CITY OF OAKLAND

AGENDA REPORT

TO:	Jestin D. Johnson City Administrator	**FROM:**	Monica Davis Deputy City Administrator
SUBJECT:	Report With A List Of Options To Raise An Additional Ongoing $40 Million In General Purpose Fund Revenues	**DATE:**	September 22, 2025

City Administrator Approval Jestin Johnson (Sep 23, 2025 16:44:35 PDT) Date: Sep 23, 2025

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report With A List Of Options To Raise An Additional Ongoing $40 Million In General Purpose Fund Revenues Via An Ordinance To Adopt Or Increase A Tax Effective July 1, 2026, To Provide Ongoing Resources For Public Safety Services And To Maintain Key Equipment, IT Systems, And 911 Investments.

EXECUTIVE SUMMARY

The FY 2025-27 Adopted Biennial Budget assumes the passage of an additional ongoing tax measure at the June 2026 election, generating $40 million annually beginning in FY 2026-27 to support existing essential services like public safety, key equipment, IT systems, and 911 operations. The passage of such a measure is a necessary step toward a comprehensive structural balancing plan. This report explores options for a potential tax to generate $40 million to help offset General Fund expenses and maintain critical City services. The following information provides staff analysis and recommendations of viable options for consideration.

REASON FOR URGENCY

Pursuant to Chapter 3, Section 1201 of the California Elections Code, the statewide direct primary shall be held on the first Tuesday after the first Monday in June of each even-numbered year that is not evenly divisible by four and on the first Tuesday after the first Monday in March in each even-numbered year that is evenly divisible by four. In this case, since 2026 is not evenly divisible by four, the primary election is 2026 is to be held on the first Tuesday in June. In California, for a local ballot measure to be placed on the June primary election ballot, the City must submit the resolution to the county elections office, such as the Alameda County Registrar of Voters, at least 88 days prior to the election date. For a ballot measure to be held on the June

2, 2026, primary election, the deadline would be March 6, 2026. The submission must include the ordinance or resolution, ballot language, and an impartial analysis.

BACKGROUND / LEGISLATIVE HISTORY

Due to economic circumstances, there has been a significant operating deficit in the City's General Purpose Fund in recent years, primarily from declines in Real Estate Transfer Tax (RETT), while expenditures have continued to climb.

Fiscal Year 2023-24 ended the year with a General Purpose Fund (GPF) deficit of $80 million, and Fiscal Year 2024-25 is projecting to end the year with a $55 million GPF deficit, as of the Q3 R&E Report. In prior fiscal years, the City relied on the use of one-time revenue sources to support ongoing expenditures.

The one-time revenue from the anticipated sale of the Coliseum was pertinent in balancing the Midcycle Budget for Fiscal Year 2024-25. If the funds related to the sale had not been received by the agreed upon dates, the City would implement the contingency budget to account for the revenue shortfall. In October 2024, administrative action was taken to initiate the implementation of the contingency budget, as authorized by Resolution 90326 C.M.S. Further Action to resolve the anticipated budget gap in FY 2024-25 was proposed at the Special City Council meeting held on December 9, 2024.

The City's fiscal condition warranted the declaration of a state of extreme fiscal necessity and constitutes a severe and unanticipated financial event. The definition of extreme fiscal necessity is outlined in Resolution 90327 C.M.S.

On May 20, 2025, the City Council adopted Resolution 90717 C.M.S., declaring the results of the City of Oakland Special Municipal Election held on April 15, 2025, thereby certifying the passage of Measure A, the City of Oakland Transactions and Use Tax Ordinance which is projected to generate approximately $30 million yearly, for ten years, to help maintain City services.

On June 11, 2025, the City Council adopted the Biennial Budget For Fiscal Years 2025-27. The budget includes the passage of an additional ongoing parcel tax with $40 million in GPF offsets effective July 2026 to provide ongoing resources., Additionally, the budget assumes other revenue enhancements, including an audit of delinquent business taxes, pursuing efficiencies in the collections process, and enhancing parking enforcement.

On July 15, 2025, the City Council approved the Fiscal Years 2026-30 Oakland Roadmap to Fiscal Health (Roadmap), which identifies a multi-year effort to achieve the fiscal health necessary to provide quality city services, support the City's workforce, and achieve the financial resiliency necessary to weather future financial shocks. Strategic project three (3) is to diversify the revenue base with a new voter-adopted revenue proposal for 2026. This informational report is designed to launch the preliminary discussion around desired proposals. The Roadmap identifies that the preferred tax measure option be selected by January 2026, for voter consideration in the June 2026 election.

