



CITY OF OAKLAND

AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: FY 2025-27 Execution of Maintenance
of Effort Waivers and Use of One-time
Revenues to Balance the Biennial
Budget

DATE: June 5, 2025

City Administrator Approval


Jestin Johnson (Jun 6, 2025 11:45 PDT)

Date: Jun 6, 2025

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

1. Authorizing The Use Of One-Time Revenues To Balance The Fiscal Years 2025-27 Biennial Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and
2. 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 At The Required Minimum Number Of 700 Sworn Police Personnel Pursuant To "The Oakland Community Violence And Emergency Response Act Of 2024" (Measure NN); 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 To "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 To "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 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
7. Declaring A State Of Extreme Fiscal Necessity For The Biennial Budget, Allowing For The City Auditor Minimum Staffing Budget Set-Aside To Be

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Suspended, For A Two-Year Budget Cycle, Pursuant To The Government Reform Charter Amendment Of 2022, (Measure X); And

- 8. Declaring A State Of Extreme Fiscal Necessity For The FY 2025-27 Biennial Budget, And Temporarily Suspending 1) The Requirement To Consider Advisory Board Recommendations Prior To Appropriating Funds, And (2) Restrictions On The Use Of Sugar-Sweetened Beverage Tax Revenue Pursuant To Resolution No. 90586 C.M.S; and**
- 9. Declaring A State Of Extreme Fiscal Necessity For The Biennial Budget, Authorizing The Use Of Funds Deposited Into The Affordable Housing Trust Fund (Fund 1870) To Balance The Fiscal Years 2025-27 Biennial Budget Pursuant To Oakland Municipal Code Chapter 15.62 “Affordable Housing Trust Fund”; and**
- 10. Establishing The Intention Of The City Council To Prioritize Restoration Of Services To Meet The Maintenance Of Effort (MOE) Requirements**

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) 2025-27 Biennial budget.

BACKGROUND / LEGISLATIVE HISTORY

The City is experiencing one of the largest General Purpose Fund (“GPF” or “Fund 1010”) shortfalls in its history prior to the balancing actions contained in the Proposed FY 2025-27 Biennial Budget. The reductions in revenues available to the City, 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 Oakland Community Violence and Emergency Response Act of 2024 requires the declaration of the existence of a severe and unanticipated financial event that has adversely impacted the GPF to allow the budgeting and maintaining less than 700 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 allow 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 the 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, 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.

The Sugar-Sweetened Beverage Distribution Tax (Measure HH) requires the declaration of a state of extreme fiscal necessity, to temporarily suspend both the requirement to consider advisory board recommendations and the restrictions on the use of Measure HH tax revenues as authorized by [Resolution No. 90586 C.M.S.](#)

[Oakland Municipal Code Chapter 15.62.040](#) (E.) provides that "upon a declaration of Extreme Fiscal Necessity by the City Council, the City Council may appropriate funds deposited into the Affordable Housing Trust Fund from the set-aside of funds distributed to the City as a taxing entity under the laws dissolving redevelopment agencies for any lawful purpose. In any given fiscal year, the amount the Council may appropriate shall not exceed fifty (50) percent of the estimated revenue budgeted from said funds."

ANALYSIS AND POLICY ALTERNATIVES

The resources to support City services in the Proposed FY 2025-27 Biennial 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, and permanent reductions in revenues due to changes in post-pandemic economic activity.

The Proposed FY 2025-27 Biennial 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 Oakland Community Violence and Emergency Response Act of 2024 (Measure NN) requires the City to budget for at least 700 sworn police officers. The FY 2025-27 Proposed budget includes funding for 678 and would need an additional 22 officers to meet the minimum staffing required by the measure. To adhere to Measure NN, Oakland must ensure funding for a minimum of 700 sworn officers by July 1, 2026, to fully collect the parcel tax. If the City does not meet this threshold, the tax will be suspended for that fiscal year, unless exemptions for significant funding losses or extreme financial hardship are applicable. The City has taken efforts to achieve this required Measure NN staffing by aggressively planning for and budgeting sworn police academies to increase the count of sworn police personnel, and is developing proposals to reduce the rate of sworn police attrition. Staff is developing a comprehensive roadmap to restore compliance with MOE requirements of this measure.

To achieve compliance with Measure NN's 700 sworn officer mandate by July 1, 2026, the City must fund additional police academies through the General Purpose Fund (GPF) to address attrition (projected at 60 officers annually) and increase staffing. Specifically, the City will need to run an additional three academies in addition to what is currently proposed in FY 2025-26 and add an additional 22 sworn officers. The costs for FY 2025-26 would be comprised of three additional academies (which would not feasibly be possible) at \$11.7 million and the cost to add 22 sworn officers at \$6.6 million, which would result in a total cost of \$18.3 million, and in FY 2026-27, \$6.9 million in ongoing costs associated with the addition of 22 sworn officers.

