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# City of Oakland

## FY 2019-20 Fourth Quarter FY 2020-21 First Quarter Revenues & Expenditures

### Presenters

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December 7, 2020  
Finance & Management Committee

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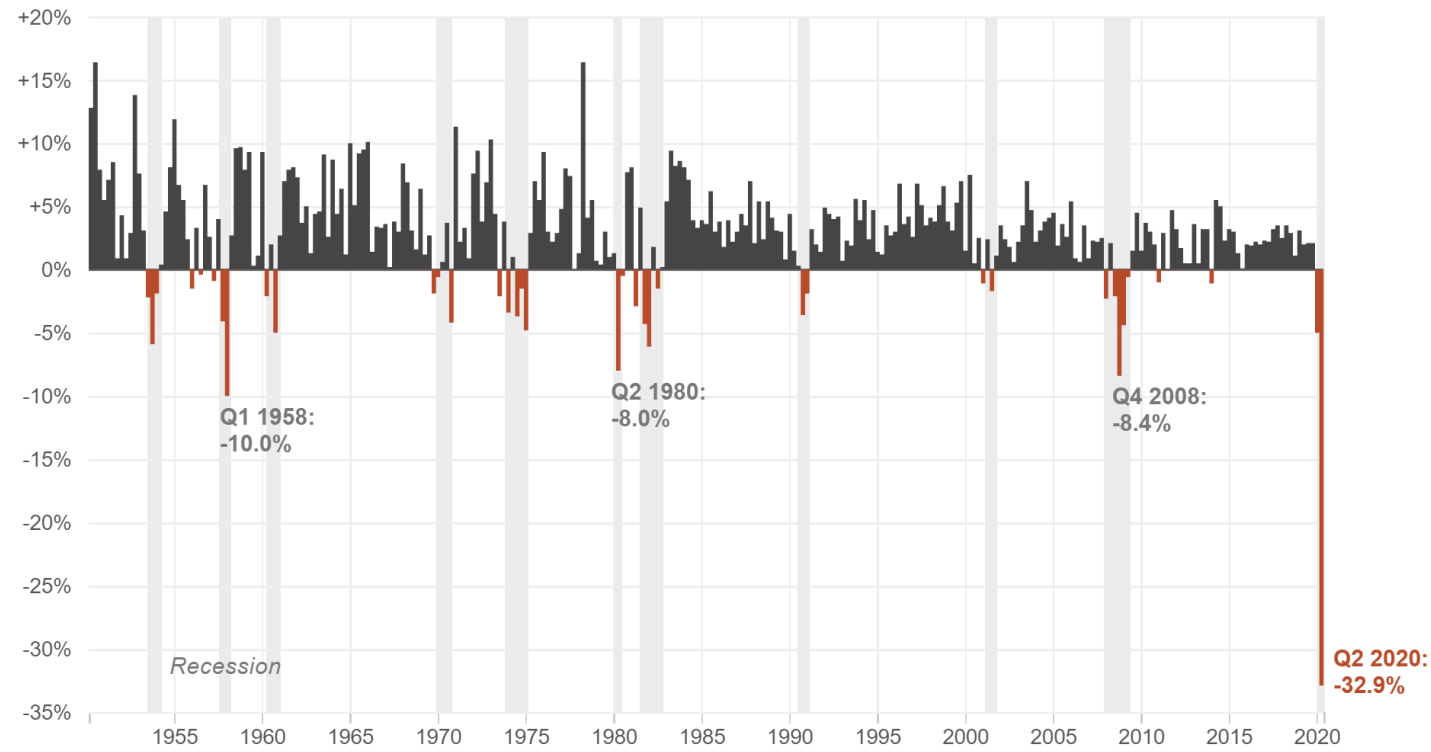


# COVID-19 Recession vs Great Recession

“The economic shock in April, May and June was more than three times as sharp as the previous record — 10% in 1958 — and **nearly four times the worst quarter during the Great Recession.**”

