



CITY OF OAKLAND

AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: FY 2024-25 Execution of Maintenance
of Effort Waivers and Use of One-time
Revenues to Balance the Midcycle
Budget

DATE: June 25, 2024

City Administrator Approval


Jestin Johnson (Jun 25, 2024 14:28 PDT)

Date: Jun 25, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

1. **Authorizing The Use Of One-Time Revenues To Balance The Fiscal Years 2024-25 Midcycle Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and**
2. **Revising definitions for the increasingly severe states of “Adverse Financial Condition,” “Extreme Fiscal Necessity,” and “Fiscal Crisis or Fiscal Emergency”;** and
3. **Declaring the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget for the Library’s General Purpose Fund appropriation at the required minimum amount of \$12,992,267 pursuant “The 2018 Oakland Public Library Preservation Act” (Measure D); and**
4. **Declaring the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget for the Library’s General Purpose Fund appropriation at the required minimum amount of \$14,500,000 pursuant “The Library Services Retention and Enhancement Act of 1994” as reapproved in 2022 (Measure C); and**
5. **Declaring a state of extreme fiscal necessity, to provide for the temporary suspension of the ‘Park Maintenance’ maintenance of effort requirements, pursuant to Section 4 of “The 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act” (Measure Q); and**
6. **Declaring a state of extreme fiscal necessity for the Midcycle budget, allowing for the minimum budget set-aside for Public Campaign Financing to be suspended, pursuant to the Oakland Fair Elections Act, ballot measure (Measure W); and**

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7. **Declaring a state of extreme fiscal necessity for the Midcycle budget, allowing for the City Auditor minimum staffing budget set-aside to be suspended, for a two-year budget cycle, pursuant to the Government Reform Charter Amendment of 2022, (Measure X); and**
8. **Declaring the existence of severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget at the required minimum number of 678 sworn police personnel pursuant “The Violence Prevention and Public Safety Act of 2014” (Measure Z).**

EXECUTIVE SUMMARY

Adoption of the proposed resolution will authorize the execution of maintenance of effort waivers and use of one-time revenues to balance the Fiscal Year (FY) 2024-25 Midcycle budget.

BACKGROUND / LEGISLATIVE HISTORY

The City is experiencing one of the largest General Purpose Fund (“GPF” or “Fund 1010”) shortfall in its history prior to the balancing actions contained in the Proposed FY 2024-25 Midcycle Budget. The reductions in revenues available to the City are due to economic circumstances warrant the declaration of a state of extreme fiscal necessity and constitute a severe and unanticipated financial event. The extreme fiscal necessity the City is facing requires the suspension of provisions in the Consolidated Fiscal Policy ([Ordinance No. 13487 C.M.S.](#)), maintenance of effort funding requirements for several City local measures and various Charter-mandated minimum budget set-asides.

Section 1, Part D of the Consolidated Fiscal Policy provides that any unrestricted one-time revenues shall be used to fund one-time expenditures, to fund debt retirement and unfunded long-term obligations such as negative fund balances, Police and Fire Retirement System (PFRS) unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and Other Post-Employment Benefits (OPEB) unfunded liabilities or shall remain as fund balance. Furthermore, Section 1, Part D of the Consolidated Fiscal Policy provides that the use of unrestricted one-time revenues for any purpose other than those set forth in Part D must be authorized by City Council resolution.

The Violence Prevention and Public Safety Act of 2014 requires the declaration of the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund in order to allow for the exception to budgeting and maintaining minimum of 678 police sworn police personnel.

The 2018 Oakland Public Library Preservation Act (Measure D) passed by the voters in 2018 requires the declaration of the existence of a severe and unanticipated financial event that has

adversely impacted the General Purpose Fund in order to waive the GPF maintenance of effort requirement of \$12,992,267 annually.

The 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Measure Q) passed by the voters in 2020 requires the declaration of a state of extreme fiscal necessity, to provide for the temporary suspension of the 'Park Maintenance' maintenance of effort requirements, pursuant to Section 4.

The Library Services Retention and Enhancement Act (Measure C) passed by the voters in 2022 requires the declaration of the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund in order to waive the GPF maintenance of effort requirement of \$14.5 million annually.

The Oakland Fair Elections Act, ballot measure (Measure W), passed by the voters in 2022 requires the declaration of a state of extreme fiscal necessity to allowing for the minimum budget set-aside for Public Campaign Financing to be suspended.

Section 3.15.060(E) of the Oakland Fair Elections Act (codified as Oakland Municipal Code Chapter 3.15) which the voters passed in November 2022 election, mandates a minimum budget set aside for the Oakland Democracy Dollars Fund and for non-staff costs for the Public Ethics Commission to administer the Fund, and allows the Council to suspend the aforesaid minimum budget set-asides for a fiscal year or two-year budget cycle, upon a finding in the budget resolution that the City is facing an extreme fiscal necessity as defined by City Council resolution, provided that the suspension is part of general reduction in expenditures across multiple departments.