ANALYSIS AND POLICY ALTERNATIVES

This report supports the Citywide priorities for 1) **holistic community safety**, 2) **housing, economic, and cultural security**, 3) **vibrant, sustainable infrastructure**, and 4) **responsive, trustworthy government** because the proposed tax measures will support future opportunities in all of these areas. For the past several years (since FY 2019-20), the City has relied on significant outside one-time revenue to balance the GPF and other Funds. These included both Coronavirus Aid, Relief, and Economic Security Act (CARES) and American Rescue Plan Act (ARPA) funding, GPF fund balance, and projected land sales of the Raiders' Training Facility and Coliseum. Current required payments to CalPERS for retiree pension benefits will continue to drive the City's budget out of structural balance each year. These costs will increase by an additional $61 million between now and 2030, driving new estimated ongoing significant shortfalls. The revenue generated from the proposed tax would provide an ongoing funding source that contributes to supporting critical City operations while reducing reliance on one-time revenues for ongoing purposes.

Under Proposition 218, any new or expanded local tax in California must be approved by voters. Taxes are classified as either general taxes, which fund general government purposes and require majority voter approval, or special taxes, which are dedicated to specific purposes and require a two-thirds supermajority. However, court rulings have created a key distinction: when a special tax is proposed by a citizen initiative, it may only require a majority vote, unlike those proposed by a city council, which still require a two-thirds vote. Special districts, such as school districts, are limited to levying only special taxes, while only cities and counties may impose general taxes.

Tables 1 through 4 below outline a range of tax options evaluated for their potential to generate $40 million in additional annual revenue. These tables provide details on current tax rates, estimated revenue, the rate increases required to meet the revenue target, and the legal, economic, and political challenges associated with each option. Significant constraints affect all proposed tax changes. Property tax increases are restricted under Proposition 13, while other options—such as business, utility, real estate transfer, transient occupancy, and parking taxes—would require substantial rate hikes that could either dampen economic activity or face considerable voter resistance. Specifically, **Table 1** presents the general fund (GPF) tax rate increases needed to reach the $40 million goal for legally permissible tax types. **Table 2** lists taxes that cannot be increased under current law. **Table 3** examines the parcel tax as a revenue option, and **Table 4** focuses on the real estate transfer tax under Measure X**.** FY 2024-25 Revenue estimates are as of the Q3 R&E Report.

Table 1: GPF Tax Rate Increases Required to Generate $40 Million

Tax Type	Current Rate	FY25 Revenue Q3 est. ($M)	Revenue % Increase Needed	Tax Rate Increase	New Tax Rate	Notes
Business License Tax	Tiered Based - Measure T	121.27	33%	33%	Measure T + 33%	GPF only. Tiered based tax rates would need to be generally increased by 33%.
Parking Tax	10%	11.17	358%	25.80%	35.80%	An additional 10% surcharge applies from Measure NN - Community Violence & Emergency Response.
Transient Occupancy Tax	11%	16.07	249%	16.39%	27.40%	The Current TOT rate is 14%, but 3% is distributed outside of the GPF (Measure C)
Utility Consumption Tax	7.50%	70.05	57%	4.28%	11.80%	GPF only. Includes energy, telecom, and others.

Business License Tax: The Business License Tax (BLT) is charged annually to Oakland businesses based either on gross receipts or rental income. It is estimated to generate approximately $121 million in GPF revenue in FY 2024-25. A 33% increase in the tiered Business License Tax (Measure T) rates would be needed to generate $40 million. Such an increase could create added pressure for businesses—especially small and medium-sized firms—and may affect Oakland's competitiveness in attracting and retaining businesses. While this option could raise significant revenue, the potential economic impacts on the business community and the requirement for voter approval make it a difficult path to pursue.

Parking Tax: The Parking Tax (PT) is a tax imposed on the occupant of an off-street parking space. It is estimated to generate approximately $11 million in GPF revenue in FY 2024-25. A 358% revenue increase is needed to generate an additional $40 million, requiring the Parking Tax to rise from 10% to 35.8%. This dramatic increase, in addition to the existing 10% Measure NN surcharge for violence prevention, would make parking in Oakland prohibitively expensive, likely reducing parking activity and impacting local businesses. The economic ripple effects and the need for voter approval under Proposition 218 make this option impractical for sustained revenue generation.

Transient Occupancy Tax: The Transient Occupancy Tax (TOT) rate is 14% of the hotel rate and is paid by individuals who stay thirty days or less in a hotel located within the City of Oakland. Measure C allocates 3% of total TOT revenue to support various community-based institutions, such as the Oakland Zoo; Oakland Convention and Visitors Bureau; Chabot Space and Science Center; Oakland Museum; and cultural art and festival activities. The Measure C portion (3%) is booked in a separate fund, while 11% is allocated to the GPF. TOT is estimated to generate approximately $16 million in GPF revenue in FY 2024-25. To generate an additional $40 million in the GPF, the TOT would need to rise from 11% (excluding the 3% already distributed outside the GPF) to 27.4%—a 249% increase in revenue. This substantial increase would make Oakland's hotel tax among the highest in the nation, at a time when the City is already experiencing declining TOT revenues and several hotel closures. Such an increase could further discourage tourists and business travelers, potentially offsetting revenue gains. Given these trends, coupled with the low likelihood of voter approval for such a dramatic rise, this option is highly unfeasible.

