

City of Oakland

**PROPOSED
MIDCYCLE BUDGET:
LEGISLATIVE
OPTIONS**

Fiscal Year 2024-25
July 2, 2024

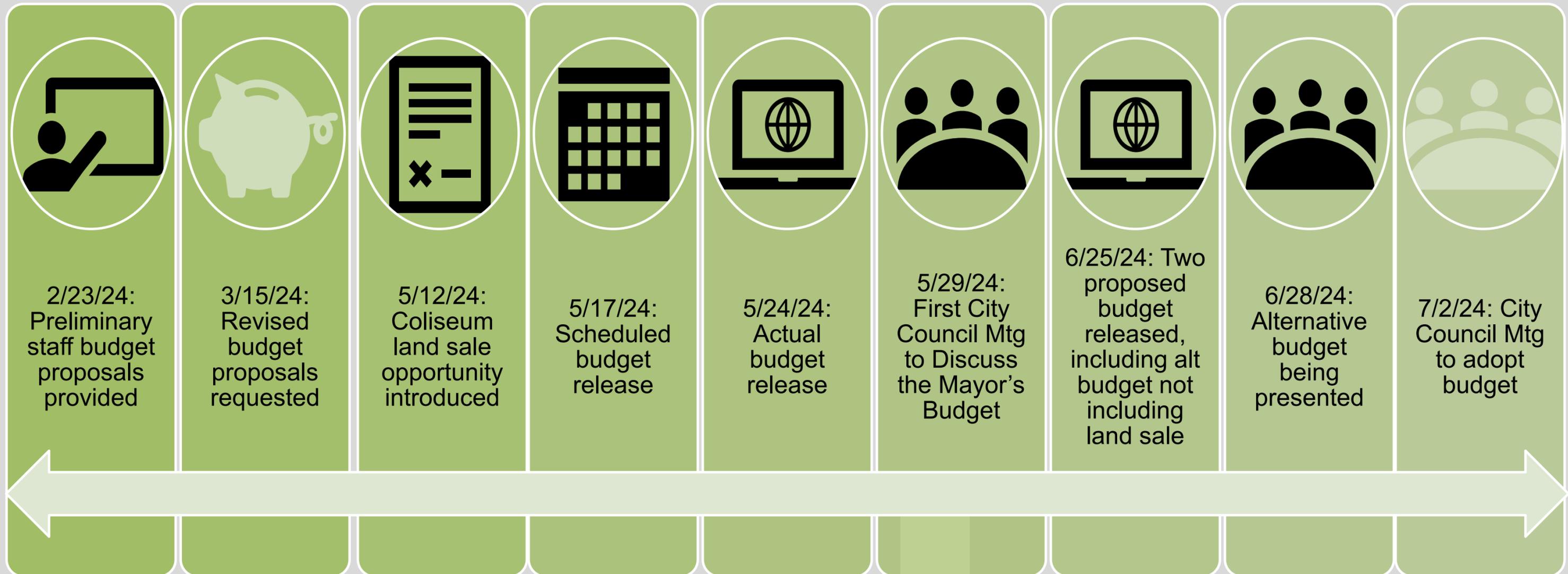


Presentation Overview

1. Oakland's Budget & How We Got Here
2. Option 1: Proposed Budget + Errata & Contingency Overview
3. Option 2: Alternative Budget Overview
4. Comparison of Two Budgets
5. Requested Information



Budget Process – Timeline

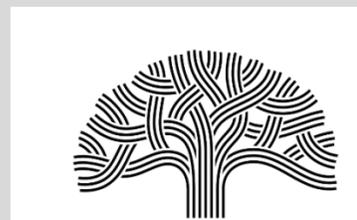


LEGISLATIVE OPTIONS



Option 1: Proposed Budget & Errata with Contingency

- Includes Cost Neutral Adjustments to:
 - Capital Improvement Program
 - Oakland Police Department - Reallocates sworn staff to better align with operational units
 - Reduces OAK311 positions to support community ambassadors
- Includes a Contingency Budget and fiscal measures to take effect by October 1, 2024 in the event the City does not receive funds from the sale of the Coliseum by September 1, 2024





Option 1: Proposed Budget – Contingency

- Contingency budget related to GPF (1010) includes:
 - Trigger dates reducing (\$63,164,379) expenditures to multiple departments if coliseum sale revenue is not received
- Cancellation or multi-year delay of ~ \$200,000,000 bond funded projects with the cancellation of the 2024-25 bond issuance due to inability to access bond market, including:

Reduction	Source	Fund	Details
(\$4,734,125)	Measure KK	5537	CIP program reduction – Streets & Facilities
(\$53,069,782)	Measure U	5340	CIP program reduction – Streets & Facilities
(\$130,189,061)	Measure U	5341	HCD affordable housing projects postponement
(\$10,000,000)	Measure U	5341	CIP deferral of purchase for Cesar Chavez Library