[City Charter section 403\(4\)](#) provides that “[e]ffective July 2023, the budget for the Office of the City Auditor shall be sufficient to hire at least fourteen full-time equivalent ('FTE') employees of relevant classifications.”, and further provides that “[t]he minimum staffing budget set-aside may be suspended, for a fiscal year or two-year budget cycle, upon a finding in the budget resolution that the City is facing an extreme fiscal necessity, as defined by City Council resolution or ordinance.

ANALYSIS AND POLICY ALTERNATIVES

The resources to support City services in the Proposed FY 2024-25 Midcycle Budget are substantially below the resources available in prior years. This is largely due to the reduction of revenues from the real estate market due to the high inflation and interest rates, permanent reductions in revenues due to changes in post-pandemic economic activity.

The Proposed FY 2024-25 Midcycle Budget allocates in one-time revenues to fund ongoing expenses in both the General Purpose Fund and many other City funds. It also waives many of the maintenance of effort and minimum staffing requirements present in the City Charter and various voter approved ballot measures.

The Resolution accompanying this report makes the required findings and declarations to suspend the relevant provisions and provide maximal flexibility to preserve essential City services.

In order to return to using one-time funds in accordance with the uses proscribed by the Consolidated Fiscal Policy and comply with the maintenance of effort and minimum staffing requirements, the City will need to engage in extensive medium term financial planning. The City must develop a multi-departmental strategy to increase discretionary revenues particularly in the GPF. The City must also prioritize services such that we can identify costs that can be reduced or eliminated. The adoption of this proposed legislation will help to continue with the Citywide priority of providing a **responsive and trustworthy government**.

FISCAL IMPACT

Approval of this resolution will allow the City to comply with the Consolidated Fiscal Policy ([Ordinance No. 13487 C.M.S.](#)) Section 1, Part D. and the provisions of the City Charter and various ballot measures. Absent this resolution the Mayor's proposed budget and various amendments submitted by the City Council would not be legal to adopt.

PUBLIC OUTREACH / INTEREST

There has been public outreach including several City Council meetings and community townhalls during the FY 2024-25 Midcycle Budget Process.

COORDINATION

This report was prepared by the Finance Department.

SUSTAINABLE OPPORTUNITIES

Economic: Adoption of this resolution would promote the City's compliance with its Consolidated Fiscal Policy.

Environmental: There are no environmental opportunities associated with this action.

Race & Equity: Adoption of this resolution would have no direct identifiable impacts on race and equity but does support the adopted FY 2024-25 Midcycle Budget which specifically addresses areas of affordable housing and homelessness, jobs and economy, public safety and violence prevention, and clean, healthy and sustainable neighborhoods, all of which have equity considerations. Budgets have significant and complex effects on vulnerable communities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution:

1. Authorizing The Use Of One-Time Revenues To Balance The Fiscal Years 2024-25 Midcycle Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and
2. Revising definitions for the increasingly severe states of “Adverse Financial Condition,” “Extreme Fiscal Necessity,” and “Fiscal Crisis or Fiscal Emergency”; and
3. Noting the existence of severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget at the required minimum number of 678 sworn police personnel pursuant “The Violence Prevention and Public Safety Act of 2014” (Measure Z); and
4. Declaring the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget for the Library’s General Purpose Fund appropriation at the required minimum amount of \$12,992,267 pursuant “The 2018 Oakland Public Library Preservation Act”. (Measure D); and
5. Declaring the existence of a severe and unanticipated financial event that has adversely impacted the General Purpose Fund such that the City is unable to budget for the Library’s General Purpose Fund appropriation at the required minimum amount of \$14,500,000 pursuant “The Library Services Retention and Enhancement Act of 1994” as reapproved in 2022 (Measure C); and
6. Declaring a state of extreme fiscal necessity, to provide for the temporary suspension of the ‘Park Maintenance’ maintenance of effort requirements, pursuant to Section 4 of “The 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act” (Measure Q); and
7. Declaring a state of extreme fiscal necessity for the biennial budget, allowing for the minimum budget set-aside for Public Campaign Financing to be suspended, pursuant to the Oakland Fair Elections Act, ballot measure (Measure W); and
8. Declaring a state of extreme fiscal necessity for the biennial budget, allowing for the City Auditor minimum staffing budget set-aside to be suspended, for a two-year budget cycle, pursuant to the Government Reform Charter Amendment of 2022, (Measure X)

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

Respectfully submitted,



Erin Roseman (Jun 25, 2024 09:11 PDT)

Erin Roseman
Finance Director