Utility Consumption Tax: The Utility Consumption Tax (UCT) is charged on users of a given utility, primarily electricity, natural gas, cable television, and telephone. The UCT applies to both residential and commercial users. UCT is collected by utility companies and remitted to the City each month. It is estimated to generate approximately $70 million in GPF revenue in FY 2024-25. Achieving $40 million requires increasing the Utility Consumption Tax from 7.5% to 11.8%, a 57% revenue increase. This significant hike across utilities would disproportionately affect low- and middle-income households, as utility costs are regressive. The high increase could face strong public opposition, requiring voter approval under Proposition 218, and may lead to reduced consumption or shifts to alternative services (e.g., streaming instead of cable).

Table 2: Taxes Not Legally Permissible to Raise (Under Current Law)

Tax Type	Current Rate	FY25 Revenue Q3 est. ($M)	Revenue % Increase Needed	Tax Rate Increase	New Tax Rate	Notes
Property Tax	1% of AV	312.91	13%	Not Legally Permissible	N/A	Prop 13 caps property tax at 1% AV with a max 2% annual assessment increases unless ownership changes.
Sales Tax	11%	60.37	66%	Not Legally Permissible	N/A	Capped by state law. Raising further would require state legislation and local voter approval.

Property Tax *(not legally permissible):* All taxable real and personal property in the City is subject to a tax rate of one percent of the assessed value. Property Tax is estimated to generate approximately $313 million in GPF revenue in FY 2024-25. Increasing the property tax rate to generate an additional $40 million (requiring a 13% increase) is not legally permissible. California's Proposition 13 caps the base property tax rate at 1% of assessed value, with annual assessment increases limited to 2% unless ownership changes. Any increase beyond this cap requires statewide voter approval to amend Proposition 13, which is a significant legal and political barrier, making this option infeasible.

Sales Tax *(not legally permissible)*: Sales and Use tax applies to the retail sale or use of "tangible personal property." It is estimated to generate approximately $60 million in GPF revenue in FY 2024-25. Under California law, local district sales taxes are generally capped at

2% above the statewide base rate of 7.25%. Oakland's ability to exceed this limit has depended on specific legislative exemptions granted by the State, which authorized Alameda County and its cities to seek voter approval for additional sales tax measures beyond the cap. These exemptions made it legally permissible for Oakland voters to approve Measure A in 2025, which raised the City's sales tax rate to its current combined level of 10.75%. However, the exemptions that enabled this increase do not provide open-ended authority for future measures. Any further attempt to raise Oakland's sales tax above the current rate would require the State Legislature to pass new authorizing legislation, followed by approval from Oakland voters.

Table 3: Parcel Tax

Parcel Type	Current per Parcel ($)	Proposed Increase ($)	Proposed Total ($)	Notes
Single-Family Homes	1101.67	223.98	1325.65	Reflects FY 2025-26 voter-approved measures excluding bonds, special districts, and measures from neighboring jurisdictions. Assumes Measure Q structures and exemptions.
Multi-Residential Units	842.12	152.97	995.09	
Non-Residential Parcels	1031.99	223.98	1255.97	
Total Revenue	**193.71M**	**40.00M**	**233.71M→ ~21% Increase**	**Revenue estimate based on City Council-adopted assessments.**

Parcel Tax: A parcel tax is paid by the owners of real estate parcels. Unlike property taxes based on a property's assessed value, parcel taxes are usually a flat fee or a rate based on parcel characteristics (e.g., size, use, number of units), and apply regardless of property value. Parcel taxes would need to increase for single-family homes by $224 or 20%, from $1,102 to $1,325; for multi-residential properties by $153 or 18%, from $842 to $995; and for non-residential properties by $224 or 22%, from $1,032 to $1,255, to generate the target revenue. The base figures reflect current City-wide assessments only and do not include district-specific, County, OUSD, or neighboring jurisdiction measures. While these increases require two-thirds voter approval under Proposition 218 and could face opposition, the relative magnitude is more moderate compared with other tax options. Parcel taxes provide a predictable, stable source of revenue that directly supports City operations and can be structured to distribute the burden across property types, making this a potentially more feasible approach for generating ongoing funds without disproportionately impacting economic activity.