## Economy Shrank At 32.9% Rate In 2nd Quarter

Percent change from the preceding period, seasonally adjusted annual rate



Source: [NPR, Bureau of Economic Analysis](#)

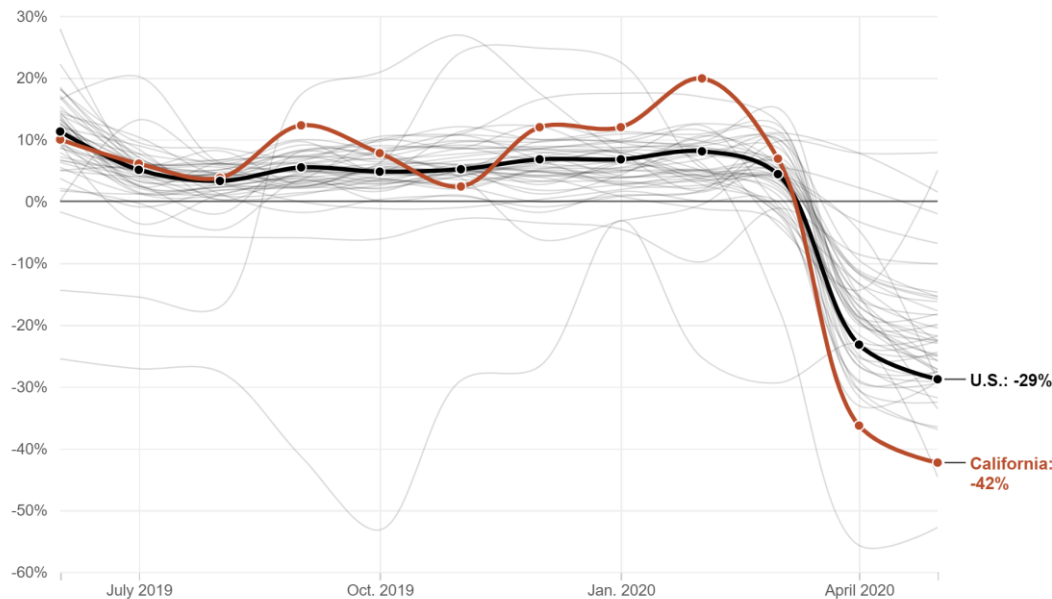


# COVID-19 Impact on State Revenue

## From March To May, Tax Revenue Was Down 42% In California Compared With Last Year

Most states have experienced a significant reduction in tax revenue in recent months. Click on a state to learn more about its budget and revenue situation.

CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



“In January, California was projecting a \$5.6 billion surplus, but the **pandemic quickly transformed that into a \$54 billion deficit.** The Golden State tried a little bit of everything to help stanch the fiscal bleeding: lawmakers canceled new spending, drew from the state's rainy-day fund and limited tax breaks for large and medium-sized businesses.”

Source: [NPR, Urban Institute's State and Local Finance Initiative](#)



# COVID-19 Impact on City Finances

"The sudden, deep and all-encompassing crisis and ensuing economic decline has left city budgets with gaping revenue losses and unexpected expenses."

Lansing, Michigan expects to lose

**\$6-10 million**

in income tax revenues

**\$3-4 million**

in state revenue sharing payments. As a result, the city will need to...

**cut \$1-5 million**

in expenses.<sup>4</sup>

Longmont, Colorado faces a shortfall of

**\$15.3 million**

and will have to tap into reserves to manage costs associated with the pandemic.<sup>5</sup>

