



To: Honorable Members of the Oakland City Council
From: Budget Advisory Commission
Subject: Recommendations on the FY 2025-27 Proposed Policy Budget

Statement of Purpose

The Consolidated Fiscal Policy (“CFP”) (13279 C.M.S.) requests that the Budget Advisory Commission (“BAC”) or “Commission”) submit a published, written report on the City of Oakland’s biennial budget each year, prior to June 1st. If submitted, the statement shall be published as part of the next budget report to the City Council.

This report is prepared pursuant to the CFP. A preliminary draft was published on May 9th, 2025. At its May 14th, 2025 meeting, the BAC authorized the ad-hoc subcommittee to incorporate feedback and updated budget information, and submit and present to Council on behalf of the entire BAC.

Recommendation

The BAC recommends that prior to adopting the FY 2025-27 Proposed Policy Budget, Council request additional information and make appropriate budgetary adjustments for the following items:

- Prioritize the use of general purpose funds to comply with mandatory voter-approved measures, including funding for public libraries, the City Auditor, and parks maintenance. Use additional GPF funding to rebuild depleted reserves.
- Request additional information on the uses of proposed contracts and grants in cases where details are light or absent. Make deliberate trade-offs to re-allocate grants and contracts away from general purpose fund (GPF) monies to restricted funds where permissible, in order to free up GPF monies for complying with mandatory voter-approved measures.
- Develop contingency strategies in case of an economic downturn, or if anticipated revenues do not materialize.
- Review proposed staffing levels and classifications for appropriateness and operational needs.

Background and Overview

Oakland has faced an ongoing budget crisis since 2020. Pandemic-driven reductions in revenues (from business taxes, hotel taxes, parking taxes, etc) and increased



expenses, including unbudgeted police overtime, led to a \$30.42 million deficit in the 2019-20 budget¹. While this amount was patched with about \$40 million in federal funding, the reduction in revenue continued to present persistent budget challenges, with a projected \$62.3 million deficit in the 2020-21 budget, a projected \$81.3 million deficit in the 2021-22 budget, and a projected \$68.5 million deficit in the 2022-23 budget, according to a January 2021 staff report². Half of this 2020-21 budget shortfall was closed with \$29 million in administratively ordered cuts to public safety services, hiring freezes, and reductions in senior staff pay³. The remaining 2020-21, 2021-22, and 2022-23 budget gaps were subsequently closed with one-time COVID relief funding from the American Rescue Plan Act (ARPA), including \$87 million in 2021-22⁴ and \$68 million in 2022-23⁵. While ARPA funds could continue to be used through 2024, the City used all of its available ARPA funding before June 30, 2023⁶.

Despite this ongoing reliance on one-time COVID relief funds to plug persistent and continuous revenue shortfalls, the City continued to budget as though revenues would recover in 2023-24 to levels sufficient to offset the loss of federal funds. No precautions were taken to keep expenses in check – even as revenue continued to come in under projections (by up to 16%), the City budgeted for new, ongoing, increased expenses; depleted reserve funds (from \$140 million in 2022 to \$20 million in 2024); and continued to violate its CFP (as identified in the BAC's [June 2024 Midcycle Budget Report](#)).

Between 2020-21 and 2024-25, the General Purpose Fund (GPF) revenue grew only 10%, from \$687 million to \$756 million. After accounting for inflation, this is a net *decrease* in GPF revenues, equivalent to nearly a \$100 million per year reduction. Major funding sources, including the Real Estate Transfer Tax (RETT), business license tax, transient occupancy tax, and service charges continue to come in lower than their inflation-adjusted 2019-20 levels, as well as lower than anticipated in previous budget cycles.

