

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, December 11, 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:

Mandela Bliss, Armand Bryan, Larisa Casillas, Mike Forbes, Guadalupe Garcia, Margaret Grimsley, Mike Petouhoff, Caitlin Prendiville, Jane Yang, Stephisha Ycoy-Walton

City's Representative(s):

Nathan Bassett – *Finance Department*

Meeting Agenda:

1. Administrative Matters [7 minutes]
 - Welcome & Attendance
2. Approval of Prior Meeting Minutes [3 minute]
 - Moved to Next Meeting – Meetings of April 10, 2024; May 23, 2024; June 6, 2024; July 10, 2024; September 11, 2024; and November 13, 2024
3. Commissioners' protocol [5 minutes]
 - Commissioner Application review
 - Onboarding & Exit / Recruitment – Open spots
4. Finance Department Update [5 minutes]
5. Public Poll Outreach [15 minutes]
 - VOTE: approve Ad Hoc committee finalizing and launching survey
6. BAC response on 2024-2025 Q1 R&E [20 min]
 - VOTE: approve Ad Hoc committee finalizing and submitting on behalf of BAC as a whole
7. Discussion of Council Action at Special City Council Meeting on December 9, 2024 [10 Min]
8. 2025-2026 Calendar Year Strategy Discussion [35 minutes]
9. Agenda Items for Future Meetings [5 minutes]

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

10. Open Forum [5 minutes]

11. Adjournment

Attachments: FY 2025-27 Budget Public Survey; Budget Commission – November 19 City Council Letter; 2025-2027 Calendar Year Strategy (Work in Progress); and FY24 Mid-Cycle Budget BAC Recommendations

**CITY OF OAKLAND
BUDGET ADVISORY COMMISSION**

Hi there,

You are invited to a Zoom webinar.

When: November 13, 2024 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

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Webinar ID: 815 8476 3954

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

Goal

Give City Council and Mayor actionable information to inform the FY 25-27 budget cycle.

Questions

Screenener

1. Are you a resident of the city of Oakland?
Required question; if No, end survey

Repeat Questions from Last Poll

2. Generally speaking, how would you rate Oakland as a place to live: is it an excellent place to live, a good place, only fair, or a poor place to live?
Required
 - a. Excellent
 - b. Good
 - c. Fair
 - d. Poor
3. Do you approve or disapprove of the overall job being done by Oakland City government in providing services to the people who live here?
Required
 - a. Strongly approve
 - b. Somewhat approve
 - c. Somewhat disapprove
 - d. Strongly disapprove

New Questions

All optional

4. Which of the following are most important to you to make Oakland a place you're happy to call home? (Select up to 3)
 - A. Clean and well-maintained streets
 - B. Affordable housing
 - C. Affordable and healthy food
 - D. Accessible after-school programs and other youth programming
 - E. Feeling safe when walking and/or leaving my car alone

PRE-DECISIONAL | FOR DISCUSSION ONLY

- F. Timely and effective emergency responders
 - G. Vibrant arts and culture scene
 - H. Robust small business economy
 - I. Other, write here:
5. In the last 5 years, how has Oakland's budget most impacted your household and/or work? (Select up to 3)
- a. Reduced public safety resources
 - b. Reduced maintenance (e.g. more potholes, more vandalism, more illegal dumping, reduced cleanliness, reduced sidewalk and bike accessibility)
 - c. Reduced access to affordable and healthy food
 - d. Reduced access to affordable housing
 - e. Reduced access to after-school programs and other youth programming
 - f. Reduced grant funding
 - g. Reduced support for small businesses
 - h. N/A - I have not noticed any changes in the last 5 years
 - i. Other, write here:
6. Oakland needs to close a ~\$120M/year gap in its annual budget through a combination of earning more revenue and spending less. For each of the following aspects of life in Oakland, which option would you rather be taken?

Note: The purpose of this survey is to provide City Council with Oakland resident perspective. The survey intentionally asks you to pick one of the three provided options to promote prioritization. City Council will likely be considering other options as well. This survey will not be the sole decider of any budgetary decisions made by the City Council.

- a. For public safety...
 - i. Expand the use of civilian teams, instead of police, to respond to calls where no threat or harm
 - ii. Explore options to reduce costs in negotiations with the Fire and Police unions at the legal and appropriate times through the legal and appropriate processes
 - iii. Establish a limit on how many hours an employee can work overtime in a year
- b. For housing...
 - i. Defer affordable housing projects
 - ii. Reduce legal counsel availability for low-income tenants facing evictions.
 - iii. Reduce funding for first-time homebuyers mortgage assistance program
- c. For economic growth...
 - i. Reduce funding for cultural programs
 - ii. Reduce funding for workforce training programs
 - iii. Reduce efforts to attract businesses to Oakland
- d. For transportation...