Corpus Christi, Texas estimates a loss between

**\$14-21 million.**<sup>6</sup>

Evanston, Illinois expects to lose

**\$10.6 million**

primarily from lost sales tax revenue and parking ticket revenue.<sup>7</sup>

Detroit, Michigan projects that it will lose

**\$194 million**

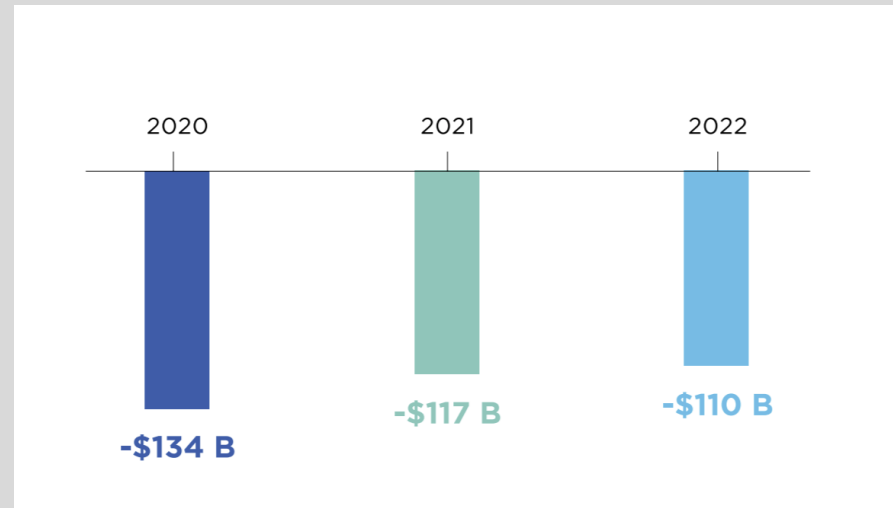
in Fiscal Year 2021.<sup>8</sup>

Lakeland, Florida plans to eliminate

**\$10.2 million**

from its budget.<sup>9</sup>

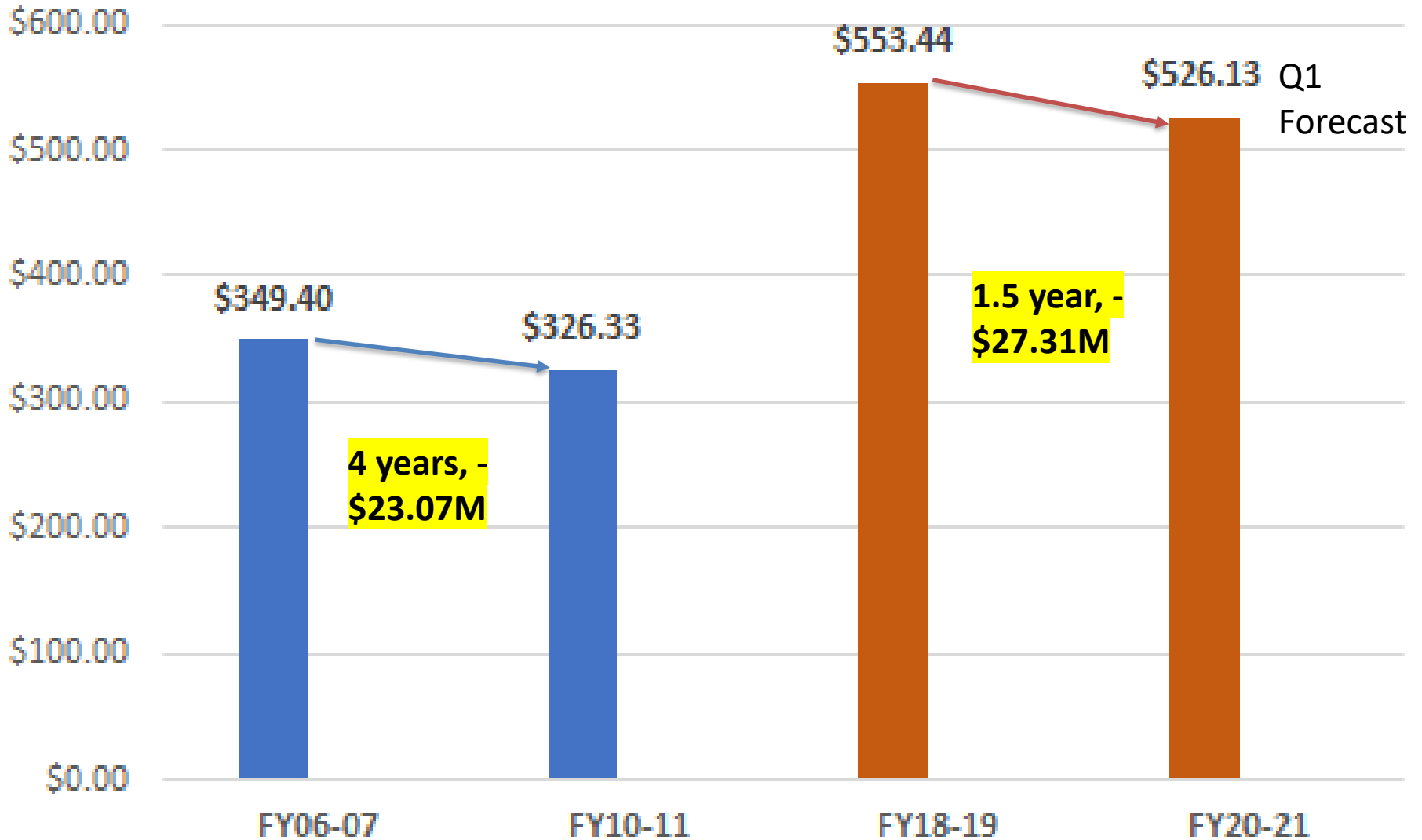
## \$360 Billion Projected Revenue Loss for Cities, Towns, and Villages