¹<https://oaklandside.org/2020/12/07/oaklands-current-budget-crisis-called-worse-than-the-great-recession/>

²<https://oaklandside.org/2021/01/26/oaklands-budget-deficits-are-getting-worse/>

³<https://www.oaklandca.gov/news/city-administration-directs-29-million-in-immediate-cuts-to-curb-projected-62-million-deficit>

⁴<https://cao-94612.s3.us-west-2.amazonaws.com/documents/City-of-Oakland-ARPA-SLFRF-Recovery-Plan-2022-informational-memo-7-26-22-signed.pdf>

⁵<https://cao-94612.s3.us-west-2.amazonaws.com/documents/City-of-Oakland-ARPA-SLFRF-Recovery-Plan-2023-informational-memo-7-17-23.pdf>

⁶<https://cao-94612.s3.us-west-2.amazonaws.com/documents/SLFRF-Recovery-Plan-Performance-Report-City-of-Oakland-June-14-2024.pdf>



At the same time, GPF expenses have grown at twice the rate of revenue, increasing by 21%: from \$697 million in 2020-21 to \$843 million in 2024-25. This included additional staff for general city operations, as well as new labor contracts with higher pay and benefits. Some of these contracts were approved outside of the standard budget process and without financial analysis provided to Council, all while the City's revenues continued to come in short. This expense growth far outpaced the growth in revenues; while the gaps were filled with one-time funds, emergency reserves, and the prospect of the Coliseum sale, no significant efforts were made to reduce expenses.

The BAC has previously reported on the sources and causes of this structural deficit, including in BAC's [June 2024 Mid-Cycle Budget Report](#) and [January 2025 presentation to Council](#). Ultimately, Oakland has fewer financial resources available today, after adjusting for inflation, than it had available prior to the COVID-19 pandemic. One-time revenue sources have run out, financial reserves have run out, and revenues have not recovered. Council must budget conservatively to help rebuild the city's financial health.

Guiding Principles for BAC Recommendations

The Budget Advisory Commission has been providing support to City Council since 1999. In providing these recommendations, the BAC aims to follow consistent general guiding principles to inform fiscal priorities. A full listing of BAC findings and recommendations [was presented to Council in June 2024](#), and BAC previously issued [recommendations on the FY 2023-25 budget](#). This memo restates a selection of these priorities as they apply to the FY 2025-26 Proposed Policy Budget.

- **Adherence to the Consolidated Fiscal Policy.** The CFP sets forth a number of budgeting practices, including: adopting a balanced budget; allocating excess RETT stabilization funds and paying off debt obligations; using one-time revenues solely for one-time expenditures, including unassigned GPF revenue; and maintaining a healthy Vital Services Stabilization Fund balance of at least 15% of GPF revenues. The adopted budget should adhere to these requirements.
- **Focus spending on community priorities.** The CFP requires a public survey to inform community priorities in the budgeting process. This year, the survey was completed by the BAC; 2025 priorities include safety, cleanliness, and housing. The adopted budget should reflect these community priorities. For the complete survey results, [see the February 2025 presentation here](#).



- **Adherence to the requirements of voter-approved measures.** Oakland's budget is supported, and constrained, by a wide variety of voter-approved measures. Many of these measures contain "maintenance of effort" requirements, obligating the City to make particular budget decisions to continue to receive the benefits of the tax. While these measures can be suspended in times of fiscal emergency, consistent with the CFP requirements to focus spending on community priorities, the BAC believes that these voter-approved requirements reflect core community priorities, and that these legal mandates should be prioritized over other initiatives to the greatest extent feasible.
- **Following best practices and lessons learned from other cities.** Oakland is not unique in its service provided, community concerns, or its fiscal challenges. While our challenges may be of a larger scale, best practices applied in other cities are also relevant to Oakland.
- **Keep equity considerations at the forefront of decision-making.** Oakland is home to many diverse and long-underserved communities. Equitable budget practices means that after ensuring the city's long-term financial health and meeting legal obligations, additional revenue should be allocated in ways that ensure *all* members of the community access and benefit from City services equitably. Sound financial practices help ensure that lifeline programs for disadvantaged communities can be continued even in times of budget shortfalls.

