallocation of Underspending	\$ (3,128,020)
1010	HSD	Homelessness Funding in the GPF to Prioritize Draw Downs on unrestricted funds (grant funds)	\$ (1,900,000)
4550	City Wide	Reallocation of Underspending	\$ (1,632,254)
1010	EWD	Eliminate Ambassador Program	\$ (1,100,000)

This table totals nearly \$51 million of the reductions. Full list is in Attachment A.

Phase 1: Immediate Actions

Cost Shifts (\$38.52) – City Council Action Required

Costs Shifts Include Unrestricting Funds and Transfer Eligible GPF Expenses to Other Funds

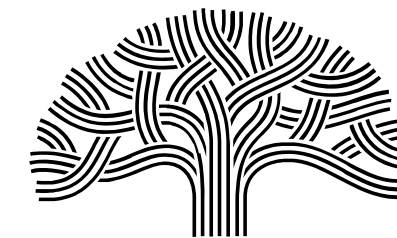
Fund	Dept	Brief Description	Total Cost Shifts
1010	Citywide	Unrestrict Funding and Transfer Fund Balance from 1100 - Self Insurance Liability	\$ (14,851,619)
1010	Citywide	Unrestrict Funding and Transfer Fund Balance from 1870 - Affordable Housing Trust Fund	\$ (5,778,000)
1010	Citywide	Unrestrict Funding and Transfer Fund Balance from 1030 - Measure HH (SSBDT)	\$ (2,550,000)
1010	Citywide	Unrestrict Funding and Transfer Fund Balance from 1020 - Vital Services Stabilization Fund	\$ (503,000)

This table totals \$23.68 million. Full list is in Attachment A.

Administrative Balancing Actions

Exercised available administrative actions to address the budget deficit, including:

- Identifying cost-savings opportunities across departments
- Reallocating resources
- Leveraging non-GPF resources where feasible



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Phase 2: Subsequent Actions

Actions with Later Effect to Balance Remaining \$15.97 Million Deficit

1. 91.96 Filled FTE (\$5,893,713), O&M (\$2,401,526) and Brownout Four Additional Fire Engines (FTE TBD – Approximately \$7,675,020)

OR

2. Engaging with Labor Partners to Discuss Alternatives that Address Outstanding Deficit

OR

Some combination of Option 1 and 2

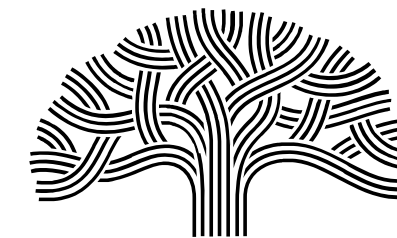
OR

Balance by Declaring Fiscal Emergency and Using Emergency Reserves

Mid-Term and Long Term

Potential Revenue Enhancements (PP. 12 and 13 of the Report)

- \$0.50 Sales Tax Measure – Fiscal Impact: Approximately \$21.2 million in FY 2025-26
- Parcel Tax Revenue Measure To Fund Departments Charged with Oversight – Fiscal Impact Approximately \$22 million
- Parcel Tax Revenue Measure To Bridge Financial Solvency – Fiscal Impact Approximately \$40 million
- Reduction in PFRS Tax Levy To Maintain Affordability For Residents
- Fee Updates to Reflect Full Collection Costs
- Improve Enforcement of the City’s Tax Code, Revenue Collections, and Traffic Laws
- Update the Development Code to Increase Density and More Economic Development Opportunities- (Oakland Roadmap Reference)



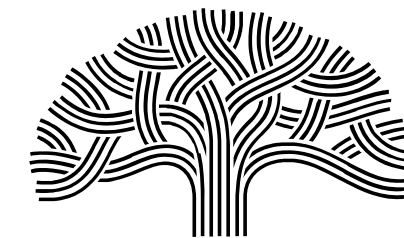
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Mid-Term and Long Term

Potential One-Time Revenue

Sales Proceeds from the Coliseum

The City is in a Purchase and Sale Agreement for the land sale of the Coliseum. \$110 million of the purchase sale price is outstanding and anticipated to be received by June 30, 2025. Upon receipt of funding, it is anticipated to restore the General Purpose Fund Balance and Emergency Reserves as necessary, explore restoring the unrestricting fund transfers, and reserving the remainder for consideration for FY 2025-26.



