

5-YEAR FINANCIAL FORECAST

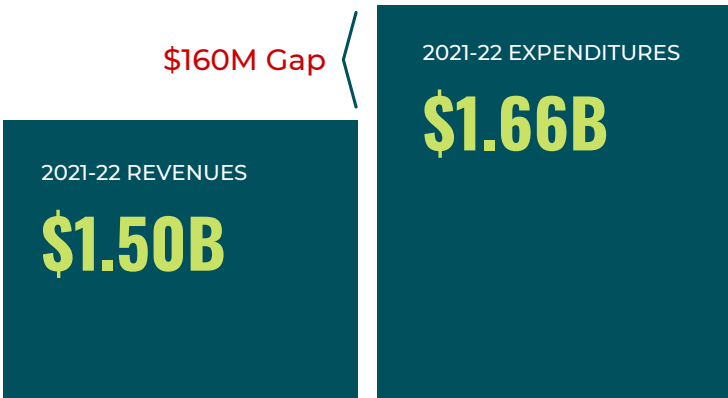
Summary of FY2021-22 – FY2025-26



The Five-Year Financial Forecast is a planning tool developed every two years. The purpose of the Forecast is to help make informed budgetary and operational decisions by anticipating future revenues, expenditures, and financial risks. It is best used as a tool for strategic planning to help ensure financial sustainability and anticipate the long-term impacts of current decisions. The Forecast is not a budget and does not include any proposed balancing solutions or revised service levels. It assumes current levels of service.

Near-term revenue shortfalls and expenditure challenges pose risks to the City's structural balance.

The COVID-19 pandemic resulted in significant increases in unemployment and reductions in economic activity, both in the City of Oakland and in communities across the world. And, while the City's economy has proved resilient, the economic and accompanying fiscal effects of the pandemic continue.



REVENUES

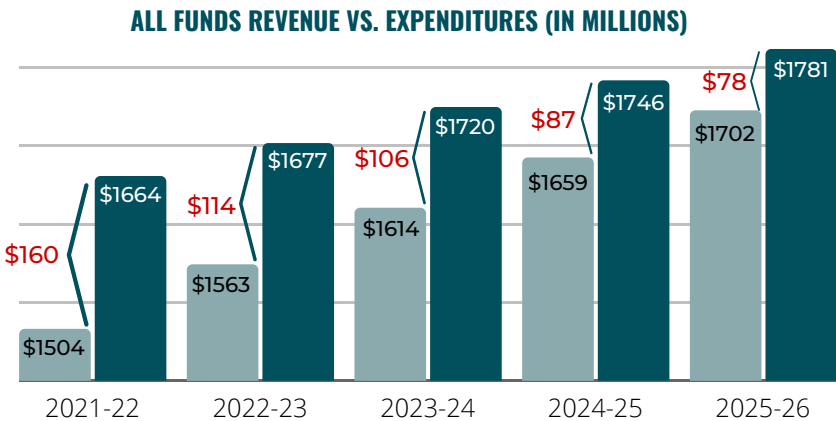
Revenues from sales, hotel, and parking taxes have been especially hard hit. Business license taxes also were impacted by the pandemic. Property tax and real estate transfer tax revenues, however, have continued to increase.

EXPENDITURES

Most expenditures, such as personnel costs for wages and retirement have continued to increase at a rate greater than inflation. As a result, the City faces a shortfall in the current 2020-21 fiscal year and is projected to see this gap increase in the first year of the Forecast.

As the economy improves, the gap between revenues and expenditures will remain, but is expected to get smaller. We expect a significant shortfall each year if no corrective action is taken.

CUMULATIVE 5-YR GAP 2021-26
\$545M

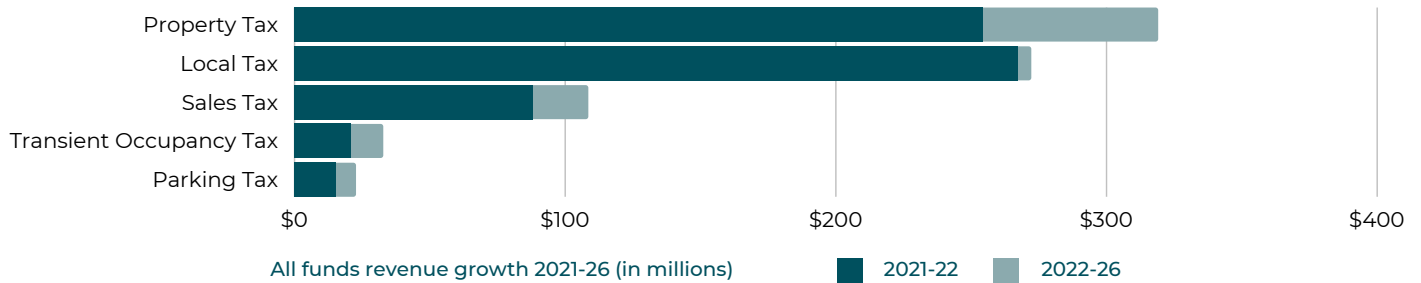


Prior to the pandemic, the City had made progress toward attaining a structurally balanced budget. The City maintained a 7.5% General Purpose Fund Emergency Reserve and in 2014 approved a Rainy Day policy which enabled the City to set aside funds for long-term obligations. In June of 2020 the fund had approximately \$14.9 million in it. The City used these funds to address an unprecedented budget deficit caused primarily by the pandemic and help balance the FY 2020-21 budget.



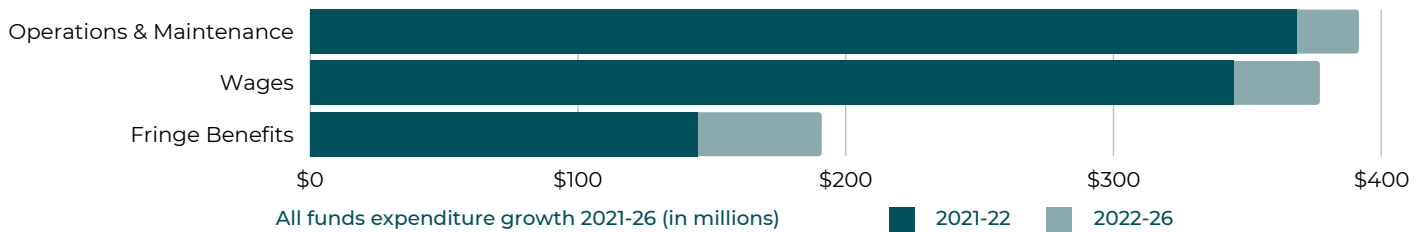
PROJECTED REVENUES

During the forecast period, increases in property tax, sales tax, and business license tax are expected to drive growth in City revenues.



PROJECTED EXPENDITURES

Expenditures are also projected to increase over the forecast period. The largest category of expenditures relates to employee wages and benefits. Growth in non-personnel expenditures include insurance premiums, claims in the City's Self-Insurance Fund, and other fixed operational expenses such as fuel and utilities.



Although many signs point to a resurgence of economic activity as the pandemic recedes, uncertainty remains. The City will focus on long-term sustainability through:



Expansion of the City's economic base.



Management of expenditure growth through efficient service delivery.

\$2B+

Practical reductions to long-term unfunded liabilities.

The City must prioritize meeting its current mandates (including long-term, legally required obligations like medical care for retired employees) rather than adding services or programs that would expand the projected gap.

LEARN MORE

You can read the Five-Year Forecast, which includes slow-recovery and rapid-recovery projections and more detailed analysis, at

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