

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

From: City of Oakland Budget Advisory Commission

Date: December 13, 2024

Subject: Rebalancing the FY24-25 budget

Context on the Budget Advisory Commission

The City of Oakland's Budget Advisory Commission (BAC) thank you for your work addressing Oakland's current budget challenges and appreciate 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 science, 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

When our Commission last provided [recommendations to the City Council in June](#), we laid out the Council's history of overriding the Consolidated Fiscal Policy and highlighted that banking on the Coliseum sale would be continuing the unsustainable practice of depending on windfalls to "balance" the city's budget. Six months later, one of the largest bond credit rating agencies has downgraded Oakland to AA-¹ and the Coliseum sale has unsurprisingly still not yielded the "expected" revenue. The BAC recognizes the complexities involved in both budgeting for the City and being responsive to actual revenues and expenditures. We greatly appreciate the Council's thoughtful discussions and commitment to principles. And **we implore the City Council to recognize that to achieve the fiscal resiliency that a healthy city needs, we must significantly change from the status quo approach to more responsible budgeting and management of expenditures based on actual certified revenue.**

Simply put, Oakland is again in a budget crisis. This situation was predictable and avoidable. The City is consistently spending more than we earn and we cannot dip into our savings account forever. The [fund shuffling maneuvers proposed by the City Council](#) suggest a lack of transparency and long-term planning. Oakland has been in a precarious financial position for

¹ Fitch Ratings, Nov 27, 2024, <https://www.fitchratings.com/research/us-public-finance/fitch-downgrades-oakland-ca-idr-to-a-outlook-revised-to-negative-27-11-2024>

years and we believe the City has reached the tipping point. Public perception of the City's current service level is very low, city leadership is in a large transition, and the city's reputation is rapidly tarnishing, which has negative effects on our revenue base.

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 need our City Council to implement long-term, macro-level reforms based upon sound fiscal policy and show financial self-discipline that it has not demonstrated in many years.** This work is not easy and will require a significant commitment to organizational and cultural changes, strict leadership, and consistent engagement with the community over timelines that transcend elections.

Budget Advisory 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 the greatest flexibility in directing. Currently, the Finance Department projects that the City will meet its revenue target at the end of the fiscal year. 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. **Design taxes to raise revenue from those who can afford it.** Oakland is in the top 10th percentile of Californian cities for revenue per capita². Amongst cities with populations between 250k and 750k people, Oakland ranks second in revenue per capita. Asking our poorest residents to bear even more is not a sustainable solution. Sales taxes disproportionately impact low and middle-income families. If the City Council moves forward with the special ballot sales tax proposal, we urge the City Council to consider how to provide sales tax credits to lower the burden on low-income families.³ We also support parcel taxes as a relatively progressive means of raising revenue due to the targeted taxation on residents who can afford to be property owners. These measures are critical to ensure our residents contribute their fair share, especially wealthier individuals and corporations.

² [2023 City Revenues per Capita](#), California State Controller's Office Local Government Financial Data

³ [Options for a Less Regressive Sales Tax](#), Institute on Taxation and Economic Policy; [Sales Tax Base Broadening](#), Tax Foundation

- 2. Allocate potential revenue from the one-off Coliseum sale to pay down liabilities and shoring up reserves.** Since FY19-20, Oakland has been operating hand-to-mouth. City Council has repeatedly bet on one-time revenue to paper over chronic overspending. The Coliseum sale is just the latest example. While we believe the City Council's intentions are good, the outcomes are what matter most. City Council's decisions have forced us to stay in a perpetual defensive crouch, implementing short-term financial bandages rather than considering the long-term cost and payoff of budgetary investments. As one example, Oakland has been forced to divest resources from cybersecurity less than two years after suffering a ransomware attack that both disrupted revenue collection and leaked sensitive information about thousands of city employees. It is tempting but irresponsible to try to "re-balance" the budget by hoping for income from the Coliseum sale. If it comes through, consider it a bonus for rainy days, but not a given to pay for ongoing expenses.

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 Police Department (projected \$51.89 million over budget) and Fire Department (projected \$34.44 million over budget).

Priority Recommendations:

- 3. Prioritize essential service delivery, performance measures, and equity in discussions with the City's workforce.** Personnel and overhead make up half of the City's overall budget and over 70% of the General Purpose Fund.⁴ Oakland's full-time city workforce ranges from library aides making a base salary of \$40,000 a year to sworn police officers with base salaries over \$300,000 a year and making upwards of \$500,000 factoring in overtime.⁵ It is inevitable that closing the City's structural deficit will involve examining total compensation. We urge the City Council to prioritize preserving core city services that have proven positive track records. We also urge fairness and consideration of the 59% of the City's workforce whose total wages are less than the City's median income of \$97,000.⁶
- 4. Work closely with the Police Department** to identify more realistic budget adjustments, especially focusing on reducing overtime spending and re-examining compensation. Police overtime is a consistent driver of Oakland's budget deficit. There is a lack of data to suggest this model of operating a police department with chronic overtime is effective for improving public safety. Multiple entities including Oakland's City's Auditor⁷ and the Reimagining Public Safety Task Force⁸ have recommended capping overtime for police officers but to Oakland's detriment, the City has not acted on

⁴ [City of Budget FY 23-25 Biennial Budget Book](#)

⁵ [Transparent California](#)

⁶ [Census Bureau Quick Facts](#)

⁷ [Performance Audit of Oakland Police Department Overtime, 2019](#)

⁸ [Reimagine Public Safety Task Force Report & Recommendations, 2021](#)

those recommendations to date. City Council did, however, choose to [open the Oakland Police Officers contract](#) when it was nowhere near expiration, granting wage increases to the police. We urge the City Council to take accountability.

Next Steps

The Budget Advisory Commission remains committed to providing ongoing oversight and input on the budget process. We look forward to attending follow-up meetings with the Finance & Management Committee and City Administrator to collaborate on the City's strategic plan and further review the budget. Relying on one-time funding is not a sustainable solution for the City. We must work together to develop a strategic, long-term financial plan that prevents recurring fiscal crises and ensures stability for our community. This plan will require both broadening the revenue base through taxation, economic development, and grants and clear-eyed management of expenditures.

We encourage continued public engagement to ensure transparency and alignment with community priorities. As stipulated in the Consolidated Fiscal Policy, the City of Oakland should conduct a public survey to inform each biennial budgeting process. Given the fiscal crisis, the city cannot afford a vendor to design and field the survey for FY 25-27. To fill the gap, **we the Budget Advisory Commission are designing and fielding a public survey to inform the FY 25-27 City of Oakland budget. We ask that City Council members share the survey with your constituents.** We will send each of your offices the survey in early January and welcome the opportunity to co-host listening sessions and town halls with your constituents.

Conclusion

We thank the City of Oakland and the City Council for your 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.

Again, we are at a tipping 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.**

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

Sincerely,

[City of Oakland Budget Advisory Commission](#)