

City of Oakland

MIDCYCLE BUDGET

OVERVIEW

Fiscal Year 2024-25

Overview of the Administration Proposal



Presentation Overview

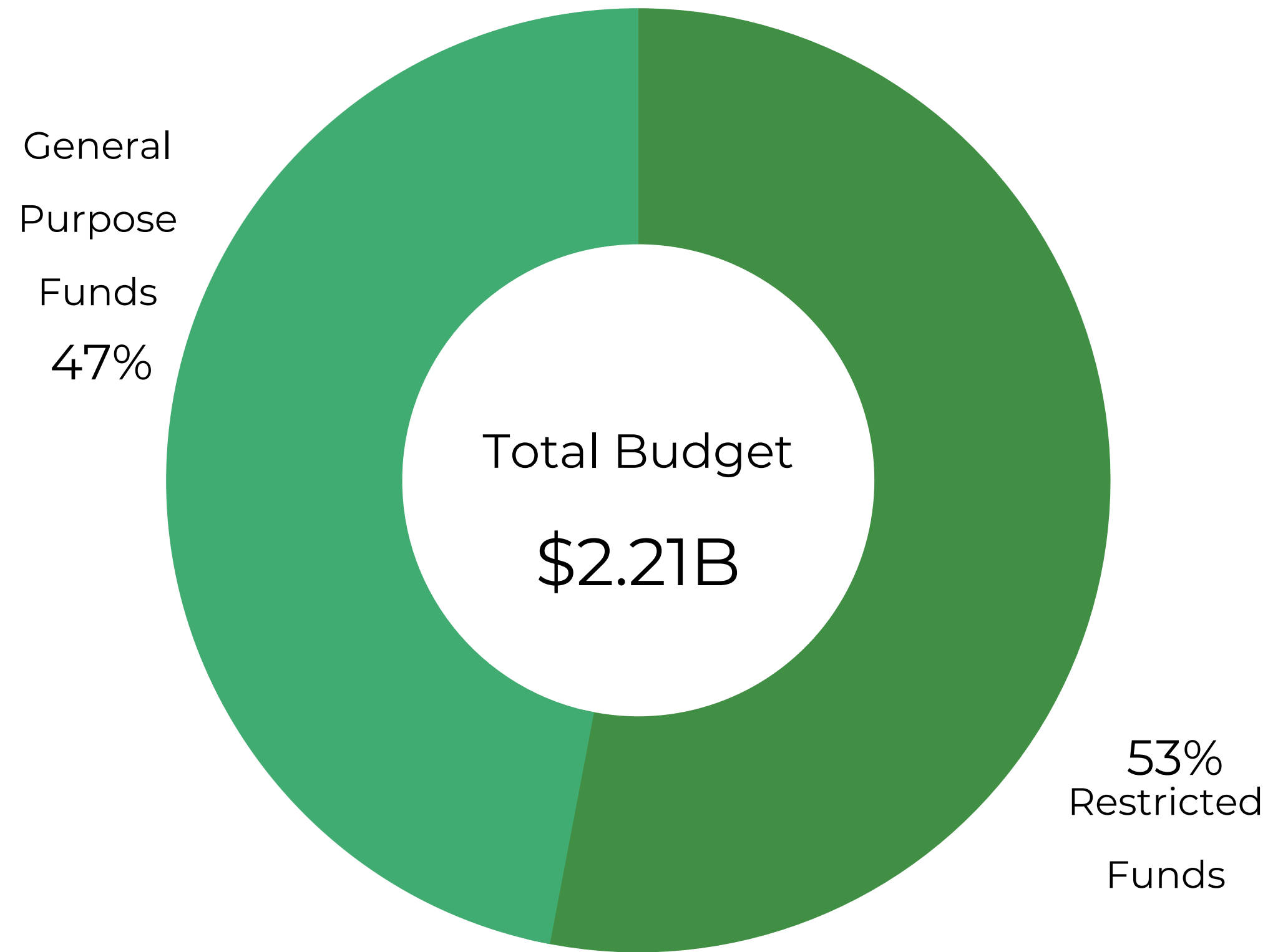
1. Oakland's budget, macroeconomics, & how we got here
2. Revenue changes
3. Coliseum sale
4. Impacts of the proposal: priorities
5. Impacts of the proposal: tough choices and reductions
6. Strategic Plan
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The City of Oakland's total annual budget is approximately \$2.21B.

53% of our budget comes through grants and voter-approved bonds (like the Library or parks bond) and legally must be used for specific purposes; these are called **Restricted Funds**.

