

City of Oakland

BUDGET BASICS

Fiscal Year 2021-23

Overview of the City Budget Process



What is the City's budget process?

From February to June, every other year, City staff, the Mayor and City Council work together to create a balanced budget by June 30, as required by law.

This year's budget process will be unlike any in recent memory. The challenges of the economic and health crises will require difficult choices to balance the budget.



How is the City's budget funded?

The City of Oakland's budget is funded through local taxes, service fees, grants, voter-approved bonds, and other sources.

When you pay taxes, such as sales or property tax, a percentage comes to the City to fund local programs and services. For example, for every dollar that you pay in property tax, the City of Oakland receives a little less than 26 cents. The rest goes to other local government agencies like Alameda County, AC Transit, and Oakland Unified School District.

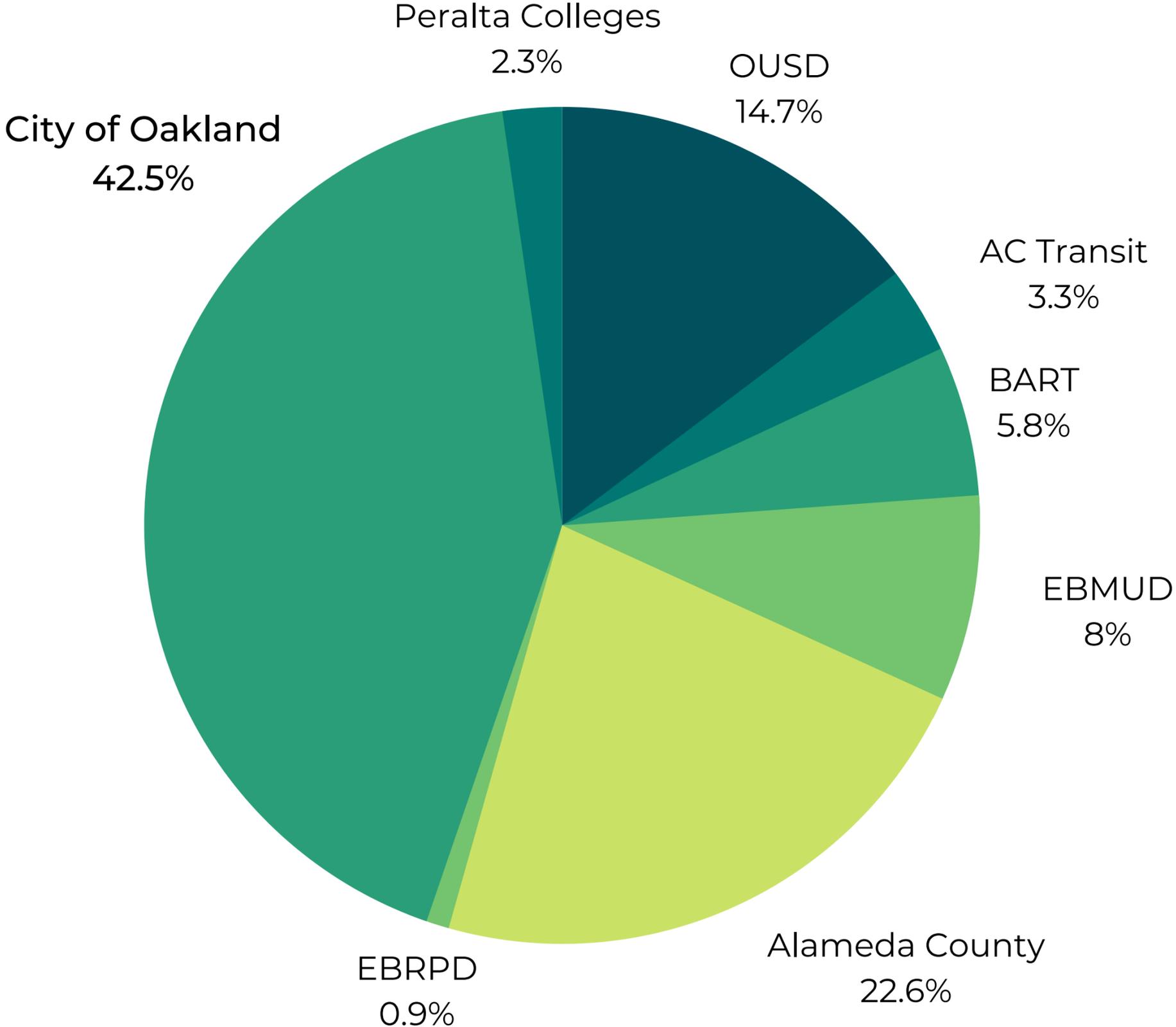


SUPPORT FOR THE OAKLAND COMMUNITY BY PARTNER GOVERNMENT AGENCY

Many Government Agencies provide support for the Oakland community.