Review and Findings in the FY 2025-27 Proposed Policy Budget

BAC has conducted a careful review of the FY 2025-27 Proposed Policy Budget, including reviewing the Mayor's Message, Budget Priorities, Service Impacts, Significant Budgetary Changes reports, department-level budgets and changes, and proposed contracts and grants spending. Below we present our findings and short-term recommendations for the current proposed budget. A later section discusses long-term recommendations for Council, staff, and BAC to explore further, with the potential to improve the budget in future cycles.

Positive: The Proposed Budget is a balanced budget that minimizes layoffs, preserves core city services, and generally follows the CFP.

The Corrected Proposed Budget projects \$2.166 billion in both revenues and expenses in FY 2025-26, and \$2.201 billion in 2026-27. This represents an increase from the 2023-24 actual spend of \$2.023 billion, of roughly \$143 million in 2025-26 and \$178 million in 2026-27. The Corrected Proposed Budget is revised upwards (by a few million dollars) compared to the original budget, by increasing interfund



transfers, transfers from fund balances, and service charges, but without otherwise increasing other revenue projections.

Relative to 2024-25, the General Purpose Fund is proposed to *decrease*, from \$807 million to \$788.1 million in 2025-26, before increasing to \$856.2 million in 2026-27. This increase of roughly \$69 million in general fund expenditures between 2025-26 and 2026-27 is dependent on an as-yet-proposed \$40 million per year local tax. It also depends upon significant increases in assessed property tax values (from \$307 million in 2024-25 to \$322 million in 2025-26, and \$332 million in 2026-27). Sales taxes are also projected to increase significantly, attributable to the passage of Measure A: growing from \$61.7 million in 2023-24 to \$84.1 million projected in 2025-26, followed by \$94.5 million in 2026-27, consistent with revenue projections included in the measure language.

This budget maintains conservative estimates for volatile tax revenue: RETT is projected at just \$68.3 and \$70.3 million for 2025-26 and 2026-27, respectively, in line with 2023-24 actuals of \$57.5 million. In contrast, the adopted 2023-25 budget had originally anticipated over \$110 million in RETT in 2023-24, a major contributor to the unanticipated shortfalls these past two years. This re-leveling of expected RETT revenues

Because of the anticipated new revenue source, the budget is able to maintain alignment with community-wide priorities around public safety, cleanliness, and housing. Staff layoffs are almost nonexistent: instead, vacant positions are frozen or eliminated, reducing the need to budget for those vacancies. Lastly, the budget also avoids the use of one-time funds for ongoing expenses, breaking with troubling past practice and better aligning with the CFP.

However, the proposed budget has structural risks in the event of an economic downturn.

Recommendation: Budget cautiously, and consider ways to further reduce spending should revenue projections be missed.

The Proposed Budget makes assumptions about future revenues that depend upon significant growth in assessed property taxes, a new voter-approved parcel tax, and sustained strength in sales tax revenue. Notably, the Proposed Budget projects 5.1% growth in assessed property taxes for the GPF in FY 2025-26, while these revenues grew by just 2.5% from FY 2023-24 to 2024-25. The draft Five-Year Financial Forecast states that “In FY 2025-26, the growth is projected to be 3.0% over the estimated FY



2024-25 amount.” In FY 2026-27, it assumes a more conservative 3.1% growth. The draft Five-Year Financial Forecast assumes that this growth will occur as a result of “New construction... at the estimated annual construction average from 2017 to 2024 excluding outlying years.” However, new construction has virtually halted in Oakland due to elevated interest rates and a soft real estate market. In addition, the Proposed Budget and Five-Year Financial Forecast project weak RETT revenues, at roughly \$70 million. Due to Prop 13, property tax appreciation is restricted to 2% per year unless the property is sold; as a result, RETT revenues should correlate with the growth in assessed property values. It is unclear what, if any, indicators suggest that a 5.1% growth in property tax revenues is realistic for FY 2025-26. If realized assessment growth is instead 2.5%, comparable to FY 2024-25, it would result in an immediate revenue shortfall of at least \$7 million and put the city behind on revenue projections for FY 2026-27.