Source: [National League of Cities](#)



# Oakland GPF Tax Revenues, Great Recession v. Covid-19, Peak to Trough





# Local impact of COVID-19?

## ❖ Sudden and Severe Revenue shortfalls

- ❑ Hundreds of local businesses shuttered - **unemployment rate skyrocketed**
  - Oakland Unemployment Rate<sup>1</sup>: October 2019: 3.20% vs. October 2020: **10.00% ( 3x increase)**
  
- ❑ Consumer and business spending expected to drop significantly and lead to key revenue sources to come in well below forecasts
  - Business Tax: -\$4.75 million (-5.4%)
  - Transient Occupancy Tax: -\$5.44 million (-3.4%)
  - Parking Tax: -\$3.28 million (-3.7%)
  
- **It is anticipated that there will be further forecasted reductions at the Second Quarter analysis due to the County move into the purple category of the tiered system.**

<sup>1</sup>Source: [CA EDD, Local Area Unemployment Statistics](#):



## Stimulus Funding

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CARES Act Funding- City's award \$36.99M spent in accordance with Resolution No. 88274

- \$26.9M - External Community Programming & Grants
- \$10M - Internal City COVID-19 Costs<sup>2</sup>

FEMA – The City assumed \$3.6M reimbursement in current fiscal year budget.

- **Receipt of this revenue is highly speculative and uncertain**

<sup>2</sup>\$5.42M will be transferred to OFD from OIT, the same value in OFD GPF appropriation will be transferred to complete OAKWIFI Project



# FY 2019-20 Year-End Results

## General Purpose Fund

FY 2019-20	<b>Beginning Fund Balance - Audited</b>	<b>\$ 97.86</b>
	Revenue	\$ 630.92
	Expenditures	\$ 683.25
	<b>Estimated Current Year Surplus/(Shortfall)</b>	<b>\$ (52.33)</b>
	<b>Subtotal Fund Balance</b>	<b>\$ 45.53</b>
	FY19-20 / FY20-21 Obligated Fund Balance	\$ (25.28)
	Designated / Mandated Reserves	\$ (50.67)
	<b>Estimated Ending Available Fund Balance</b>	<b>\$ (30.42)</b>

FY 2020-21	<b>Beginning Fund Balance - Estimated</b>	<b>\$ (30.42)</b>
	Revenue	\$ 630.46
	Expenditures	\$ 662.33
	<b>Estimated Ending Available Fund Balance</b>	<b>\$ (62.29)</b>

### *Actions Already Taken:*

- *Suspend transfers to reserves*
- *Releasing part-time employees*
- *Instituting a selective hiring freeze*