Together, we provide essential services and support to our community-- from maintaining roads, sewers, and parks to providing education, transit, and clean water.

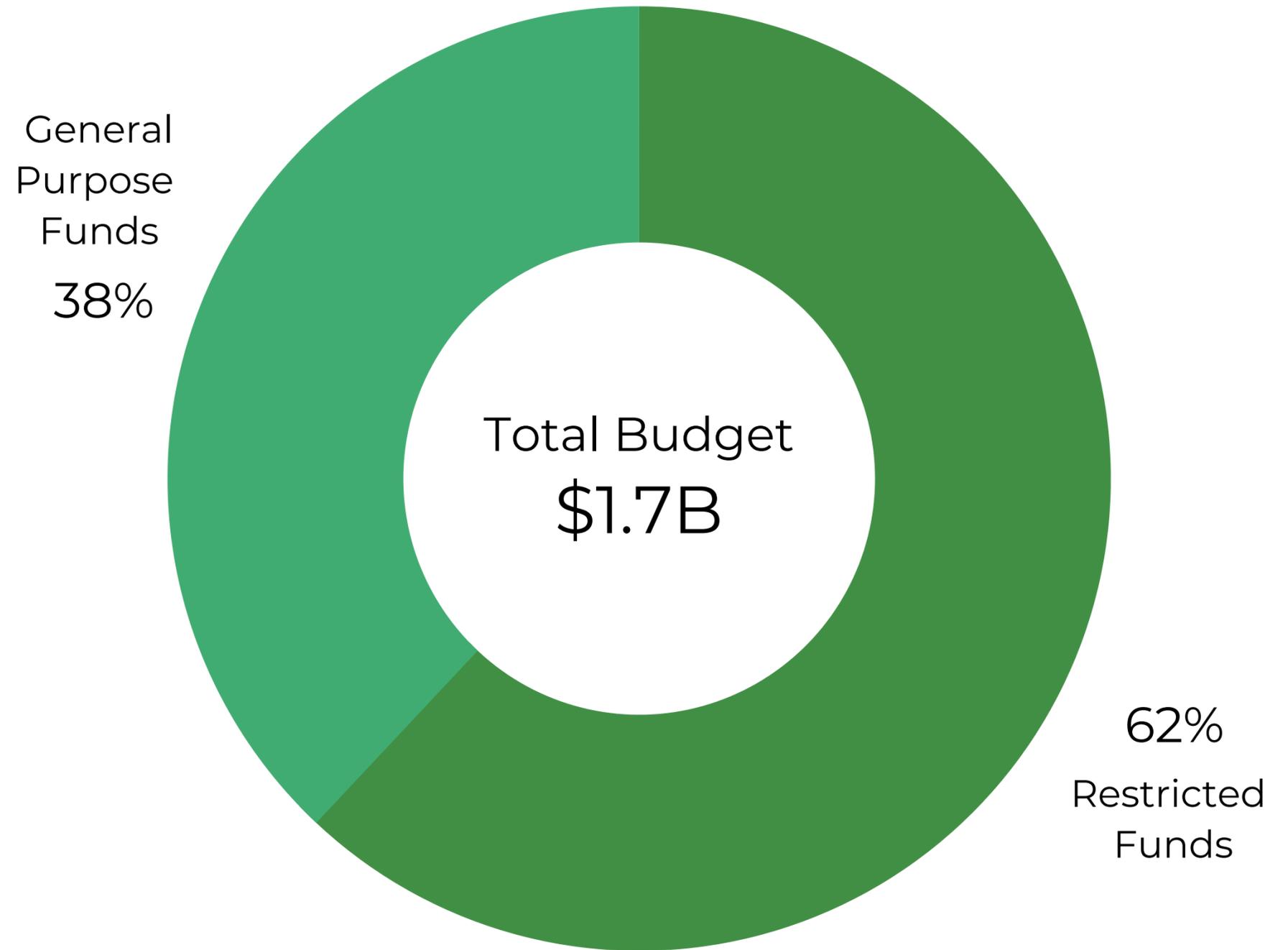
Many of the services that Oaklanders care about such as public & mental health, water, education, transportation, and homeless services are not in the City's budget.