PRE-DECISIONAL | FOR DISCUSSION ONLY

- i. Slow down street repaving and traffic light improvements
 - ii. Slow down investments to increase accessibility and safety of sidewalks
 - e. For youth and community investments ...
 - i. Defer improvements and maintenance frequency for parks and recreational facilities
 - ii. Increase fees for youth programming such as camps
 - iii. Defer improvements and maintenance for libraries
- 7. What else would you like City Council members to consider as they develop the 2025-2027 budget for the City of Oakland?

Demographics

All optional

- 8. Which district do you live in?
 - a. Districts 1-7 (include link to map of districts)
- 9. How long have you lived in Oakland?
 - a. Less than 1 year
 - b. 1-3 years
 - c. 3-5 years
 - d. 5-10 years
 - e. Over 10 years
- 10. How old are you?
 - a. 75 and older
 - b. 65-74
 - c. 60-64
 - d. 55-59
 - e. 50-54
 - f. 45-49
 - g. 40-44
 - h. 35-39
 - i. 30-34
 - j. 25-29
 - k. 20-24
 - l. 18-24
 - m. 0-17
- 11. Which racial or ethnic group do you identify yourself?
 - a. American Indian or Alaska Native
 - b. Asian

PRE-DECISIONAL | FOR DISCUSSION ONLY

- c. Black or African American
 - d. Asian
 - e. Hispanic or Latino
 - f. Middle Eastern or North African
 - g. Native Hawaiian or Pacific Islander
 - h. White
 - i. Other ethnic/racial background (specify)
 - j. Multiracial
 - k. Prefer not to say
12. What is your gender?
- a. Male
 - b. Female
 - c. Nonbinary
 - d. Another gender (specify)
 - e. Prefer not to say
13. What was the last level of school you completed?
- a. First through 11th grade
 - b. High school graduate
 - c. Vocational/technical school
 - d. Some college, no degree
 - e. Associate degree
 - f. Four-year college or bachelor's degree
 - g. Graduate school or advanced degree
 - h. Prefer not to say

Proposed Timeline

- By Dec 6, finalize survey with Finance Department; begin advertising
- By Dec 31, close survey
- On Jan 8, discuss findings and draft letter for City Council FMC with BAC
- By Jan 9, finalize letter and results; submit to share with City Council FMC at their Jan 14 meeting

Fielding Logistics

1. Build in Google Form
2. Embed in City of Oakland website under BAC page
3. Confirm that we can use City of Oakland logo in design and post contact information
4. Build tracker for organizations to email survey to and ask that they send out survey to their constituents → NEED SOMEONE ON AD HOC TO ORGANIZE THIS

Analysis Considerations

1. Do trend comparisons with FY23-25 poll results
2. Do comparison of respondent demographics with Oakland overall population statistics to call out any disproportionately represented groups in response

To: City of Oakland City Council, City Administrator, and Finance Department

From: City of Oakland Budget Advisory Commission

Subject: Response to November 19, 2024 Special City Council Meeting and Recommendations

Context on the Budget Advisory Commission

The City of Oakland's Budget Advisory Commission (BAC) thanks you for your work addressing Oakland's current budget challenges and appreciates the opportunity to provide our insight and recommendations. Our Commission continuously tracks and reviews the City's budget and actuals. Per [Ordinance 13337 CMS](#), we are charged with reporting regularly to the City Council on topics related to Oakland's fiscal health, encouraging public participation and input into fiscal decision making, and improving the transparency and accountability of City fiscal information and decision making. We BAC commissioners are volunteer residents from across the City of Oakland. Some of us have been born and raised in Oakland; others of us are newer residents. As a whole, we bring perspectives from across industries and corners of the City, with expertise in community organizing, risk management, data analysis, management consulting, investment advisory, government operations, infrastructure development, and more. We all love Oakland and want to see it thrive as a place we are happy to live, work, and raise our families.

Why we have written this letter

Our Finance and Management Committee Liaison attended the special City Council meeting held on November 19, where the Finance Department presented the FY 2024-25 First Quarter Cash Management, Revenue, and Expenditures Report. We have carefully reviewed all supporting documentation. The BAC recognizes the complexities involved in both budgeting for the City and being responsive to actual revenues and expenditures. We greatly appreciate the thoughtful discussions and insights shared during the meeting.