Table 4: Real Estate Transfer Tax (Measure X)

Transfer Value Range	Current Rate	Proposed Increase	Proposed New Rate
$300,000 or less	1.00%	0.00%	1.00%
$300,001 to $2,000,000	1.50%	0.50%	2.00%
$2,000,001 to $3,000,000	1.75%	0.75%	2.50%
$3,000,001 to $5,000,000	1.75%	1.25%	3.00%
$5,000,001 to $10,000,000	2.50%	1.00%	3.50%
Over $10,000,000	2.50%	1.50%	4.00%
Total Revenue Impact	–	–	+$40M/year est.

Real Estate Transfer Tax: Real Estate Transfer Tax (RETT) is triggered by the transfer of property ownership, and both the buyer and seller are responsible for ensuring the tax is paid. RETT is estimated to generate approximately $66 million in GPF revenue in FY 2024-25. RETT under Measure X established a tiered system effective in 2019 that would need to be increased to generate an additional $40 million annually. Based on transfer distributions over the past six years, to achieve the proposed revenue, target rates would be changed to 1.00% on transfers of $300,000 or less, escalating to 2.00% for $300,001–$2,000,000, 2.50% for $2,000,001–$3,000,000, 3.00% for $3,000,001–$5,000,000, 3.50% for $5,000,001–$10,000,000, and 4.00% for transfers over $10 million. However, RETT revenues are highly volatile, and Oakland has recently experienced a downturn due to rising interest rates, which have slowed property transactions. A substantial RETT rate increase could further reduce activity in the City's real estate market, making this revenue source unreliable for ongoing funding and politically challenging due to voter approval requirements.

Oakland already imposes some of the highest RETT rates in the region, with a top rate of 2.5% on property transfers over $5 million. In comparison, neighboring cities like Berkeley and Emeryville also peak at 2.5%, while others, such as Hayward and Albany, maintain lower flat or tiered rates, below 1.5%. This positions Oakland among the most expensive Bay Area jurisdictions for high-value property transfers.

Table 5 below compares current RETT rates amongst neighboring jurisdictions.

Table 5: RETT Rates Amongst Neighboring Jurisdictions.

City	Tax Rate		Authority
Alameda	$12.00	per thousand on full value	Ordinance No. 2987 AMC
Albany	$15.00	per thousand on full value	Ordinance No. 2020-09
Berkeley	$15.00	per thousand on full value ($1,600,000 and less)	Ordinance No. 6072-NS
	$25.00	per thousand on full value ($1,600,001 and above)	
Emeryville	$12.00	per thousand on full value (less than $1,000,000)	Measure O
	$15.00	per thousand on full value ($1,000,000 to $2,000,000)	
	$25.00	per thousand on full value ($2,000,001 and above)	
Hayward	$8.50	per thousand on full value	Ordinance No. 92-26
Oakland	$10.00	per thousand on full value ($300,000 and less)	Ordinance No. 11628 CMS
	$15.00	per thousand on full value ($300,001 to $2,000,000)	
	$17.50	per thousand on full value ($2,000,001 TO $5,000,000)	
	$25.00	per thousand on full value ($5,000,001 and above)	
Piedmont	$13.00	per thousand on full value	Ordinance No. 546 NS
San Leandro	$11.00	per thousand on full value	Ordinance No. 2020-08
Source: County of Alameda Office of the Auditor-Controller/Clerk-Recorder			

FISCAL IMPACT

The report is provided for informational purposes only and does not generate any fiscal impact for the City. The corresponding proposed measure is projected to generate approximately $40.00 million annually. This revenue will serve to supplement the funding currently allocated from the City's General Purpose Fund. These resources are necessary to maintain existing City services.

PUBLIC OUTREACH / INTEREST

The informational report is being introduced in a City Council / Committee meeting, where it is open for public comment. Public notices will be published in local newspapers and on the City's website, detailing the specifics of a proposed tax if approved.

COORDINATION

This report was prepared by the Finance Department in coordination with the City Administrator's Office.

SUSTAINABLE OPPORTUNITIES

Economic: The proposed Ordinance introduces a new parcel tax aimed at securing a funding source for essential City services.

Environmental*:* No direct environmental opportunities have been identified. However, passage of this ballot measure may lessen the environmental impact of changes required to reduce the budget, including reductions in the illegal dumping division.

Race & Equity*:* As we continue to conduct further analysis, we will work together with the Department of Race and Equity to address any potential opportunities. This ballot measure may lessen the negative impacts of budget reductions on equity in the City.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report With A List Of Options To Raise An Additional Ongoing $40 Million In General Purpose Fund Revenues Via An Ordinance To Adopt Or Increase A Tax Effective July 1, 2026, To Provide Ongoing Resources For Public Safety Services And To Provide Key Equipment, IT Systems, And 911 Investments.

For questions regarding this report, please contact Bradley Johnson, Budget Administrator, at (510) 207-5730.

Respectfully submitted,

Monica Davis (Sep 23, 2025 12:08:35 PDT)

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Attachments: (1)

A: Sample Parcel Tax Measure