

City of Oakland

**PROPOSED
MIDCYCLE BUDGET:
LEGISLATIVE
OPTIONS**

Fiscal Year 2024-25
June 28, 2024



Presentation Overview

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



FY 2024-25 Mid-Cycle Proposed Budget



	FY 2023-24 Biennial Adopted	FY 2024-25 Biennial Adopted	FY 2024-25 Midcycle Proposed
General Purpose Fund	\$830,158,436	\$847,271,764	\$898,057,458
Restricted Special Funds	\$1,285,684,571	\$1,293,333,671	\$1,334,744,661
Total - All Funds	\$2,115,843,007	\$2,140,605,435	\$2,232,802,119
Full-Time Equivalent Positions - GPF	2,425.79	2,459.96	2,115.28
Full-Time Equivalent Positions - All Funds	4,744.73	4,758.73	4,611.75

As released May 17, 2024



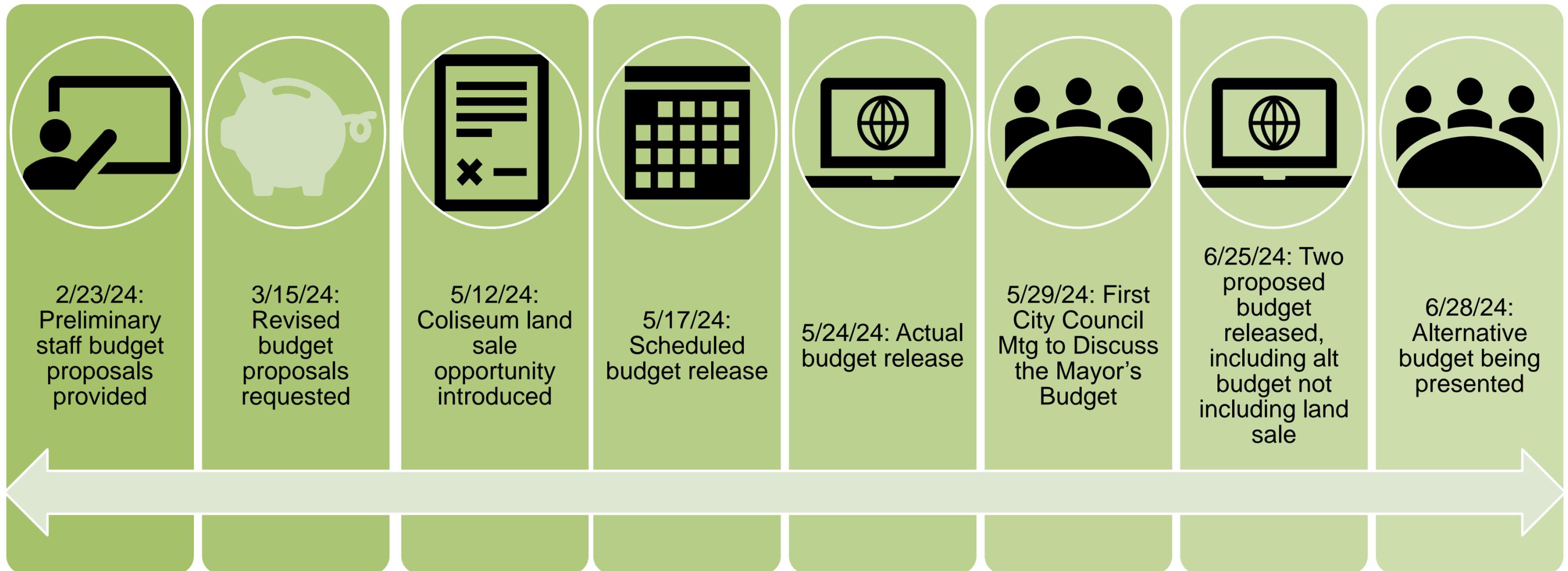
Strategic Planning & Structural Balancing – Fall 2024

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
- Developing frameworks for equitable and efficient service delivery for all city units & services
- Developing performance metrics and standards for all city units, services, contracts, and grants
- Improving the budgeting and management of all grants and contracts across the City



Budget Process – Timeline



Current Year and Midcycle Budget Revenue Reconsiderations Based on Deal Negotiations



Coliseum Sale: Budget Impacts

AASEG agreed to terms to purchase Oakland's share of the Coliseum property for a minimum of \$105 million. The negotiations are moving forward separately from this budget proposal. AASEG remain excellent partners in negotiations and the sale continues to be anticipated.



Coliseum Sale: Budget Impacts

The administration spent several months preparing for a more challenging scenario for this midcycle, prior to the sale opportunity. Prepared potential reductions included:

- Closing at least 4 fire stations
- Elimination of 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



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 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



Administrative Approach Aligned with Budget Advisory Commission (BAC) Recommendations



- 1. Evidence-based adjustments to structurally balance budget:**
Staff is developing a Citywide Strategic Plan and implementing a corresponding performance measurement program. This will allow for staff to use data to drive and inform budget balancing efforts.
- 2. Budget adjustments paired with communication on impacts to priorities:**
Impacts of structural balancing efforts on services will be clearly communicated.
- 3. Focus on updating and staying within the Consolidated Fiscal Policies, replenishing emergency funds, and being transparent about the budget:**
A structurally balanced budget must comply with the Consolidated Fiscal Policy and must not waive provisions in voter-approved ballot measures.



Budget Advisory Commission Recommendations

1. The City and Council should spend the next year identifying evidence-based adjustments to structurally balance the budget by:
 - 1) examining both revenue and expenditures; and
 - 2) learning from experiences of other similar cities in California.
2. Structural budget adjustments should come with clear communication of estimated effect on public priorities: reducing homelessness and improving public safety.
3. Oakland should break its habit of waiving limits in the Consolidated Fiscal Policy, establish more discipline in replenishing emergency funds, and be more transparent on the budget's effect on the City's fiscal health.

Administration staff concur with these recommendations.



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