Option 2: Alternative Budget with Add Backs

At the request of City Council, City Administration is providing an Alternative Budget that includes:

- Reduction of expenses by \$63.1 million across nearly every Department
- Represents a smoother and more flexible plan for reducing expenditures than the Contingency in Option 1 if the Coliseum revenue is not realized
- Recommended framework for restoration of public safety positions and services as proceeds from the sale of the Coliseum are realized



Comparing the Two Options

Option 1

Proposed Budget & Errata with Contingency

- Cost neutral adjustments to Proposed Budget:
 - Realign OPD Staff costs per Chief
 - Realign Capital Budget to support Housing
 - Freeze Positions to Support Ambassadors
- Includes a contingency budget to take effect by October 1, 2024 in the event the City does not receive funds from the sale of the Coliseum by September 1, 2024 which would reduce \$63 million in GPF expenses and cancel the 2024-25 Bond Issuance

Option 2

Alternative Budget with Add Backs

- Reduces \$63 million in GPF expenditures across multiple departments including Police, Fire, and Violence Prevention
- Includes framework for restoration of Community Safety services as the City receives revenue from the Sale of the Coliseum
- **Helps assure delivery of \$200 million in capital investments**



Comparing the Two Options with Coliseum Revenue

Option 1

Proposed Budget & Errata

- Maintains City Functions at near current levels with changes as detailed in the Proposed Budget
- Budgeted 678 Police Officers Operating Year-Round and \$36.5M in overtime
- No Operational Changes to Fire Engines
- 3 Police Academies Occur
- Access to bonds at a desirable interest rate most likely impacted
- No Funding placed in Reserves

Option 2

Alternative Budget incl. Add Backs

- Reduces \$12M in Non-Community Safety City Services
- ~\$13M in Reduced Police Services over the Year in comparison
- No Operational Changes to Fire Engines
- 2 Police Academies Occur
- \$200M in capital bonds is likely assured with lower interest rate risk
- ~\$33M place in Rainy Day Reserves



Comparing the Two Options without Coliseum Revenue

Option 1

Contingency Budget

- OPD: Sworn reduction to **600**
- OFD: **5** engine company brown outs
- DVP: **Freezing** of additional ceasefire positions
- Other Services: **Elimination** of Vacant positions across multiple depts., elimination of cultural and economic development funding
- Organizational: **Halt** to all contracting, hiring, & travel - Citywide
- Would apply a **full emergency break** to City expenditures and services

Option 2

Alternative Budget (No Add Backs)

- OPD: Sworn reduction to **610**
- OFD: **4** engine company brown outs
- DVP: **Delay** of hiring additional ceasefire positions
- Other Services: **Freezing** of Vacant positions across multiple depts., reductions of cultural and economic development funding
- Organizational: **Continue** surgical measures to contain costs - Citywide
- **Slowing of expenditures** and services to fit within available resources



Option 2: Police Service Impact

- No Layoffs of Non-Sworn
- Freezes Select Vacancies - No Dispatchers frozen or deleted
- Operational Plan to Maximize Authorized Sworn
 - Sworn reduction to 610 FTE
 - Relies on Attrition and Redeployment
 - 1 Police Academy - Graduation in FY24-25
- Recommended framework for restoration of public safety positions and services as proceeds from the sale of the Coliseum are realized
- **Does Not Anticipate The Outcome of Measure Z Re-Authorization**



Option 2: Fire Service Impact



- Brown Out of 4 Engine Companies
 - Operational Plan to Minimize Safety Impact
 - Delayed implementation to get through high fire season
- Recommended framework for restoration of public safety positions and services as proceeds from the sale of the Coliseum are realized
- **Does Not Anticipate Approval Of The Wildfire Prevention Ballot Measure Outcome Nor Measure Z Re-Authorization**



Other Departmental Impacts: Tough Choices and New Strategies - Both Options

Noteworthy Reductions and adjustments in this proposal include:

- Reduction to contracts and grant awards including elimination of the Council Direct Community Grants program
- Eliminating monthly Bulky Block Party events – work to increase usage of alternative bulky item *pickups* & invest 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



No Layoffs Considered



Comparing the Two Options: Service Impacts

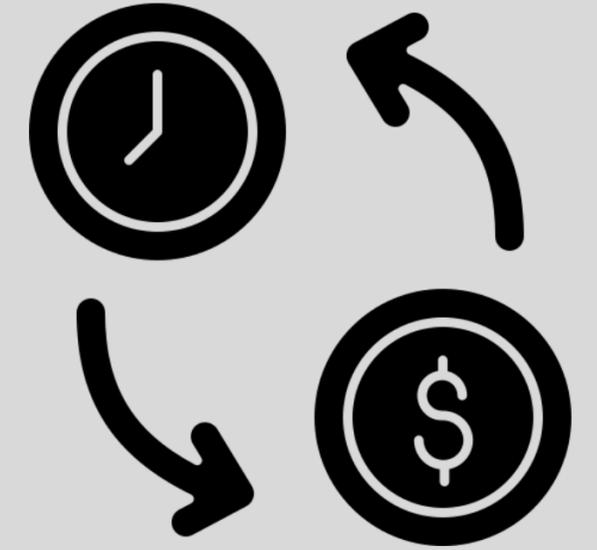
Option 1 - Risks are more severe service disruptions to public safety and City operations due to deeper cuts