Simply put, Oakland is again in a budget crisis. **The City is consistently spending more than we earn and our savings account is dangerously low.** This situation was predictable and avoidable. Oakland has been at an inflection point for years and we believe we are now at the tipping point. Public perception of the City's current service level is very low. **To avoid a continued downward trend in our overall health as a city, we must significantly change from the status quo approach to more responsible budgeting and management of expenditures based on actual certified revenue.**

The BAC calls upon the City Council to rapidly respond consistent with our recommendations from June 2024 and described in this letter. For the sake of us all, we must implement long-term, macro-level reforms based upon sound fiscal policy and show financial self-discipline that it has not shown in many years. This work is not easy and will require significant

commitment to organizational and cultural changes, strict leadership, and consistent engagement with the community over many years.

Budget Commission's Recommendations

The Budget Commission offers the following observations and prioritized recommendations for implementation in the near term:

REVENUE

Where We Are: The General Purpose Fund (GPF) is the pool of unrestricted funding that the City of Oakland has greatest flexibility in directing. Currently, the Finance Department projects that at the end of the fiscal year, the City will meet its revenue target. In the first quarter of FY 2024-25, the City of Oakland collected \$88.68 million into the GFP, which is 11.7% of the adjusted budget of \$758.22 million. While Property Tax, Business Tax, Utility Consumption Tax, Fines & Penalties, and Miscellaneous Revenue are expected to exceed expectations, challenges in the real estate market, reduced consumer spending, and a struggling hotel industry have led to shortfalls in Real Estate Transfer Tax (RETT), Sales Tax, Transient Occupancy Tax (TOT), and Parking Tax.

Priority Recommendations:

1. **Focus on progressive taxation policies.** Amongst cities in California, Oakland is in the top 10th percentile in revenue per capita¹. Amongst cities with populations between 250k and 750k people, Oakland ranks second in revenue per capita. We cannot ask our poorest residents to bear even more. Progressive taxation policies ensures that our residents contribute their fair share, especially wealthier individuals and corporations.
2. **Collaborate with private companies and non-profits** to fund infrastructure or services that can generate additional revenue for the City. The [athletic field lease initiative](#) from the City's Department of Parks, Recreation, and Youth Services is an example of this kind of collaboration.
3. **Pursue available state and/or Federal grants and loans** in the next 6 months.

EXPENDITURES

Where We Are: As of Q1 FY 2024-25, the City's expenditures are projected to total \$851.60 million, exceeding the adjusted budget by \$93.38 million. Significant overspending is attributed to the Fire Department (\$34.44 million over budget), the Police Department (\$51.89 million over budget), and the Information Technology Department (\$1.39 million over budget).

Priority Recommendations:

¹ [2023 City Revenues per Capita](#), California State Controller's Office Local Government Financial Data

4. **Engage workforce union and non-union leaders and membership** to re-negotiate compensation to sustainable levels in a progressive manner, where those who are compensated at lower rates below the City's median income are unaffected.
5. **Work closely with the Police and Fire Departments** to identify more realistic budget adjustments, especially focusing on reducing overtime spending.
6. **Proactively engage Oakland residents for their perspective**, including through budget listening sessions and the public survey the BAC is fielding.

Next Steps

The Budget Commission remains committed to providing ongoing oversight and input on the budget process. We look forward to attending follow-up meetings with the Finance Committee and City Administrator to collaborate on the City's strategic plan and further review the budget. We also encourage continued public engagement to ensure transparency and alignment with community priorities.

As part of this effort, we are designing and fielding a public survey to inform the FY 25-27 City of Oakland budget and ask that City Council members share the survey with your constituents.

The Budget Commission plans to release a simplified report for the public that will include visual aids to explain different strategies for addressing the budget gap.

Conclusion

In closing, we would like to thank the City of Oakland Finance Department and the City Council for their collaborative efforts and constructive discussions. We look forward to continuing our work with all stakeholders to finalize the strategic plan and ensure the City's fiscal stability moving forward.

Please do not hesitate to reach out to the Budget Advisory Commission with any questions or for discussion.

Again, we are at an important inflection point in the City of Oakland that necessitates we rapidly address the budget crisis. It means making difficult, painful, disruptive changes to our status quo to avoid these crises in the future. **Think big and think long-term.**

Sincerely,

City of Oakland Budget Advisory Commission

Purpose of this document

This document is designed to foster self-reflection for us as a Budget Advisory Commission. Each of us have volunteered to serve our City and we are all motivated to help Oakland not only navigate through the current fiscal crisis but also achieve a sustainable economy and be place we're happy to call home.

As we embark on developing our three-year strategic plan, we need to step back and take stock of why we exist as a commission, what levers we have to achieve our mandate, how we currently operate, and what we want to accomplish and how.

This document is a starting point, not an end point. You may find some of the proposals resonate and others very much do not. You might think something is missing or something is irrelevant. This is all good – we want to discuss together as a Commission so that we can align on the same North star and pull in the same direction.