The 2018 Oakland Public Library Preservation Act (Measure D) requires the City to appropriate a minimum of \$12,992,267 annually from the General Purpose Fund to support library services. The FY 2025-27 Proposed budget falls below the requirement by \$1.2 million each year. To ensure full compliance with the funding obligations outlined in Measure D, the City would need to appropriate an additional \$1.2 million from the General Purpose Fund in each fiscal year of the budget cycle. The City has taken efforts to preserve Library funding by avoiding deeper cuts to the department's budget despite reductions to other City service areas, and by maintaining existing library service levels with no impact to public access or programming. Staff is developing a comprehensive roadmap to restore compliance with MOE requirements of this measure.

The Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Measure Q) requires the City to allocate no more than 55% of the revenue intended for parks, landscape maintenance, and recreational services to be used to preserve current parks operational services. The FY 2025-27 budget includes \$7.2 million (33.4% of the \$21.5 million for parks funding) in FY 2025-26, and \$7.8 million (35.2% of the \$22.1 million for parks funding) in FY 2026-27 for enhanced services beyond preservation of the park maintenance operational services. While the proposed budget satisfies the overall 64% allocation requirement, it exceeds the 55% threshold for existing costs in this category. To achieve compliance, additional appropriations of \$2.5 million and \$2.1 million, respectively, over the two-year budget would be required for parks, landscape maintenance, and recreational services. These funds would need to come from alternative funding sources, such as the Comprehensive Cleanup Fund, Lighting and Landscape Assessment District Fund, Facilities Services Fund, or the GPF.

The Library Services and Retention and Enhancement Act (Measure C), as reauthorized in 2022, mandates an annual General Purpose Fund allocation of \$14.5 million for library services. For FY 2025-27, the proposed budget allocates \$11.7 million annually, resulting in a \$2.7 million annual shortfall from Measure C requirement. To fully comply with the funding requirements of the measure, the City would need to appropriate these same amounts from the GPF in each respective year. The City has taken efforts to preserve Library funding by avoiding deeper cuts to the department's budget despite reductions to other City service areas, and by maintaining existing library service levels with no impact to public access or programming. Staff is developing a comprehensive roadmap to restore compliance with MOE requirements of this measure.

The Oakland Fair Elections Act (Measure W) requires a dedicated annual allocation for the Democracy dollars fund and related administrative costs, in addition to one-time startup costs. The FY 2025-27 Proposed Budget does not include the required funding to fully meet these requirements. It includes \$447,790 over two years for software development fulfilling the remainder of the \$700,000 startup funding initially appropriated in the FY 2023-25 budget and adds 1.0 FTE for the latter half of FY 2026–27. To fully comply with Measure W by July 1, 2025, the City would need to appropriate from Fund 1010, \$4.0 million over two years for the Democracy Dollars Fund, \$350,000 annually for administrative costs, and funding for three (3) additional FTEs (Public Ethics Analyst III) to implement and administer the program. As such, the estimated cost of full compliance is \$5.0 million in FY 2025-26 and \$970,000 in FY 2026-27.

Measure X requires funding for the Office of the City Auditor to support at least 14.0 FTE staff. The FY 2025-27 Proposed budget falls below this staffing level with a total proposed 9.0 FTE in FY 2025-26 and 12.0 FTE in FY 2026-27. To fully staff the Office of the City Auditor at the required 14.0 FTEs, additional funding is needed from the GPF of approximately \$900,000 in FY 2025-26 (for 1.0 FTE Senior Performance Auditor and 4.0 FTE Performance Auditors) and \$338,000 in FY 2026-27 (for 2.0 FTE Performance Auditors).

The FY 2025-27 Proposed Budget appropriates revenues from the Sugar-Sweetened Beverage Tax (Fund 1030) in a manner that is consistent with the historically allowable use of funds. Approval of the Resolution temporarily suspends the requirement to consult with the Sugar-Sweetened Beverage Community Advisory Board prior to the appropriation of these funds, upon

the declaration of a statue of extreme fiscal necessity as authorized per Resolution 90586 C.M.S. This is a temporary measure and not intended to represent a permanent policy shift. However, compliance with the most recent recommendations of the SSBT Advisory Board per their May 23rd 2023 Presentation to the Life Enrichment Committee would require alternative funding or elimination of City services in the amounts of 5.65 Million and 5.7 Million respectively in FY 2025-26 and FY 2026-27.