Option 2 - Reduces City services including public safety although these reductions are less severe

Neither option has sufficient reductions to restore structural balance



Implications for Extending Decision Timeframe



- Negative Signal to the Financial Market regarding Fiscal Management
- Negotiated pay increases, CalPERs benefit changes, uniform allowance and other personnel cost calculated by hand
- Payroll by paper method
Given our ransomware attack history we know that errors are likely and will be associated with additional costs
- No contracts can be executed, or materials purchases made

We are unlikely to find alternative reduction options beyond those known today. The options were developed over several months and additional time will not yield more alternative options.

Staff's best recommendations for reductions are already included in the Proposed budget and Option 2 alternative



Cost of GPF Services – Structural Deficit Remains

The GPF Remains Structurally Unbalanced; Balancing will require additional reductions:

- \$100 million in cuts compared to the service levels in Option 1; or
- \$40 million in cuts compared to the service level in Option 2

Department	Service	FY24-25 Full Year
City Administrator	311 Call Center	422,894
City Administrator	CAO City Wide Operations	3,425,324
City Administrator	CAO Communicaitons	1,248,086
City Administrator	Sustainability and Energy Group	306,960
City Attorney	City Attorney's Functions	12,991,635
City Clerk	City Clerk	1,645,601
City Clerk	KTOP	949,905
City Council	City Council Admin	614,121
City Council	City Council District Offices	4,662,350
Dept. of Transportation	Citations Assistance Center (revenue related)	4,302,745
Dept. of Transportation	Meter Collectors (revenue related)	1,856,554
Dept. of Transportation	Meter Repair (revenue related)	2,173,639
Dept. of Transportation	Parking Enforcement (revenue related)	11,174,226
Dept. of Violence Prevention	DVP Operations including Ceasefire	6,900,752
Economic and Workforce Dev.	Cultural Arts & Public Art	5,255,574
Economic and Workforce Dev.	Economic Development	1,438,150
Economic and Workforce Dev.	EWD Admin	497,823
Economic and Workforce Dev.	Special Activities & Event (some cost recovery)	2,038,700
Economic and Workforce Dev.	Workforce Development (grant match)	548,629

Continued...



Cost of GPF Services – Structural Deficit Remains

Department	Service	FY24-25 Full Year
Finance Department	Finance - Budget	3,048,800
Finance Department	Finance - Controller's Bureau (accounting)	4,498,087
Finance Department	Finance - Debt & Cash Management	4,350,486
Finance Department	Finance - Revenue (revenue related)	11,858,742
Finance Department	Finance Admin & Financial Systems Improvement	3,435,125
Human Services (HSD)	Head Start (grant match)	3,395,846
Human Services (HSD)	HSD Admin (grant support)	2,474,084
Human Services (HSD)	Multipurpose Senior Service Program (grant match)	437,493
Human Services (HSD)	Senior Aide Program (grant match)	623,639
Human Services (HSD)	Senior Centers	1,775,183
Human Services (HSD)	Senior Companion Program (grant match)	257,919
Human Services (HSD)	Youth Services & Commission	525,067
HSD / Housing Community Dev.	Homelessness (grant match)	4,808,393
Information Technology	ITD Public Safety Systems (CAD, RMS, VISON)	5,075,401
Mayor	Mayors Office	4,594,913
Oakland Animal Services	Animal Services	5,769,434
OPRYD	OPRYD Admin	2,818,728
OPRYD	Recreation Centers & Programs	7,700,214
Oakland Public Works	Neighborhood Services	1,428,326
Dept. of Race and Equity	Race & Equity	1,204,714
Workplace & Employment Stds.	Workplace Standards Enforcement (cost recovery)	2,232,056
Grand Total		134,766,318

Listed are all significant GPF Services outside of Police & Fire

It is nearly impossible to structurally balance the budget without reductions to the two-largest GPF Depts. Assuming current revenues and labor costs.



Conclusion

- City Council has the opportunity with this budget to chart a more sustainable path for City finances
- Beyond this fiscal year the City faces increased projected deficits that it must prepare for
- The City Council should take stock of all provided information to expeditiously make the best possible budgetary decision given difficult fiscal circumstances
- Council should consider this **Year One** of the City of Oakland's Oakland Financial Sustainability Plan