The City of Oakland's total annual budget is approximately \$1.7B.

62% 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 38% 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.



The source of the funds is varied.

While over half of our revenue comes from taxes, we also earn revenue from service charges, fees, bonds, grants, and other sources.

Taxes include: Property Tax, Sales Tax, Transient Occupancy Tax, Utility Consumption Tax, Business License Tax, Real Estate Transfer Tax, and Parking Tax.

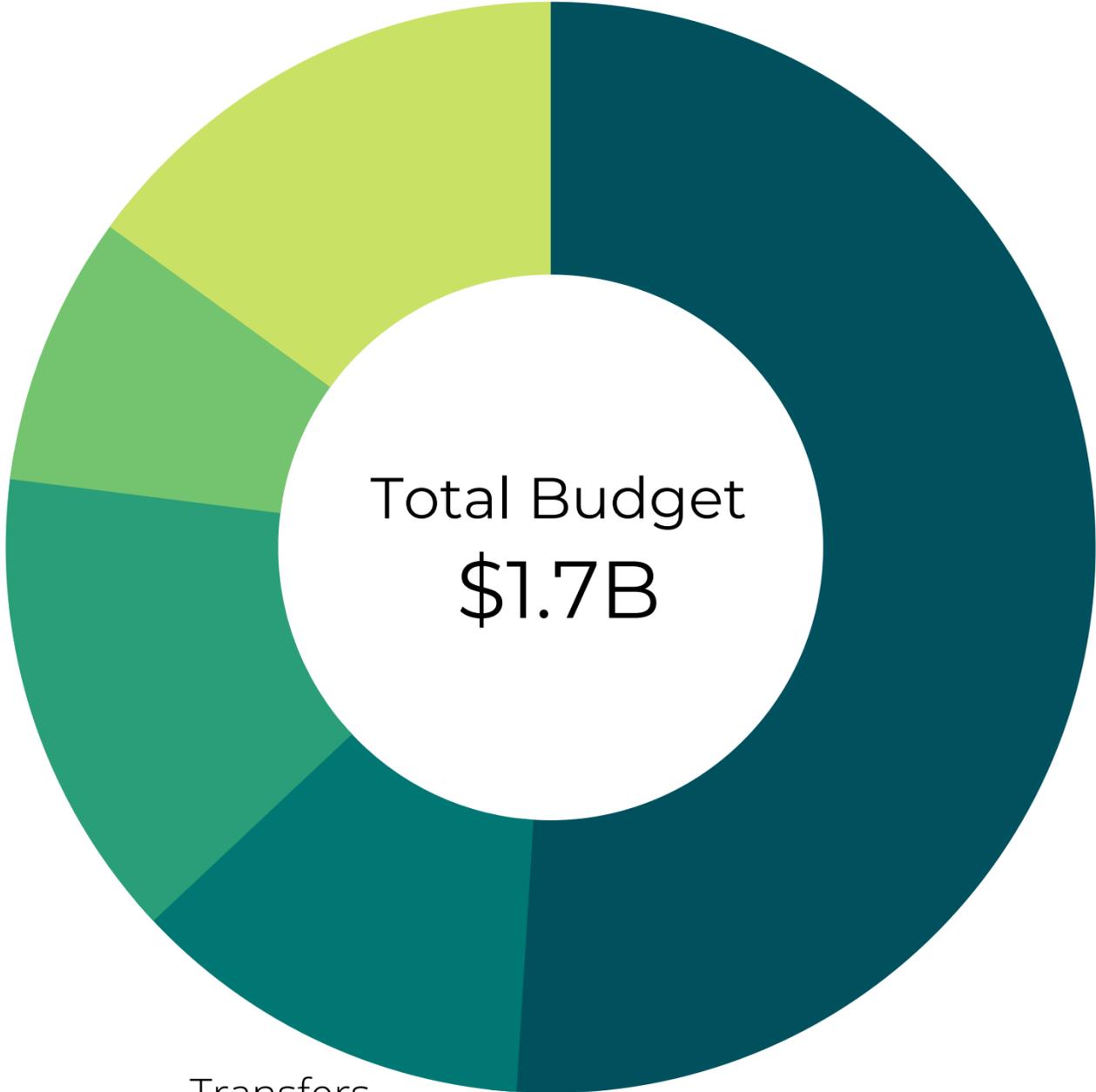
Service Charges, Fines, Licenses & Permits
15%