General Purpose Funds are generally supported by tax revenue and make up 47% of our budget. They are the most flexible with regards to what they can be spent on. Public safety (police and fire) are primarily funded through the General Purpose Fund, in part because we don't typically charge for these services.



Macroeconomics

Cities across California are experiencing budget deficits due to the lingering impact of the pandemic. From the Bay Area to Southern California, budget shortfalls in big cities span \$50M to \$400M.

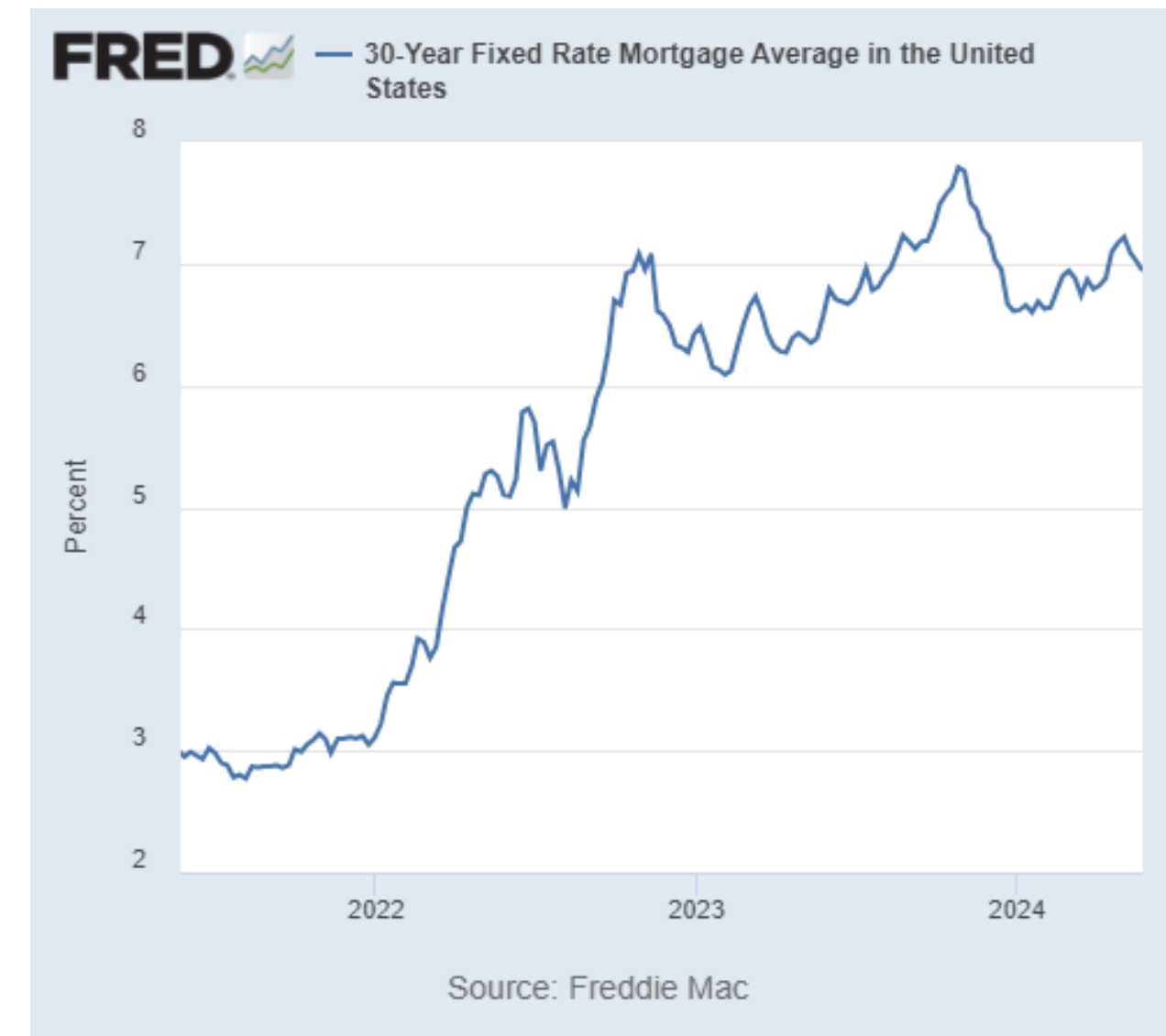
High interest rates have slowed building production and real estate sales, the slow return of office workers, and higher costs associated with inflation have impacted our recovery from the pandemic.