Purpose of BAC

Legally speaking... 13337 CMS Duties and Functions

(a) The Budget Advisory Commission (hereafter "the Commission") shall **report regularly to the Finance and Management Committee on topics deemed important to the fiscal health** of the City, **encouraging public participation and input** into fiscal decision making, and **improving the transparency and accountability** of City fiscal information and decision making. The Commission shall perform duties assigned to it by action of the City Council, including responsibilities identified in the City's fiscal policies, and reviewing any fiscally related goals and objectives of the Mayor or City Council. The Commission shall have such other functions as may be directed by the City Council.

(b) No less than three years following the first meeting of the Commission, the Commission shall develop and complete a process of self-evaluation and strategic planning. Thereafter, self-evaluation and strategic planning shall occur every three years

In a sentence... advise City Council on Oakland's budget and increase Oakland resident engagement in the city's budget-making process

Levers for Influence

Lever	BAC Current Influence Level	BAC Current Skill Level
Relationships with city councilmembers	Low	? Each BAC member should regularly sync with their councilperson
Relationship with Finance Department	Medium	? Not yet in sync with their calendar. Some but not all members have good relationship.
Relationship with community organizations	Low	? Need to do an entity mapping exercise to see who currently influences City Council, which perspectives are missing from the current power dynamic.
Communication of budget facts	Low	? Data Analysis Skills Data Visualization Skills Communication Skills Availability to be at FMC and Council meetings
Specific proposals (i.e. line-item level) for balancing the budget	Low	? BAC recommendations have ranged from principles to more specific recommendations. Feedback from some City Council members indicate that the BAC's input has not been particularly useful.
Other?		

Current State

1. The BAC has 5 vacancies, i.e. $\frac{1}{3}$ of seats are unfilled
2. BAC members are volunteers, with boundaries on how much time they can spend on BAC activities outside of the monthly meetings

3. City Council has more information than we do in many cases
4. The BAC doesn't have any authority to do anything so we need to earn influence
5. What else?

Proposed Goals and Activities

Note: these are just a starting point for reactions and discussion

Goal	Activities	Notes
Earn influence	<ol style="list-style-type: none"> 1. Fill all vacancies strategically by actively recruiting members who: <ol style="list-style-type: none"> a. Have specific skills and helpful networks currently missing on BAC b. Are willing to put in at least 5 hours a month in addition to monthly meetings 2. Create useful budget “briefing book” for city council members that visualizes history of Oakland budget, describes what BAC is, previous recommendations, and offers “services” from BAC 3. Meet regularly with our city council members 	<p>Ask City Council and Finance Department what they'd like to learn from but don't have the time to research</p> <p><i>Note: have to ensure we don't get co-opted by agendas</i></p>
Spotlight concrete budget options	<ol style="list-style-type: none"> 1. Research what other cities in similar situations have done for both revenues and expenses 2. Interview experts on possible revenue and expense management, e.g. debt refinancing options and economic development programs 3. Bring organizations with budget proposals on specific topics to BAC meetings to discuss ideas and prepare reports to city council, presenting them as comments in FMC / council meetings 	<p>Ad Hocs may be restructured or at least reoriented</p> <p>Explore relationships with groups with concrete budget proposals, across the political spectrum, e.g. People's Budget and Oakland Report</p> <p><i>Note: must analyze and independently consider recommendations from groups</i></p>

Meeting Calendar

Month	Must Discuss	Additional Potential Topics
Jan	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ Calendar year BAC goal-setting 	<ul style="list-style-type: none"> • General Plan Update Presentation by Planning Department
Feb	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ Q2 Revenue & Expense (R&E) Report and Ad Hoc to respond • Odd years <ul style="list-style-type: none"> ○ Five-Year Forecast 	<ul style="list-style-type: none"> •
Mar	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ BAC response to Q2 R&E 	<ul style="list-style-type: none"> •
Apr	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ Letter to City Council re: budget 	<ul style="list-style-type: none"> • Review of City Councilmember priority statements
May	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ BAC's response to Mayor's Proposed Budget, and Ad Hoc response ○ Budget Forums ○ Q3 R&E Report and Ad Hoc to response 	<ul style="list-style-type: none"> •
Jun	<ul style="list-style-type: none"> • All years <ul style="list-style-type: none"> ○ BAC response to Q2 R&E • Odd years <ul style="list-style-type: none"> ○ Council President's Proposed Budget, and Ad Hoc response 	<ul style="list-style-type: none"> •
Jul	<ul style="list-style-type: none"> • Odd years <ul style="list-style-type: none"> ○ BAC informational report to Council's Finance and Management Committee and City Council containing their analysis of the budget adoption process, and Ad Hoc response • Even years <ul style="list-style-type: none"> ○ Biennial public budget 	<ul style="list-style-type: none"> •