Grants & Subsidies
8%

Bonds & Other
14%

Transfers
12%

Taxes
51%



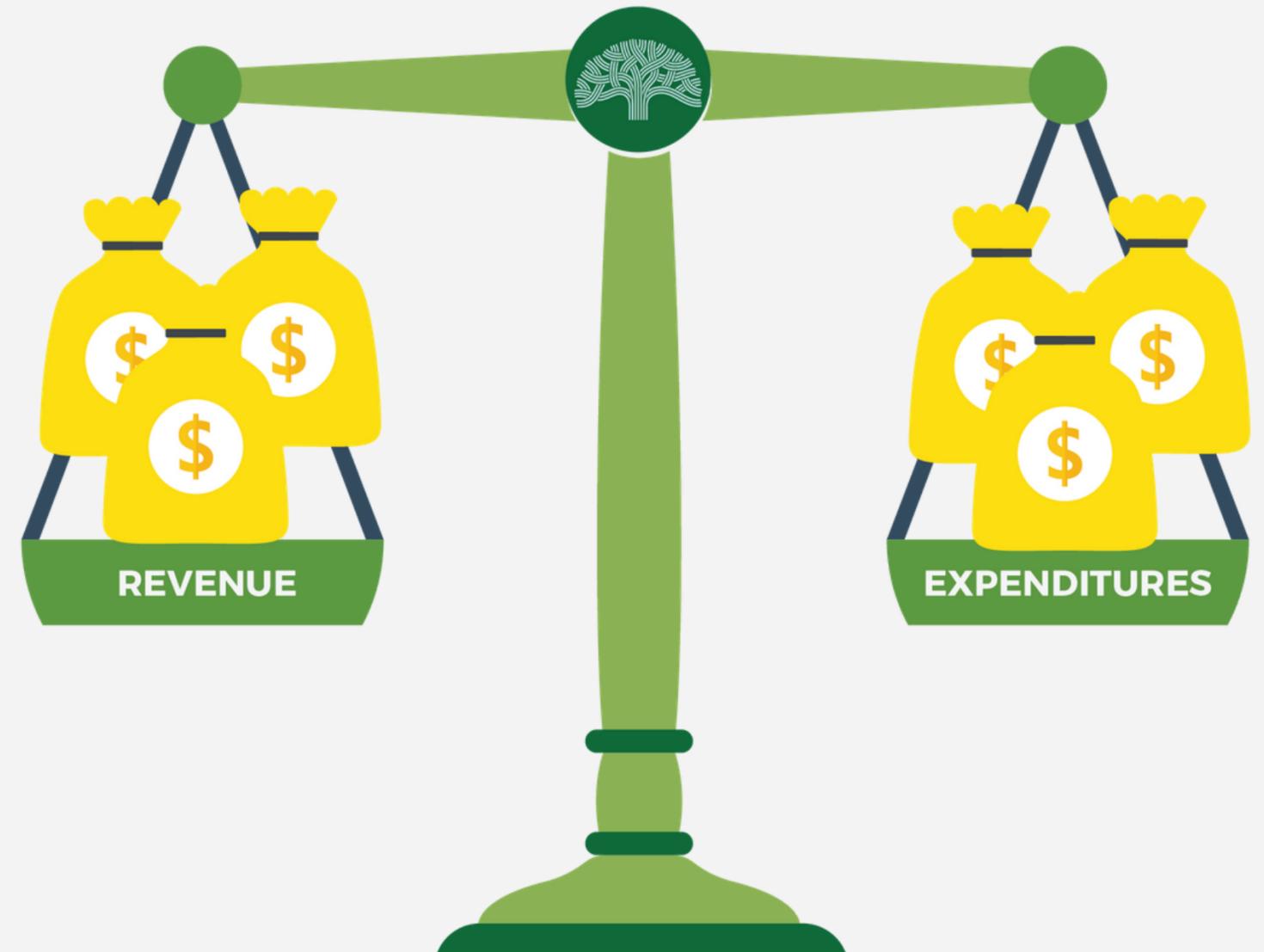
Total Budget
\$1.7B

THE GOAL

A BALANCED BUDGET

The budget is our plan for how we will spend City money on services that support our community.