Sales Tax 4th Quarter CY 2023

Region	4Q 2023
Bay Area	-4.8%
Sacramento Region	-3.3%
Far North	-2.6%
Southern California	-2.0%
Central Coast	-1.4%
Sierras	-1.3%
San Joaquin Valley	-0.1%

Source: HdL Companies

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Source: Federal Reserve Bank of St. Louis

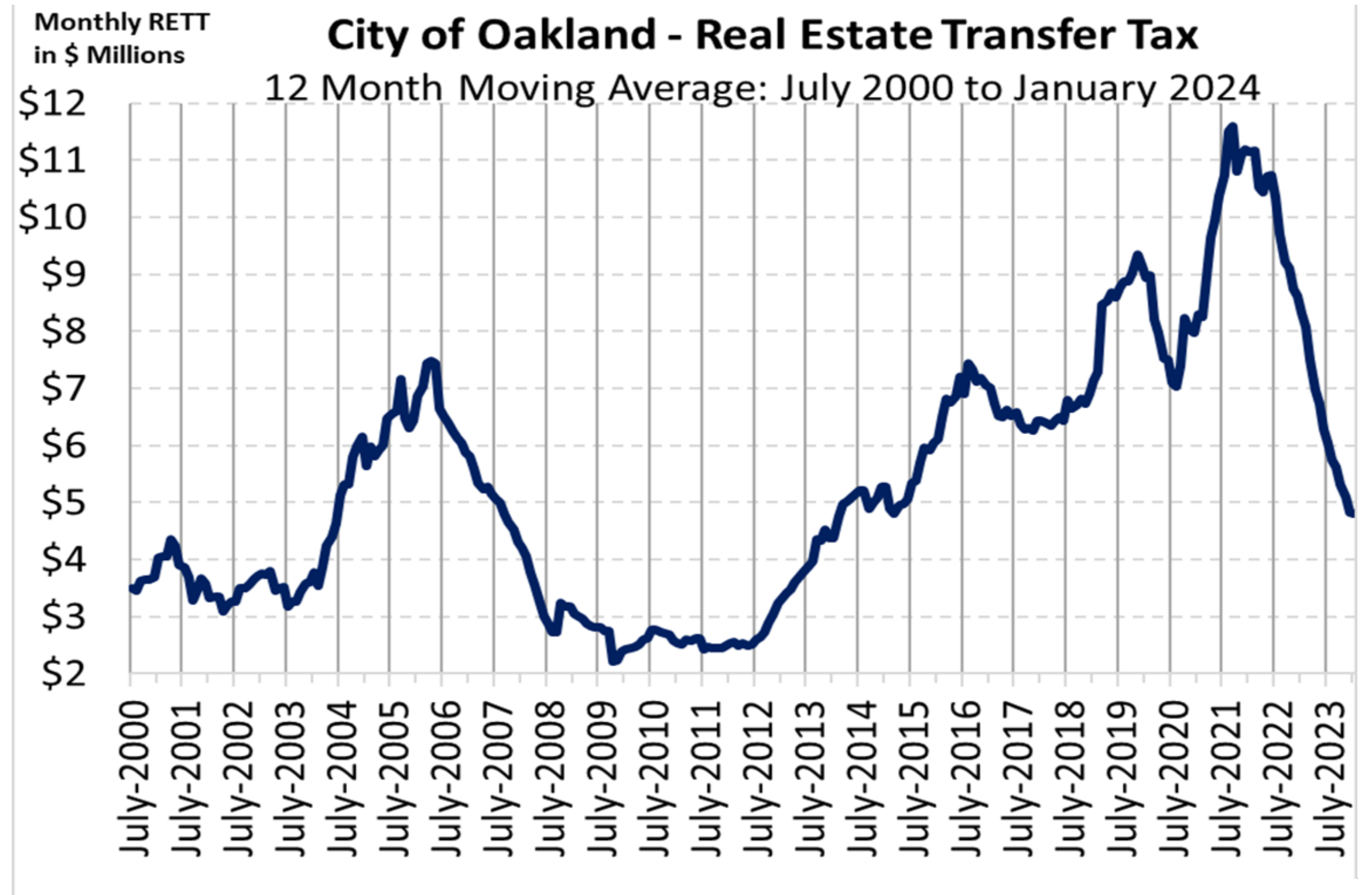


Revenue Changes – RETT

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



Revenue Changes – Sales Tax

City of Oakland Sales Tax 4th Quarter CY 2023

<u>Major Industry Group</u>	<u>Count</u>	<u>4Q23</u>	<u>4Q22</u>	<u>\$ Change</u>	<u>% Change</u>
State and County Pools	-	3,284,617	2,980,155	304,462	10.2%
Restaurants and Hotels	2,041	2,649,805	2,734,549	(84,745)	-3.1%
Autos and Transportation	724	2,264,722	2,550,314	(285,592)	-11.2%
Fuel and Service Stations	141	1,814,193	2,156,550	(342,357)	-15.9%
Building and Construction	304	1,472,810	1,528,399	(55,589)	-3.6%
Business and Industry	3,651	1,352,702	1,753,215	(400,514)	-22.8%
General Consumer Goods	4,857	1,329,240	1,491,147	(161,907)	-10.9%
Food and Drugs	818	1,256,953	1,422,724	(165,771)	-11.7%
Transfers & Unidentified	886	31,972	20,806	11,165	53.7%
Total	13,422	15,457,013	16,637,861	(1,180,848)	-7.1%

Source: HdL Companies



Coliseum Sale: Purpose

Last week Mayor Sheng Thao joined members of the African American Sports and Entertainment Group (AASEG) to announce an historic agreement between the City of Oakland and AASEG to sell the City's share of the Oakland Coliseum property.

- Efforts to develop the Coliseum site go back decades.
- More recent action by the City to prepare for this sale includes the 2015 Council adoption of the Coliseum Area Specific Plan
- In November 2021 City Council authorized an Exclusive Negotiating Agreement with AASEG



Coliseum Sale: Budget Impacts

AASEG has agreed to terms to purchase Oakland's share of the Coliseum property for a minimum of \$105 million. The proposal is coming to the City Council separately from this budget proposal.

The administration spent several months preparing for a more challenging scenario for this midcycle, not assuming a sale. If not for the sale, proposed reductions would include:

- Closing at least 4 fire stations
- Elimination of many filled civilian positions (layoffs)
- Elimination of anticipated police academies
- Reductions in hours and services at community facilities like senior centers, recreation centers, and the animal shelter



Budget Proposal Impacts: Priorities and Investments

Priority: Crime Reduction