PRE-DECISIONAL | DOCUMENT FOR REACTION AND DISCUSSION

Month	Must Discuss	Additional Potential Topics
	survey preparation, and Ad Hoc input	
Aug	<ul style="list-style-type: none"> ● Odd years <ul style="list-style-type: none"> ○ BAC informational report to Council's Finance and Management Committee and City Council containing their analysis of the budget adoption process, and Ad Hoc response 	<ul style="list-style-type: none"> ●
Sep	<ul style="list-style-type: none"> ● 	<ul style="list-style-type: none"> ●
Oct	<ul style="list-style-type: none"> ● All years <ul style="list-style-type: none"> ○ Prior FY Q4 R&E report and Ad Hoc response 	<ul style="list-style-type: none"> ●
Nov	<ul style="list-style-type: none"> ● All years <ul style="list-style-type: none"> ○ Current FY Q1 R&E report and Ad Hoc response ● Even years <ul style="list-style-type: none"> ○ BAC review of City Administrator's draft public survey 	<ul style="list-style-type: none"> ●
Dec	<ul style="list-style-type: none"> ● All years <ul style="list-style-type: none"> ○ Form 700 Filing Information Presentation from City Clerk's Office ● Even years <ul style="list-style-type: none"> ○ Public survey results and Ad Hoc response 	<ul style="list-style-type: none"> ● Briefing book for new City Council members

Requested Presentations

This section is a list of requests from BAC members and external entities of presentations and discussions to hold in future BAC meetings. They are listed for informational purposes.

- Mayor's Commission on Aging, to provide perspective to BAC members
- Department of Housing and Community Development and advocacy groups for houseless community, to provide perspective to BAC members

Discussion Questions

1. What resonates? What doesn't?
2. What's missing? What isn't relevant?
3. How might we realign the ad hocs to support these strategic goals?
4. Does our standing meeting time of the second Wednesday make sense? Would moving to third or fourth Wednesday better align with when City Council activities occur?

Note: Finance & Management Committee meetings are scheduled for second and/or fourth Tuesdays of the month. Regular City Council meetings are held on the 1st and 3rd Tuesdays in-person and teleconference via Zoom. 5th Tuesdays are reserved for Special City Council Meetings.

Appendix

Budget Advisory Commission Membership

[Budget Advisory Commission - Oakland](#)

Name	Role	Term	Workgroup(s)
VACANT	District 3 Commissioner		
VACANT	District 6 Commissioner <i>Jenkins</i>		
VACANT	Mayoral Appointee		
VACANT	City Council Financial & Management Committee Appointee <i>Jenkins</i>		
VACANT	City Council Financial & Management Committee Appointee <i>Jenkins</i>		
Jane Yang ("young")	District 1 Commissioner CHAIR	Oct 01, 2023 to Sep 30, 2026 <i>First term</i>	Strategy Budget/R&E response Community Engagement Housing & Homelessness
Margaret Grimsley	District 2 Commissioner	Oct 01, 2021 to Sep 30, 2024 <i>Second term</i>	Housing & Homelessness (lead) Public Safety
Mike Petouhoff	District 4 Commissioner	Oct 01, 2024 to Sep 30, 2026 <i>Third term</i>	Public Safety (lead) Workforce & Economic Development

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Name	Role	Term	Workgroup(s)
Stephisha Ycoy-Walton	District 5 Commissioner	Oct 01, 2022 to Sep 30, 2025 <i>First term</i>	Housing & Homelessness
Armand (“Are-mend”) RS Bryan	District 7 Commissioner	Oct 01, 2023 to Sep 30, 2026 <i>Second term</i>	Workforce & Economic Development (lead)
Mike Forbes	City Auditor Appointee VICE CHAIR	Oct 01, 2023 to Sep 30, 2026 <i>First term</i>	Community Engagement Unfunded Liabilities & Pensions
Larisa (“lar-ee-sa”) Casillas	Mayoral Appointee FINANCE & MGMT COMMITTEE LIAISON	Oct 01, 2021 to Sep 30, 2024 <i>First term</i>	Community Engagement / Budget Survey
Guadalupe “Lupe” Garcia	Mayoral Appointee	Oct 01, 2021 to Sep 30, 2024 <i>First term</i>	Community Engagement / Budget Survey (lead) Workforce & Economic Development
Caitlin M Prendiville	City Council Workforce Development Committee Appointee	Oct 01, 2022 to Sep 30, 2025 <i>Third term</i>	Unfunded Liabilities & Pensions

City Council Finance & Management Committee

[City of Oakland District Map](#)