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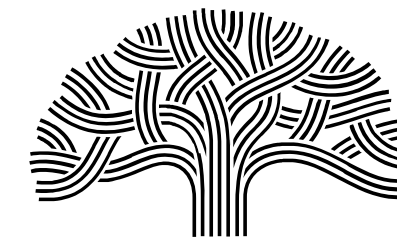
Mid-Term and Long Term

Service Delivery Changes Designed to Reduce Expenditures

- Examining City Operated Headstart program and related services

Operational Efficiencies

- Segmenting of Human Services Department (HSD) to move into Oakland Parks, Recreation and Youth Development (OPRYD) and Housing and Community Development Department (HCD)
- Explore Combining Oakland Public Works (OPW) and Department of Transportation (OakDOT) Permanently

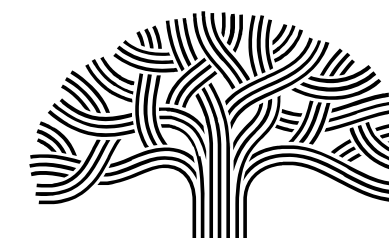


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Mid-Term and Long Term

Continue Administrative Reductions

- Administrative Reductions in Phase 1 include approximately \$15.4 million in Non-Community Safety changes that might be sustainable, though with significant operational impacts.
- Administrative Reductions in Phase 1 include approximately \$33.1 million in Safety changes. These reductions are not sustainable in the mid-term, particularly the reduced police services and brown out of two engine companies,
- Administrative Reductions in Phase 2 include approximately \$7.3 million in Non-Community Safety changes, mostly through filled positions, that might be sustainable, though with significant operational impacts to current service levels.
- Administrative Reductions in Phase 2 include approximately \$8.7 million Safety changes; these reductions particularly the brown out of four additional engine companies are not sustainable.

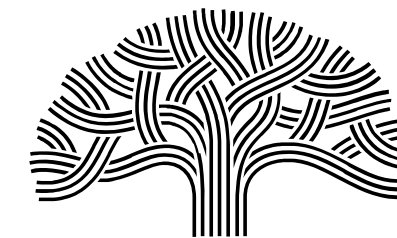


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Other Policy Considerations

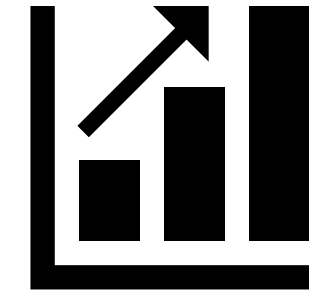
Reduce General Fund Emergency Reserves Policy – Requires City Council Action Change to Consolidated Fiscal Policy

- The City's current GPF Reserve Policy states that the City operate with a minimum goal of no less than 7.5% of the budgeted General Fund operating expenditures.
- Changing this Policy could significantly impact the City's future ability to borrow money in the event of an emergency.
- Financial Advisor does not recommend this approach.



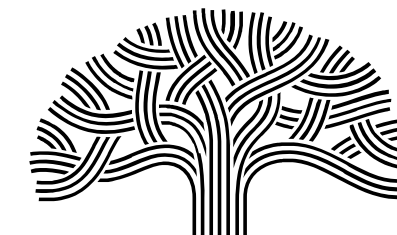
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Strategic Goals for Long - Term Sustainability



Setting Clear, Measurable Fiscal Goals Within 2 and 4 year Timeframes

- 2 Year Goals – Target February 2027
 - GPF Emergency Reserve Fund funded at 7.5%
 - Short-term plan to address long term liabilities
 - Identify Plan to address negative fund balance
 - Establish Performance Metrics for all services
 - Review procurement rules and procedures to increase efficiency and reduce administrative burden



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Strategic Goals for Long-Term Sustainability Cont.

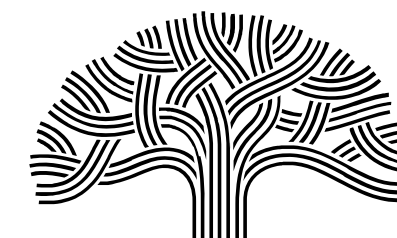


Setting Clear, Measurable Fiscal Goals Within 2 and 4 year Timeframes

- 4 Year Goals – Target February 2029
 - Develop 10-Year Balanced Budget and Capital Plan
 - Establish Emergency Reserve at 16.7%, consistent with the Government Finance Officers Association (GFOA) Best Practices
 - Resolve all negative fund balances within four years
 - Establish performance metrics for all services that also incorporate equity and effectiveness
 - Adopt a revised procurement code that is simplified and streamlined

Staff Recommends

- Adopting a Resolution Amending The FY 2024-25 Midcycle Budget to Authorize The Transfer of Funds into GPF and Adjust Appropriations, Affirming Budget Balancing Actions Taken by the City Administrator and Making Extreme Fiscal Necessity Declarations to Use Restricted Funds
- Adopting a Resolution to Unrestrict Sugar-Sweetened Beverage Distribution Tax Fund 1030 to Use in Extreme Fiscal Necessity
- Adopting an Ordinance Amending Affordable Housing Trust Fund 1870 to Use in Extreme Fiscal Necessity (requires two readings)



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