A balanced budget ensures our "revenues" (the amount of money the City brings in) are equal to or greater than our "expenditures" (the amount of money the City spends). While other cities and government agencies have different cycles, Oakland approves a budget every two fiscal years. The budget currently under consideration runs from July 1, 2021 through June 30, 2023.



FY 2021-23 ADMINISTRATIVE BUDGET VALUES

As we consider difficult tradeoffs, these are the values that will guide our decision making.

- **Equity.**
We seek to avoid reductions that would be felt disproportionately on low-income communities of color.
- **Preservation of core services and staffing levels.**
We seek to prevent cuts in service levels for residents and preserve staffing levels for City workers.
- **Fiscal responsibility and long-term financial health.**
We seek to address our current fiscal health while preparing to rebound once the economy recovers.

Budget Process

Community and Council priorities, public engagement, and input from City staff inform the proposed budget that the Mayor and City Administrator present to City Council. The Council then hosts public deliberations and ultimately adopts the final budget.

JANUARY

Citywide budget poll and staff engagement commence.

APRIL

The Mayor engages the public to garner community insights.

MAY - JUNE

City Council leads public budget forums.

JUNE 30

City Council Deadline to adopt the Final Budget

MARCH

Five-Year Forecast presented to City Council's Finance Committee.

MAY 1

The Mayor releases the Proposed FY 2021-23 Budget.

JUNE

City Council develops alternative budget proposals.

JULY 1

The new fiscal year begins.

FY2020-21 DEFICIT

Meanwhile, a separate but related process is now underway to address a \$72 million deficit in the current fiscal year for the General Purpose Fund.



FY2020-21 DEFICIT

HOW MUCH IS IT?

The COVID-19 pandemic has decimated our national and local economies. In June of 2020 we addressed a \$122M deficit in our mid-cycle budget.

Projections now show a growing potential current year deficit of \$72M.

This is one of the most serious financial challenges the City of Oakland has ever faced.

The \$72M projection is based on data through December of 2020.



\$72M is equivalent to about 450 Full-time Jobs

FY2020-21 DEFICIT

WHAT CAUSED IT?

The economic slowdown associated with the county and state health orders and lockdowns have slashed our first and second quarter tax revenues in four main categories: hotel tax, service fees, fines, and parking tax.

While the exact economic impact remains unknown, it is clear that the current emergency will have an enormous impact on the City finances at a time when a historic number of residents are unemployed and the need for City services has never been greater.



FY2020-21 DEFICIT

OTHER FINANCIAL CHALLENGES



Underbudgeted Police Costs

The City has consistently underfunded the actual cost of overtime needed to meet rising costs and demand for police services. In the past, City revenues covered the additional spending, but revenue no longer exists in this economy.



Structural Deficit

Oakland has carried a structural deficit for years, meaning that expenses have chronically grown much faster than revenues, even in good times. This is primarily driven by rising personnel costs like medical benefits and pension contributions mandated by the State.

\$2B+

Unfunded Liabilities

The long-term unfunded liabilities the City has to pay for employee pensions and retiree health benefits and deferred capital maintenance greatly exceed the resources to meet those obligations by more than \$2 billion.