Name	Role	Finance & Management Committee (FMC)	District	Notes
Nikki Fortunato Bas	Council President	X	2	Leaving Jan 2025
Rebecca Kaplan		X	At Large	Leaving Jan 2025
Janani Ramachandran	FMC Chairperson	X	4	

PRE-DECISIONAL | DOCUMENT FOR REACTION AND DISCUSSION

Name	Role	Finance & Management Committee (FMC)	District	Notes
Kevin Jenkins		X	6	
Dan Kalb			1	Leaving Jan 2025
Carroll Fife			3	
Noel Gallo			5	
Treva Reid			7	Leaving Jan 2025

Recommendations for FY 24-25 Mid-Cycle Budget

Oakland, CA Budget Advisory Commission (BAC)
June 9, 2024



Executive Summary

BAC Budget Analysis

This budget cycle repeats a pattern we've seen for years:

- We start the cycle in a difficult position, using hard-to-justify assumptions (e.g., carryovers) to 'balance' the budget.
- The assumptions do not become reality and we struggle with shortfalls.
- We rely on one-time 'windfalls' as a stopgap.

Oakland now has a structural deficit of over \$100M.

Going into the FY 24-25, we have \$0 in our "rainy day" Vital Services Stabilization Fund reserve. The proposed FY 24-25 budget of \$2.23B assumes \$20.5M growth in a volatile revenue source ([RETT](#)) relative to [projected FY 23-24 actuals](#). In addition, balancing the General Purpose Fund depends on [\\$64M](#) in miscellaneous one-time revenue contributions, \$63M from the Coliseum sale – a one-time windfall.

Recommendation #1

The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget by: 1) examining both revenue and expenditures; and 2) learning from experiences of other similar cities in California.

Recommendation #2

Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and improving public safety.

Recommendation #3

Oakland should break its habit of waiving limits in the Consolidated Fiscal Policy, establish more discipline in replenishing emergency funds, and be more transparent on the budget's effect on the City's fiscal health

Recommendation #1

The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget by: 1) examining both revenue and expenditures; and 2) learning from experiences of other similar cities in California

Since 2019, Oakland has overridden [Consolidated Fiscal Policy \(CFP\)](#) limits on use of one-time revenue or excess RETT for ongoing expenses.

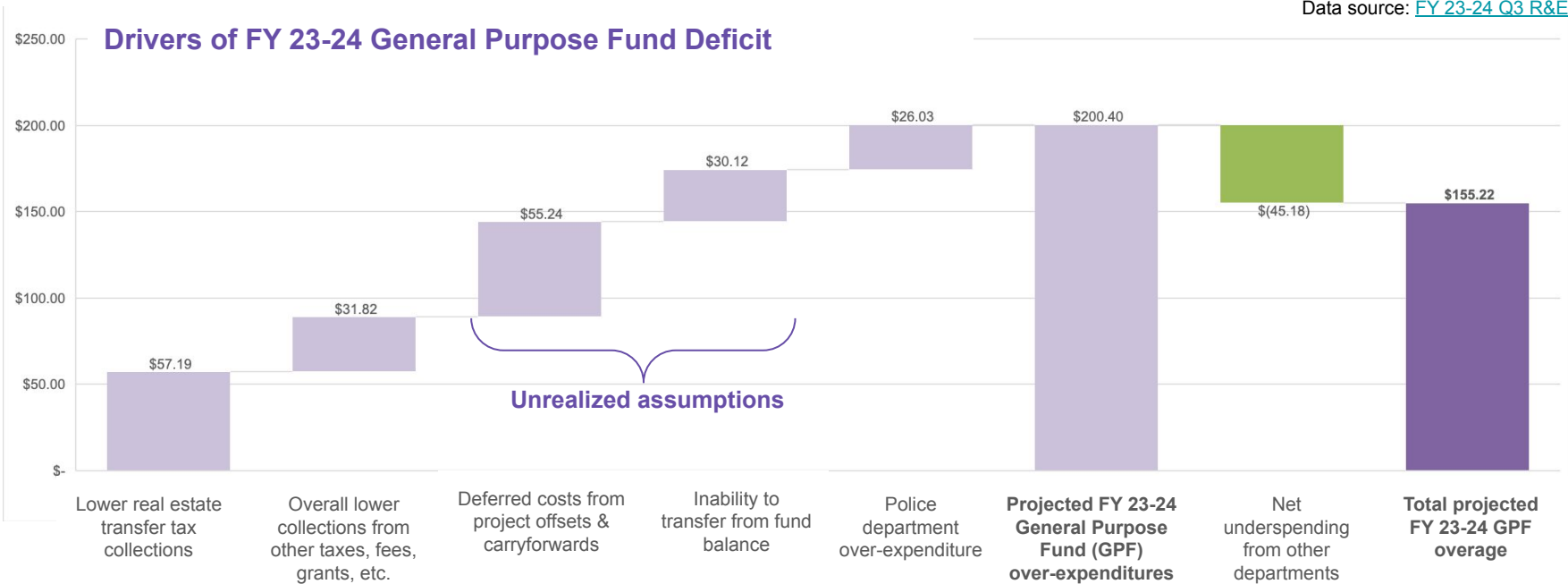
The City has used excess Real Estate Transfer Tax (RETT), Coronavirus Aid, Relief, and Economic Security Act (CARES), and American Rescue Plan Act (ARPA) one-time funds to maintain services post-COVID. CARES funds ended in 2020 and ARPA funds run out Dec 31, 2024.