**Immediate, aggressive, corrective action is required to bring current fiscal year into balance.**





# GPF Expenditure Year-End Results

Department	Adjusted Budget (Q4 less CF)	Q4 Year-End Actuals	Year-End (Over) / Under Budget
<b>FY 2019-20 Expenditures</b>	<b>\$ 656.36</b>	<b>\$ 683.25</b>	<b>\$ (26.89)</b>
MAYOR	\$ 3.74	\$ 2.92	\$ 0.81
CITY COUNCIL	\$ 5.98	\$ 5.66	\$ 0.32
CITY ADMINISTRATOR	\$ 16.39	\$ 16.05	\$ 0.34
CITY ATTORNEY	\$ 13.53	\$ 14.09	\$ (0.56)
CITY AUDITOR	\$ 2.27	\$ 2.36	\$ (0.08)
CITY CLERK	\$ 2.11	\$ 1.89	\$ 0.22
POLICE COMMISSION	\$ 4.13	\$ 2.99	\$ 1.14
PUBLIC ETHICS COMMISSION	\$ 1.16	\$ 1.24	\$ (0.08)
FINANCE DEPARTMENT	\$ 26.68	\$ 25.92	\$ 0.76
INFORMATION TECHNOLOGY	\$ 10.61	\$ 10.50	\$ 0.12
RACE & EQUITY	\$ 0.64	\$ 0.76	\$ (0.12)
HUMAN RESOURCES	\$ 6.57	\$ 7.14	\$ (0.57)
DEPARTMENT OF VIOLENCE PREVENTION	\$ 0.63	\$ 0.47	\$ 0.17
POLICE DEPARTMENT	\$ 287.59	\$ 319.77	\$ (32.18)
FIRE DEPARTMENT	\$ 164.91	\$ 162.91	\$ 1.99
OAKLAND PUBLIC LIBRARY	\$ 12.96	\$ 13.04	\$ (0.07)
PARKS & RECREATION	\$ 13.61	\$ 13.46	\$ 0.15
HUMAN SERVICES	\$ 16.21	\$ 15.37	\$ 0.84
ECONOMIC & WORKFORCE DEVELOPMENT	\$ 5.30	\$ 5.04	\$ 0.26
HOUSING & COMMUNITY DEVELOPMENT	\$ 0.13	\$ 0.01	\$ 0.12
PLANNING & BUILDING	\$ 0.06	\$ 0.06	\$ —
OAKLAND PUBLIC WORKS	\$ 4.24	\$ 4.30	\$ (0.05)
TRANSPORTATION	\$ 10.97	\$ 10.23	\$ 0.74
NON-DEPARTMENTAL	\$ 44.67	\$ 46.10	\$ (1.42)
CAPITAL IMPROVEMENT PROGRAM	\$ 1.26	\$ 0.97	\$ 0.28