\$50M+

Negative Fund Balances

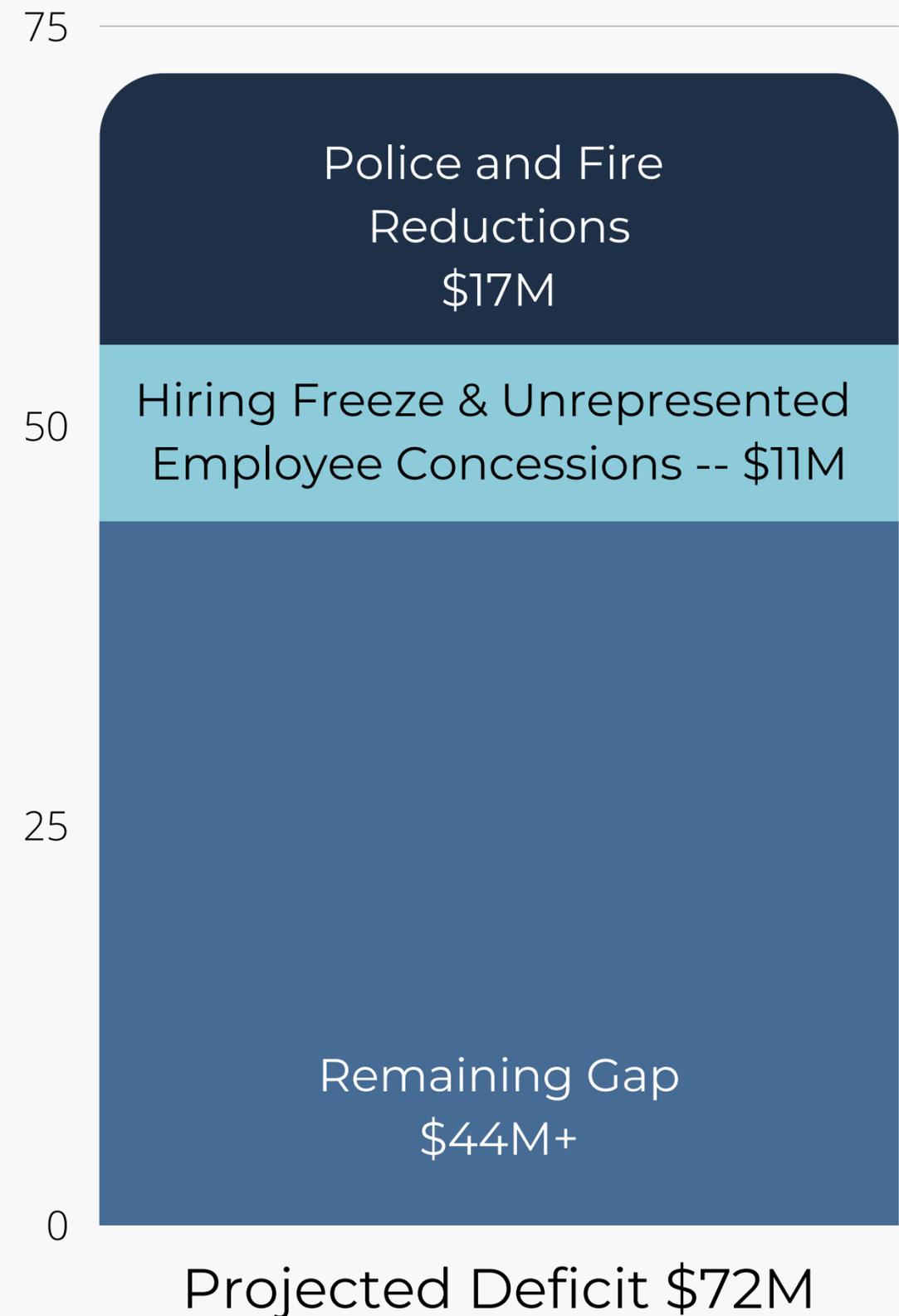
Numerous funds outside the General Purpose Fund have negative balances, totaling more than \$50 million. The City has a policy in place to systematically reduce those negative balances, but that policy has been suspended in the current fiscal year to address the deficit.

FY2020-21 DEFICIT

CLOSING THE GAP

The City has taken swift action to begin to close the initial budget shortfall and projected gap: used 100% of our Rainy Day reserve, reduced police and fire services, released most temporary and part-time workers, implemented a hiring freeze, reduced wages of unrepresented (non-union) employees and suspended payment to the long-term retiree healthcare fund. These actions have helped close about \$27M+ of the projected \$72M deficit. A deficit of \$44M+ remains.

Absent immediate and significant solutions, the General Purpose Fund could become insolvent -- meaning we couldn't pay our obligations.