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* proposed	● 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.

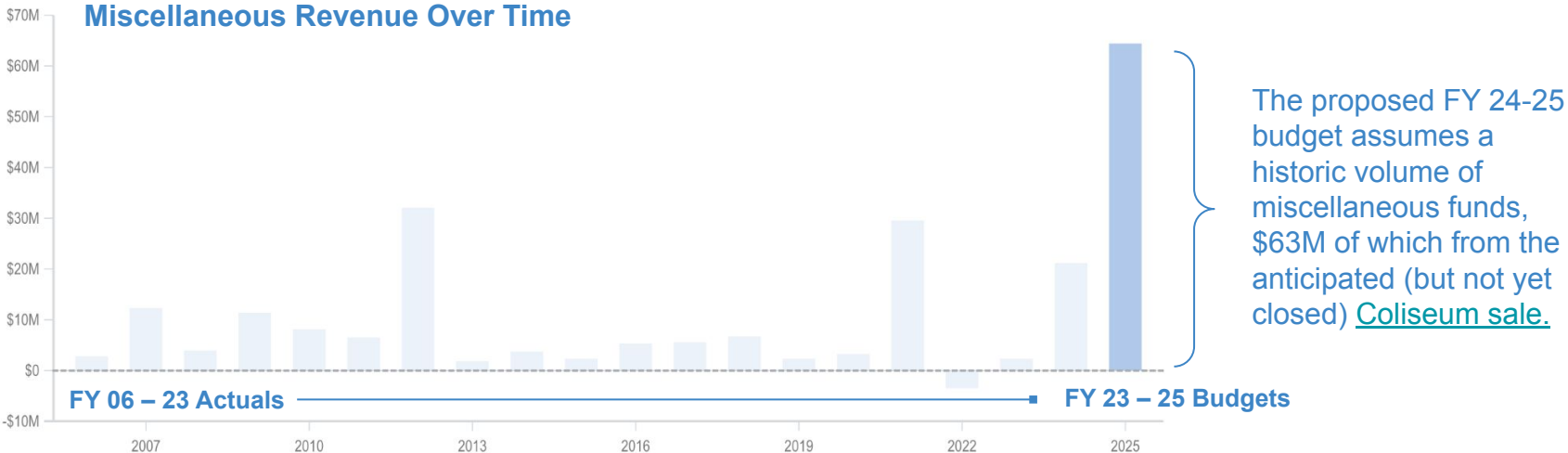
These unrealized assumptions account for \$85M in FY 23-24, which is 55% of the current FY 23-34 General Purpose Fund (GPF) shortfall.



* 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 \$64M, 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.



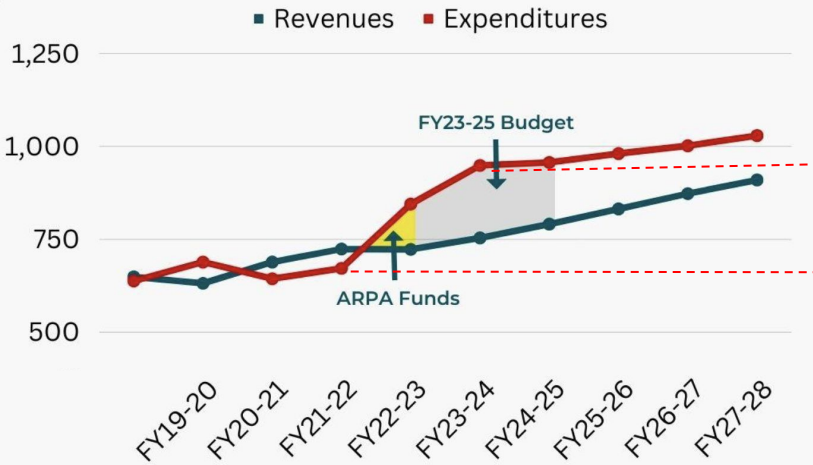
Data source: [FY 24-25 Proposed Policy Budget](#)

Oakland has also significantly increased ongoing expenses in the last two fiscal years, exceeding approved budgets as a result.

