

GOOD NEWS:

We have been steadily chipping away at the projected deficit and taken measures to strengthen the City's financial health since the last economic downturn. These include managing expenditure growth, maximizing new revenue opportunities, and adopting fiscally prudent policies. We have also created two funds for emergency needs, and maintained a strong credit rating.



Emergency Reserves
~\$47 million



Rainy Day Fund
~\$14 million



Credit rating;
3rd highest rating
with stable outlook

THE CITY MUST CONTINUE TO FOCUS ON LONG-TERM FINANCIAL STABILITY THROUGH:

- Expanding the City's economic base.
- Keeping expenses down by improving the efficiency of our services.
- Reducing our unfunded long-term financial obligations .
- Providing sufficient funding for current priorities and mandates rather than adding new services that would increase the projected deficit.
- Continuing to exercise budgetary discipline to ensure the City's long-term financial health.

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City of Oakland FIVE-YEAR FINANCIAL FORECAST 2019-2024

The Five-Year Financial Forecast is a planning tool developed every two years that helps inform budget and operational decisions. Using this tool, the City will know whether revenues and expenditures will be in balance, or whether steps need to be taken to address projected shortfalls. This is a summary of the most recent forecast, which spans fiscal years 2019-20 through 2023-24.

OAKLAND'S FINANCIAL FORECAST:
EXPENSES ARE OUTPACING REVENUES

While Oakland's economic growth continues to be stable, there are near-term expense challenges that pose real risks to the City's structural balance. Revenue growth is projected to be steady over the next five years, but expenses are growing much faster, driven primarily by rising personnel costs related to medical benefits and pensions, and increases to other fixed costs (i.e., fuel, utilities, and insurance). The cost pressures continue to be acute.

CITY BUDGET
2019-2020

TOTAL
REVENUE
\$1.47 BILLION

5-YEAR FORECAST REVENUES

City revenues have grown at a steady rate over the last five years due to a strong real estate market. Real estate revenues are projected to continue to grow, but at a slower pace. General Purpose Fund revenues are anticipated to grow at an average of about 4% per year over the next five years. Primary drivers include increases related to a solid economy: property tax, sales tax, and business tax revenues.

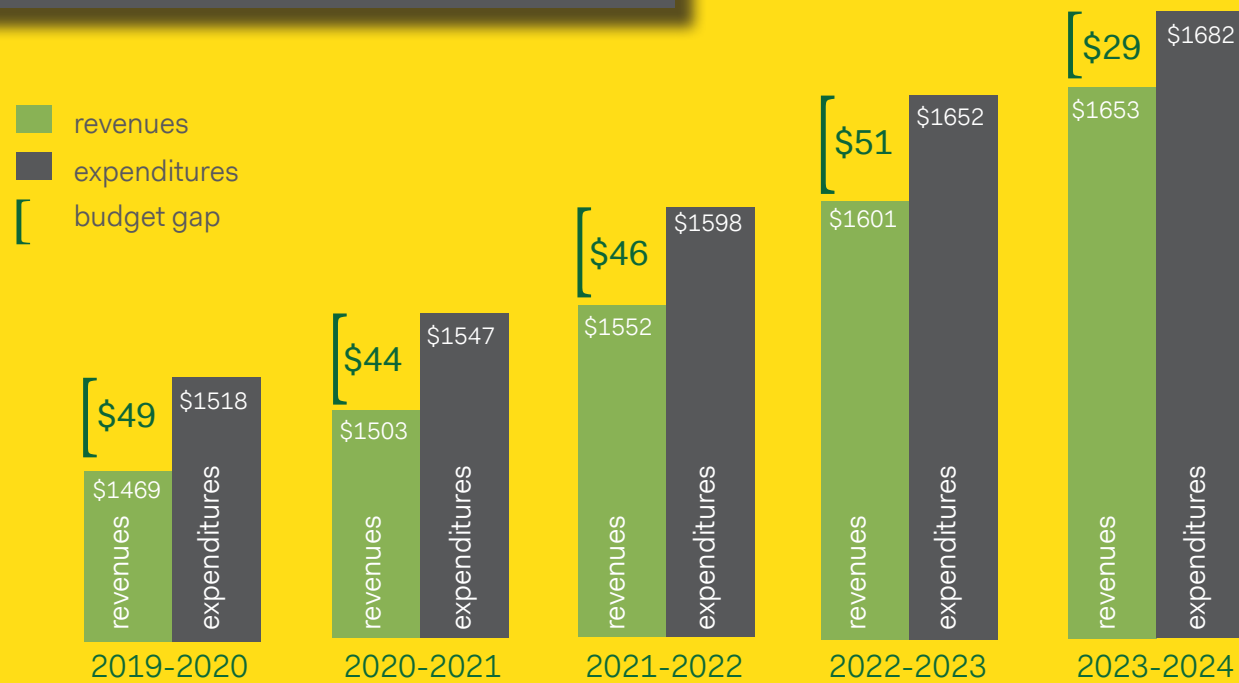
5-YEAR FORECAST EXPENSES

Expenditures are projected to increase faster than revenues. Growth in personnel-related expenses, such as medical benefits and pensions are creating financial challenges for the City. Insurance premiums, claims in the City's Self-Insurance fund, and fixed expenses such as fuel and utilities are also going up, resulting in financial strain on the City.

THE SHORTFALL:

The forecast shows operating deficits in all five years assuming no corrective actions are taken. Including one-time expenses, in FY 2019-20 the projected gap would increase to \$49 million for all funds (\$24.5 million in the General Purpose Fund alone).