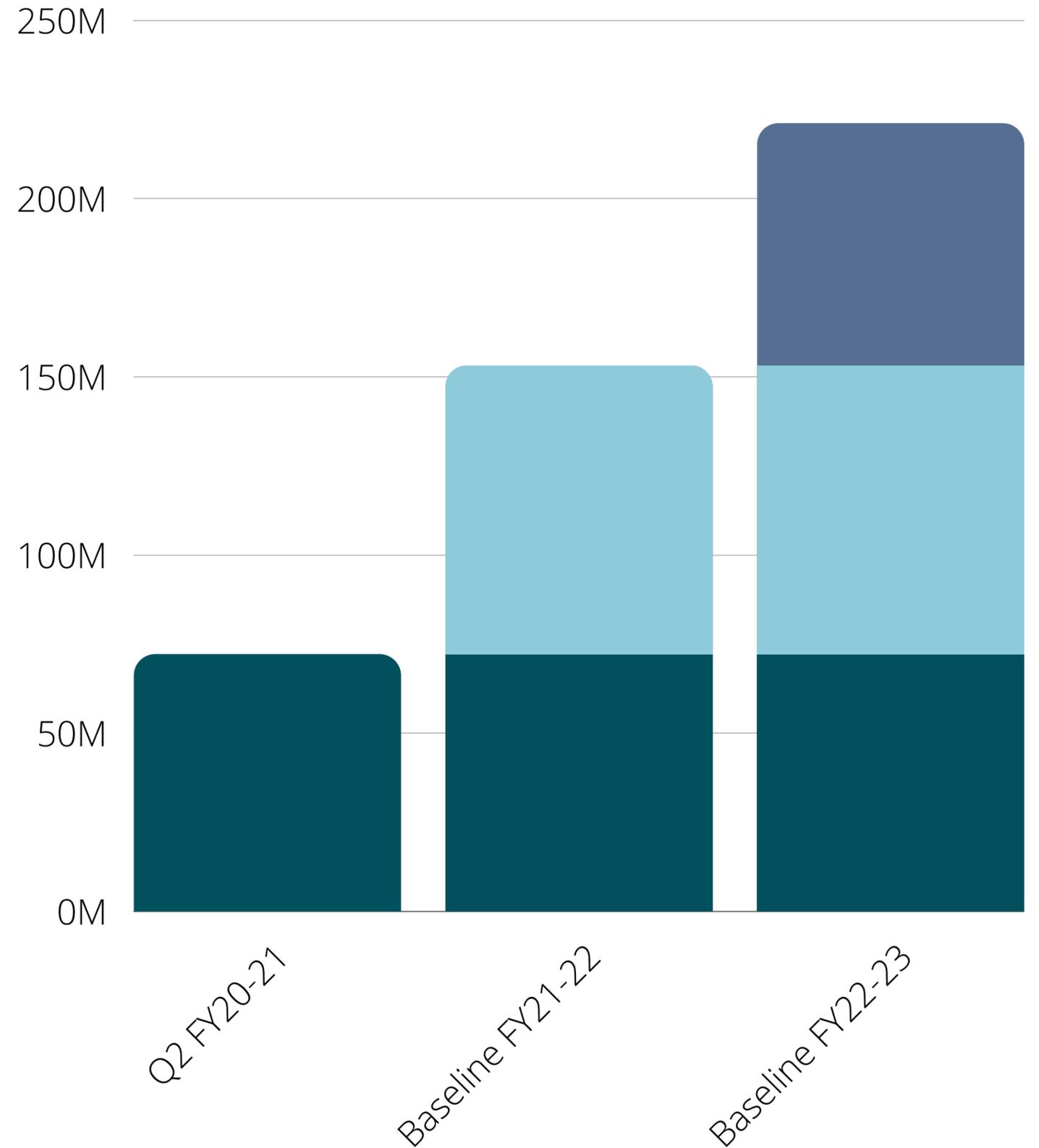


FY2020-21 DEFICIT

NEXT FISCAL YEAR LOOKS WORSE

As dire as the deficit is this year, next year looks worse. If we don't act now, the deficit will be compounded over time. We must make the hard decisions now to avoid having to make heartbreaking decisions later.

The City's preliminary estimate for the FY 2021-23 budget cycle indicates more than \$200 million deficit for the next two fiscal years across all funds.