Combined with the revenue shortfalls, Oakland now has a structural deficit of over \$100M.

General Purpose Fund

FY 19-22 Actuals and FY 23-28 Forecast (\$)



As shared in the [FY 23-25 Budget Community Forums presentations held in June 2023](#), ongoing General Purpose Fund expenses jumped in FY 22-23 and again in FY 23-24. A big driver is [city leadership's choice to open the Oakland Police Officers contract](#) when it was nowhere near expiration, granting wage increases to the police.

Graph source: [FY 23-25 Budget Community Forums PPT](#)

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 that is equitable and mitigates impact of service changes. 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, including local 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?



BAC Recommendation: Oakland should seek to learn from the experiences of similar cities in California.

The BAC recommends examining practices of and benchmarking against cities with similar population size, diversity, and community priorities (e.g. reducing homelessness, improving public safety).

Example benchmarking cities

- Fresno (545K)
- Long Beach (449K)
- Bakersfield (413K)
- Stockton (319K)
- Fremont (226K)
- Hayward (155K)

Recommendation #2

Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and improving public safety

In the [2022 City of Oakland Budget Priorities Survey](#), the most frequently named issues residents said to prioritize in the budget were reducing homelessness and improving public safety.

Reducing Homelessness

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

Improving Public Safety

- 18% of polled residents indicated improving public safety 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 improving public safety.

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.

Examples of how service efficacy can be determined and communicated →

- Define outcome measures, as appropriate, to enable accountability in spending public funds wisely
- 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 break its habit of waiving limits in the Consolidated Fiscal Policy, establish more discipline in replenishing emergency funds, and be more transparent on the budget's effect on the City's fiscal health

Oakland's Consolidated Fiscal Policy requires exceptions to use of RETT and one-time funds be authorized by City Council resolution.

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.

Exhibit 1

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.

This requirement is inadequate, leaving much room for improvement on budget transparency.

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 should break its habit of waiving limits in the Consolidated Fiscal Policy, establish more discipline in replenishing emergency funds, and be more transparent on the budget’s effect on the City’s fiscal health.

For example, the budget could come with a “nutrition facts” label. Illustrative design:

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	
\$ from offsets and carryforwards	
<hr/>	
CFP RETT limit waived?	
CFP one-time use limits waived?	
Reserves used?	

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 City Council overrides CFP policy of not using one-time funding to support continuing cost commitments, the budget should include a clear statement of the reasons for doing so, describe 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 take the following actions to prepare targeted recommendations to City Council (1/3)

Ad Hoc Committee	Key Actions
Community engagement	Explore strategies to strengthen community engagement and promote trust by residents in the city's budget processes
Houselessness	<ol style="list-style-type: none"><li data-bbox="618 576 1634 657">1. Identify which programs designed to prevent and reduce houselessness have the highest return on investment<li data-bbox="618 711 1692 882">2. Identify potential funding sources and partnerships with community organizations, non-profits, state and federal government funding, and private donors that are invested in addressing the houselessness crisis

Over the next fiscal year, the BAC will take the following actions to prepare targeted recommendations to City Council (2/3)

Ad Hoc Committee	Key Actions
Economic and workforce development	<ol style="list-style-type: none"><li data-bbox="450 452 1740 576">1. Work with Oakland Economic Development staff to identify and support initiatives to promote revenue growth through growing businesses and jobs in Oakland.<li data-bbox="450 634 1798 716">2. Work with Oakland Chamber of Commerce to identify and support initiatives to promote revenue growth through growing businesses and jobs in Oakland.<li data-bbox="450 767 1798 849">3. Promote a positive image of Oakland as a great place to eat, stay and play, for example to increase hotel occupancy tax revenues.<li data-bbox="450 900 1760 982">4. Focus on collections for the new Oakland business tax, especially for large businesses, to gather the estimated \$50 million in outstanding annual revenue.

Over the next fiscal year, the BAC will take the following actions to prepare targeted recommendations to City Council (3/3)

Ad Hoc Committee	Key Actions
Public safety	<ol style="list-style-type: none">1. Promote fiscal and overtime management as factors for selection of the Oakland Police Department Chief and assessment of their performance.2. Gather objective data on what investments, policies, and conditions have the strongest correlation with crime reduction in Oakland, including:<ul style="list-style-type: none">● Public Safety Ambassadors● Ceasefire program● Employment/unemployment rate● Economic development● Income disparity● Number of OPD officers● Impact of “Patrol Draw” policy on effectively assigning resources to the shifts and locations w the most crime3. Examine long-term approaches to consolidate county ambulance services with Oakland’s Fire Department’s non-fire emergency response as other cities have effectively done.