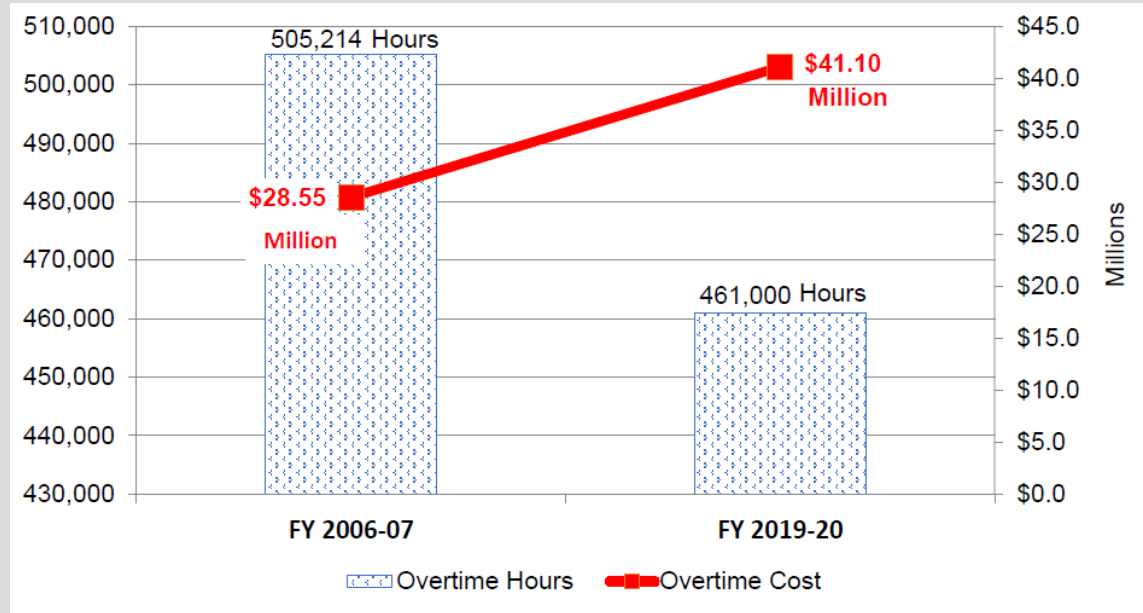


# Police Expenditures

Police overspending is due to:

- "The City Still Does Not Realistically Budget for Police Overtime Costs" - City Auditor's Finding from 2019.
- The budget for Police overtime has not grown with negotiated wage increases.
- Additional filled officer positions not allocated to patrol, thus not reducing OT. Instead they are allocated to non-patrol units e.g. (Ceasefire, Homelessness, Walking Officers, Criminal Investigations).
- Increased demand for services from the protests and recent spike in violent crime.

## Police Overtime Hours & Cost





# Police Expenditures

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Reducing police expenditures will REQUIRE a reduction to the services.


This will likely require some combination of:

- Longer 911 response times to resident calls
- Slower and fewer criminal investigations operations
- Eliminating specialized / dedicated units like traffic enforcement, foot patrols, crime reduction teams, ceasefire teams, and community resource officers
- Reduced responses to events such as side shows and other special enforcement activities





# Contextualizing the Projected Shortfall

\$62M ≈  400 Civilian FTE

\$62M ≈  260 Sworn FTE

\$62M > GPF Budgets for EWD,  
DOT, Libraries, OPRYD, DVP,  
and HSD Combined

\$62M >  Total Sales Tax  
Revenues in  
FY 2018-19

\$62M >   
 Total Hotel Tax,  
Parking Tax,  
Parking Citations  
Revenues in  
FY 2018-19

Equivalent to 10% of the total Adopted Midcycle GPF Budget.



# What has changed since this analysis?

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## THE CONDITIONS RESPONSIBLE FOR THE REVENUE SHORTFALL HAVE WORSENE

- Alameda County was in Category "Orange" of the State's tiered warning system.
- The City is now facing a substantial shutdown of local businesses for most of December.
- Uncertainty of depth of the additional damage to revenues.



# CORRECTIVE ACTION IS REQUIRED

## Actions Already Taken

Suspend transfers to reserves, Releasing part-time employees, & Instituting a selective hiring freeze

## Possible Future Actions

- Deferral of upcoming City employee wage increases (requires negotiation)
- Wage reductions for City employees (requires negotiation)
- Increase employee share of City benefit costs (requires negotiation)
- Service Reductions, including:
  - *Slower 911 Emergency Response times*
  - *Reduce specialized OPD units & services*
  - *Close City services (e.g., operate four-day work weeks, close during holiday weeks, etc.)*
  - *Brownout one Fire Engine company*
  - *Reduce recreation programs*
  - *Reduce Senior Services*
  - *Reduce programs funded by Sugar Sweetened Beverage Tax*
  - *Reduce Animal Care Services*
  - *Reduce funding for Affordable Housing (un-restrict fund 1870)*
  - *Reduce Vegetation Management in Fire Zones*
  - *Reduce economic development efforts*
  - *Suspend all subsidies for all workforce development programs*
  - *Freeze all civilian vacancies (141 FTE in GPF, as of 11/16/20)*
- Other Cost Control Measures



# Questions?

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Questions?