BUDGET GAP ALL FUNDS IN MILLIONS



The issues the City is facing with long-term pension obligations and rising health care costs are not unique to Oakland. Cities and states around the country are dealing with these same issues. It will take long-term strategies and fiscal discipline to resolve the forecasted shortfall between expenditures and revenues.

MANY PEOPLE WONDER:

IF OAKLAND IS BOOMING AND THERE ARE SO MANY CRANES IN THE SKY, WHY IS THERE A SHORTFALL?

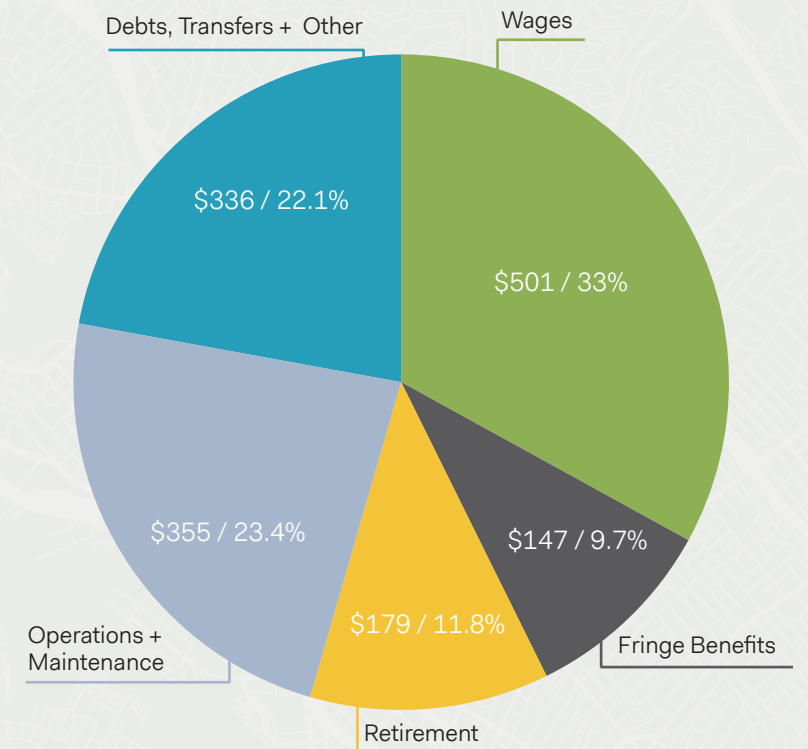
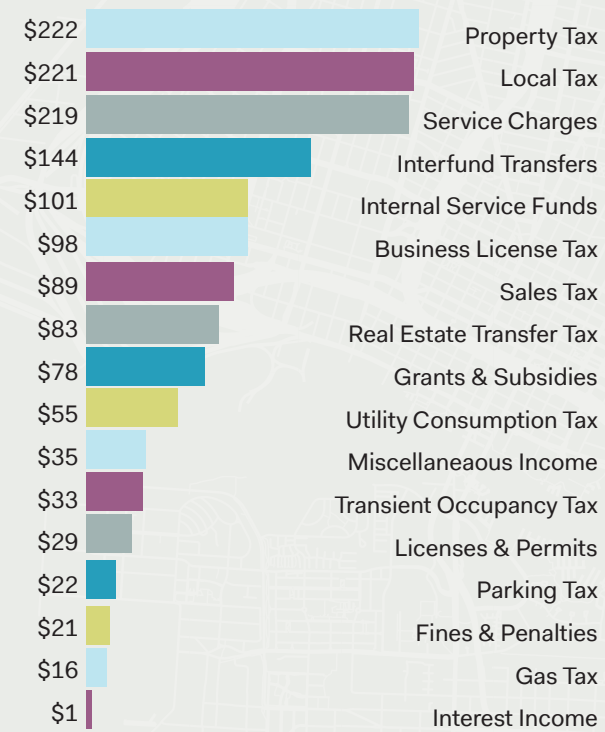
There is always a several-year lag between the time a building is constructed and when new revenues come online. Also, it's similar to the financial situation many people find themselves in. You may have just received a promotion and pay raise, but if your rent, health insurance, and credit card bills also went up, you may not have more discretionary money to spend. For the City, employee salaries are modestly rising in line with the cost of living, but pension contributions mandated by the state (CalPERS), and employee medical costs are rising faster than City revenues.



ALL FUND REVENUES *IN MILLIONS

2019-2020

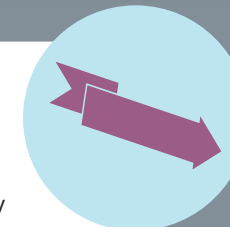
ALL FUND EXPENSES *IN MILLIONS



A WORD OF CAUTION

Economic Downturn

Although it is not assumed in this forecast, an economic downturn during the five-year period is likely based on historic trends. The average economic expansion has lasted about five years; this current expansion has continued for more than nine years.



Unknowns

There are many unknowns about how various Trump Administration policies will impact the City's grant revenues and our local economy.



Assumes No Growth

This forecast assumes that programs and services will continue at current levels over the next five years. Yet Oakland's population is growing, and that growth puts greater pressure on our aging infrastructure such as sewers and streets, curbs and sidewalks. It also increases the demand for community services such as parks and recreation, after school programs, animal services, homeless/housing needs, family assistance, and public safety. The regional housing crisis places additional pressure on the City to prevent displacement of current residents and shelter and housing assistance to the most vulnerable.