To address the City's budget shortfall and to preserve City operations, the two-year budget includes the temporary use of revenues deposited into the Affordable Housing Trust Fund (AHTF Fund 1870). Approval of the Resolution, pursuant to a declared state of extreme fiscal necessity, authorizes these funds to support budget balancing needs. Revenues are proposed to be budgeted in a 80% 1010-GPF, 20% 1870-AHTF ratio, rather than the non-waived policy split of 75% 1010-GPF, 25% 1870-AHTF. Additional there is a transfer to the GPF of approximately 2.15 and 2.17 in each budget year respectively. Return to the 75% 25% ratio would require alternative funding or elimination of City services in the amounts of 6.1 Million and 6.22 Million respectively in FY 2025-26 and FY 2026-27.

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

Severe & Unanticipated Financial Event

The City is facing the continuing impact from severe an unanticipated financial events stemming from prior budget cycles. These circumstances include reduced revenues notably a precipitous drop in resources from the City's Real Estate Transfer Taxes which fell from \$138.4million in FY 2021-22 and are not expected to reach even half of that value in FY 2025-26 (\$68.3 million). This is an ongoing sever fiscal pressure on the City's finances not anticipated at the time of the passage of Measure C. The City is also facing significant cost pressures including growth in pension and medical costs which have heightened the severity of this current event. The City is continuing to endure the effects of the absence of more than \$100million from the Sale of the Coliseum site. This unanticipated and severe reduction to City resources against approved spending plans has and will continue to have significant impacts on the City's finances. The value of these lost resources constitutes roughly 1/8th of the annual expenditures from the GPF and were not known at the time Measure NN legislation was drafted for signature collection. The absences of this sale revenues required the employment of all existing reserves and contingencies, other than the dedicated emergency reserve, to maintain solvency in the GPF. In the past year the City has been forced to make significant reductions to expenditures and the severity of these unanticipated financial events will require cost containment for minimally the next two fiscal years. The triad of declining base revenues, expenditure cost inflation, and the absences of coliseum revenue jointly constitute the greatest pressure the City has faced on its resources since minimally the 2008 financial crisis. This financial event is severe, unanticipated, and ongoing.

Given the City's current fiscal constraints, the FY 2025-27 Proposed Budget does not fully meet several maintenance of effort and minimum funding requirements established by voter-approved measures and Charter provisions. **To fully comply with these requirements, the City would need to invest approximately \$41.15 million in FY 2025-26 and \$24.93 million in FY 2026-27, with the General Purpose Fund likely serving as the primary funding source to meet most of the obligations discussed above.**

While the recommended waivers are necessary to maintain core City operations and balance the budget, they are not intended to be permanent. 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**.

MOE Prioritization

Approval of the resolution also affirms the City Council's priority to restore funding and services needed to meet the maintenance of effort (MOE) requirements associated with the voter-approved measures that are temporarily waived in the FY 2025-27 Biennial Budget. For any new ongoing General Purpose Fund resources that become available during the two-year budget, the City Council shall prioritize restoration of these services, unless the resources are required to address a projected deficit, maintain the planned level of service and staffing in the adopted budget, are legally restricted, or their use would conflict with existing laws, ordinances, or labor agreements. Similarly, for any new one-time resources that become available during the biennium, the City Council shall also prioritize these funds to support services impacted by the temporary MOE waivers, subject to the same exceptions stated for new ongoing GPF resources. In short this provision is designed to provide that any new resources that are not need to maintain fiscal stability and operations of the current budget plan are to be used to better meet one of the various MOEs, unless they are restricted or doing so would in some way be contrary to law.

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 2025-27 Biennial 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 2025-27 Biennial 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 2025-27 Biennial Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and
2. 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 At The Required Minimum Number Of 700 Sworn Police Personnel Pursuant To "The Oakland Community Violence And Emergency Response Act Of 2024" (Measure NN); And
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Services Retention And Enhancement Act Of 1994” As Reapproved In 2022 (Measure C); And

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7. 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); And
8. Declaring A State Of Extreme Fiscal Necessity For The FY 2025-27 Biennial Budget, And Temporarily Suspending 1) The Requirement To Consider Advisory Board Recommendations Prior To Appropriating Funds, And (2) Restrictions On The Use Of Sugar-Sweetened Beverage Tax Revenue Pursuant To Resolution No. 90586 C.M.S; and
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10. Establishing The Intention Of The City Council To Prioritize Restoration Of Services To Meet The Maintenance Of Effort (MOE) Requirements

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

Respectfully submitted,



Erin Roseman (Jun 6, 2025 08:54 PDT)

ERIN ROSEMAN
Finance Director
Finance Department

Reviewed by:
Bradley Johnson, Budget Administrator

Prepared by:
Rina Stabler, Asst. Budget Administrator

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