Oakland is turning the corner and the public safety strategies we have implemented are paying off. After years of rising crime rates overall crime is currently down by more than 30% in Oakland compared to the same time last year.

Oakland must maintain our progress which is the mid-cycle budget adjustment prioritizes proven crime reduction programs including:

- **Ceasefire – fully funding the strategy**
- **Crime Reduction Teams – increasing funding for CRTs**
- **Police Foot Patrols**
- **Dedicated Police Traffic Unit**
- **9-1-1 improvements including Computer Aided Dispatch**
- **Focused in Investment in the Department of Violence Prevention**
- **MACRO and Fire Medical Services**



Impacts: Priorities and Investments

Priority: Clean Streets

This budget proposal maintains our progress investing in clean streets programs and services including:

- **Continue the Oakland Fresh Pilot Program**
 - As announced on Earth Day the pilot in three equity-identified neighborhoods saw more than 140 piles of illegally dumping removed, 174 abandoned vehicles towed, and 51 streetlights repaired or replaced -- and community partners have stepped up to lead ongoing work in all three areas (West Oakland, Central Oakland, Deep East Oakland)
- **Maintain Existing Services and Staffing in Keep Oakland Clean and Beautiful**
- **Enhanced operations and responsiveness to remove abandoned vehicles**
- **Fully Fund Oakland's Encampment Management Team (EMT)**



Impacts: Priorities and Investments

Priority: Housing & Homelessness

This proposal maintains Oakland's progress investing in housing development and increased services to help bring people out of homelessness with our service partners. Oakland's progress has seen significant recent recognition and support:

- \$7.2M Encampment Resolution Fund (ERF) grant award dedicated to house hundreds of people and resolve long-standing encampments at Martin Luther King, Jr. and 23rd Street, Mosswood Park, and East 12th Street.
- *Nine* Project Homekey awards: over \$109M to provide 467 deeply affordable units for the unhoused – most recently \$14.3M for The Dignity Village Oakland project on Edes Ave in Deep East Oakland
- PIT Count shows slowing of the homelessness growth rate
- Measure U investments: \$52M increasing to \$150M, accelerating housing development

This budget proposal proceeds with investments in:

- **Building affordable housing**
- **Permit reform**



Impacts: Priorities and Investments

Priority: Economic development and revenue generation

This proposal is prioritizing programs that promote economic activity and increase revenue including:

- **Supporting the Scotlan Convention Center**
- **Supporting Film Production in Oakland**
- **Revenue Collections Enhancement:**
 1. Staffing Analysis/Needs and Necessary Qualifications/Certifications
 2. Best practice collection methods
 3. Best practices and professional auditing standards
 4. Workflow and Operating Procedures Documentation
 5. Opportunity for Targeting Delinquencies and Noncompliance



Impacts: Tough Choices and New Strategies

Noteworthy Reductions and adjustments in this proposal include:

- Almost 100 vacant non-sworn FTE positions frozen or deleted.
- Reduction to planned contracts and grant awards including the elimination of the Council Direct Community Grants program
- Eliminating monthly Bulky Block Party large item drop off disposal events – while working to increase usage of free bulky item *pickups* and investing in partnerships like Keep America Beautiful.
- Maintenance of Effort adjustments to maintain safety and services

Strategic Efficiency Changes in this proposal include:

- Centralizations of Payroll Functions.
- Creation of a new Internal Service Fund structure to support Personnel Operations across the City
- Implementation of the merger of Community Housing Services (homelessness) into the Housing and Community Development Department



Strategic Planning & Structural Balancing and Next Steps

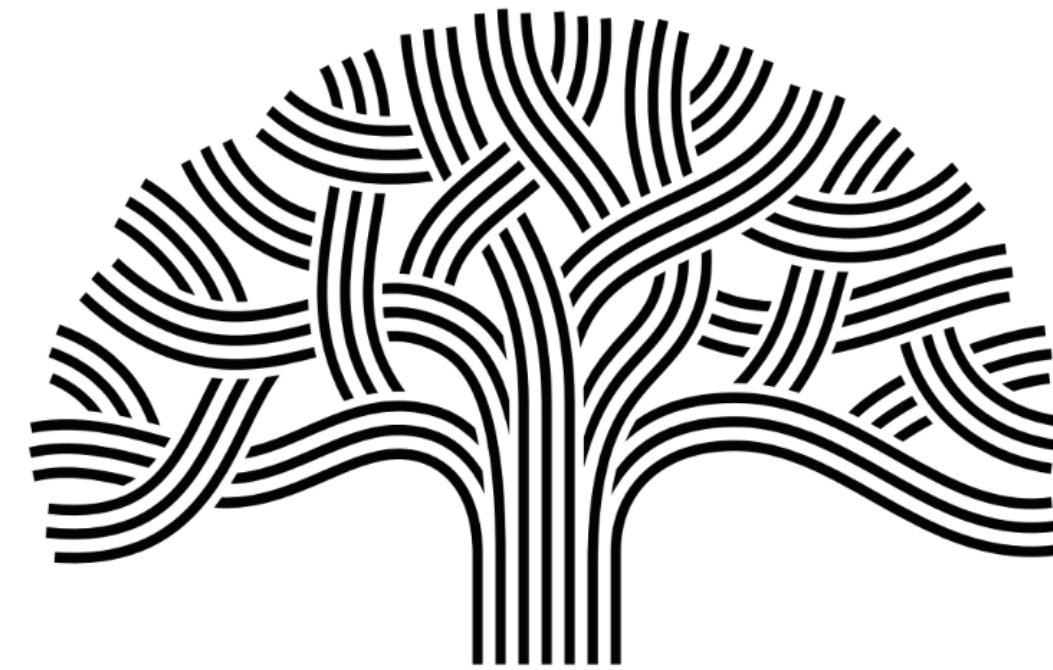
We will embed fiscal sustainability in the City of Oakland Strategic Plan process led by the City Administrator's Office, our objectives include:

- ❖ Developing a structurally balanced budget and fiscal plan for all operating funds
- ❖ Leveraging existing Council policy direction
 - ❖ Developing frameworks for equitable and efficient service delivery for all city units & services
- ❖ Developing operational metrics and standards for all city units, services, contracts, and grants
- ❖ Improving the budgeting and management of all grants and contracts across the City
- ❖ Critically rethinking the structure of the organization to reduce costs and improve services
- ❖ Developing strategic performance indicators tied to outcomes for our residents



Next Steps

- City Council now leads the process and will begin its discussions of the proposal.
- Council meetings are scheduled for today (May 29), June 12, and June 18.
- A final revised budget must be adopted by June 30.
- The Administration will begin the next biennial process six months earlier, in September 2024.



CITY OF
Oakland