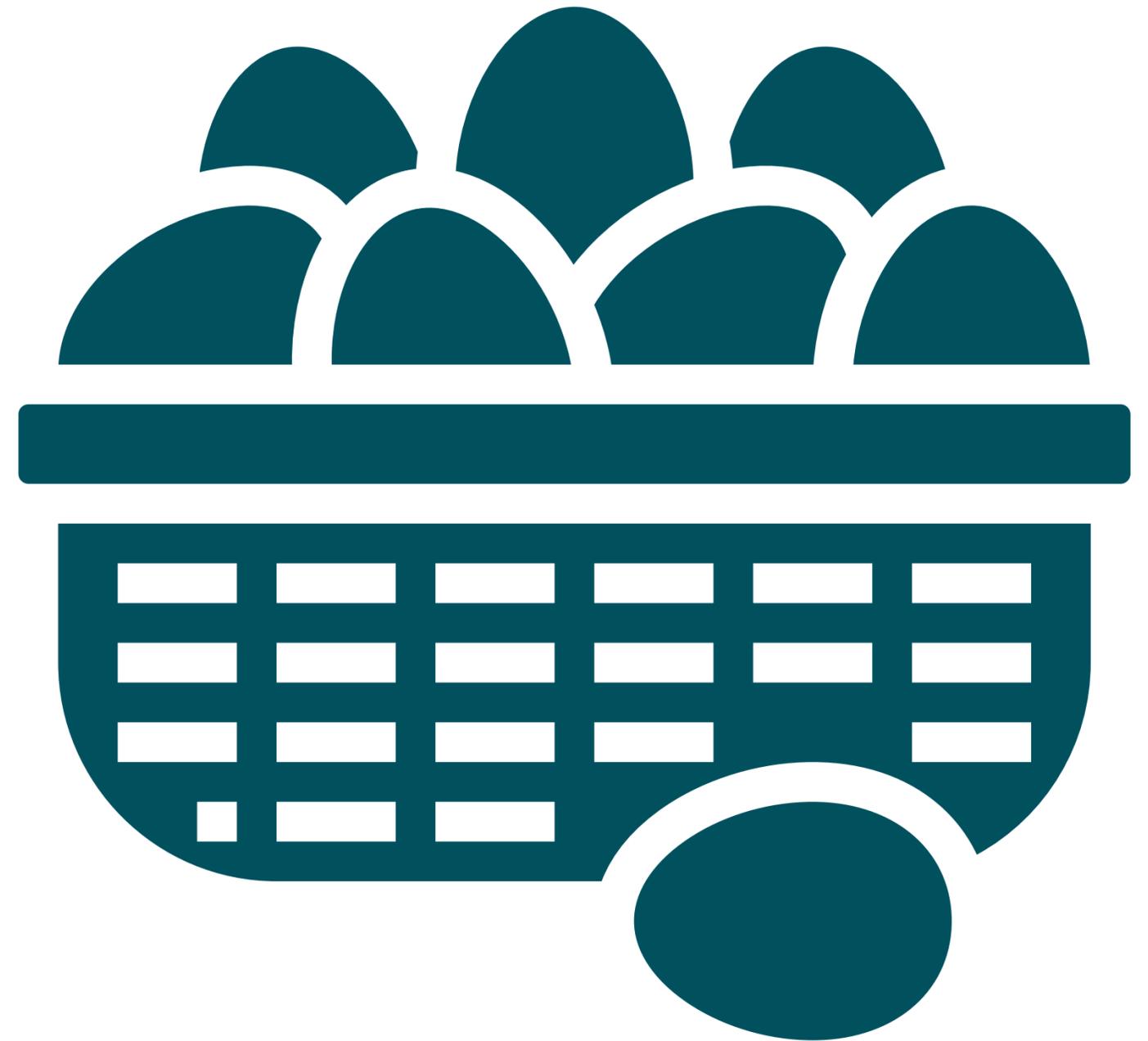


FY2020-21 DEFICIT

IS HELP ON THE WAY?

The City's current fiscal crisis is not unique to Oakland, as many other municipalities are facing similar circumstances under this pandemic. Congress is deliberating providing federal aid to state and local governments to cover their revenue shortfalls. Depending on the amount of federal aid the City receives, it would help the City with addressing some portion of its fiscal crisis.

Allowable uses for this funding presently include backfilling loss of City revenues due to COVID-19, and other COVID-19 related services.



FY2020-21 DEFICIT

WHAT HAPPENS IF WE DON'T BALANCE OUR BUDGET?

If our deficits continue to grow, Oakland could be extremely vulnerable to insolvency. The services we provide would be devastated and we would be unable to respond to an emergency.

To address the financial crisis, the City is doing everything that it can to prevent long-term devastating cuts to our budget. We have already exhausted our Rainy Day Fund and are now trying to avoid draining our Emergency Reserves.



GET INVOLVED

Learn more about the budget, attend upcoming budget town halls, ask budget questions, and share your ideas.

[OAKLANDCA.GOV/BUDGET](https://oaklandca.gov/budget)