In addition, changes to federal trade policy or other unpredictable events could result in an economic downturn later in 2025 or 2026, potentially causing other revenue projections to be missed and resulting in a greater budget deficit. City Council should prepare a list of priority budget changes should anticipated revenue fail to materialize.

Issue: The Proposed Budget fails to meet the requirements of Measure NN.

The proposed budget only funds 678 sworn officers, rather than the minimum of 700 required in Measure NN. While the un-freezing of 78 sworn positions and restoration of 3 full police academies is an improvement over previous budgets, ongoing attrition will mean that the city is likely to maintain, rather than increase, existing staffing numbers. Additional funding and more police academies are necessary to see staffing growth over time.

Recommendation: Improve compliance with other voter-approved measures

While many voter-approved measures are being complied with, Measure NN and others have fallen by the wayside and compliance is not being met. These include:

- **\$2.8 million annual shortfall in library funding.** Under Measures C & D, the City is required to budget for \$14.5 million in general purpose funds for the Library Department. Under the FY 2025-26 Proposed Policy Budget, GPF allocations to the Library Department are \$11.7 million in each fiscal year, resulting in a \$2.8 million annual shortfall in the required appropriations.
- **2-5 FTE shortfall in the City Auditor’s office (estimated \$0.4-1 million).** Under Measure X, the City Charter requires the budget for the City Auditor to be sufficient to hire at least fourteen (14) full-time equivalent (“FTE”) employees of



relevant classifications. The FY 2025-27 Proposed Policy Budget funds 9 or 10 FTE in 2025-26 (errata proposes adding one FTE, but this is not reflected in the table) and 12 FTE in 2026-27, falling short of the required 14 FTE in each year.

- \$4 million annual shortfall in Democracy Dollars Fund. Under Measure W, the City is required to allocate \$4 million annually to the Democracy Dollars Fund to support public financing of elections, increasing with inflation. This initiative aims to reduce the influence of, and dependence on, outsized independent expenditures on elections. The FY 2025-27 Proposed Policy Budget allocates \$0 to this fund.
- \$2.2 million shortfall in parks maintenance required by Measure Q funds. Measure Q's maintenance of effort provisions places a limitation on the maximum amount of measure funding that can be spent maintaining services at their FY 2019-20 levels. For FY 2025-26, this amount is roughly \$12.09 million. Instead, the Proposed Budget includes \$14.29 million for maintaining existing parks services, by cutting spending for the new services intended in the measure.

Issue: At least \$62 million in proposed contracts and grants lack details, require oversight

The FY 2025-27 Proposed Policy Budget includes roughly \$230 million budgeted for contracts and grants each fiscal year, with nearly 900 independent contracts or grants proposed. Most of these contracts are well-defined, with a clear purpose, and assigned to an appropriate fund. While many have "TBD" or undefined as the vendor, this is to be expected for contracts and grants that go through a competitive bidding process, where no vendor can be identified prior to issuing the request for proposals.

However, some 77 grants and contracts were submitted without descriptions provided (either blank or "TBD"), ranging from just a few thousand dollars to as much as \$5 million each. These amount to a total of \$27 million in FY 2025-26 and \$35 million in FY 2026-27, overwhelmingly from the Human Services Department (\$26 million and \$33.9 million for each fiscal year, respectively). An uncounted number of other grants and contracts are proposed with minimal descriptions - due to time constraints, all line items have not yet been reviewed. As a matter of best practice, Council should not approve millions of dollars for unspecified purposes, and should receive descriptions for each line item from Human Services and other departments prior to approving these fund allocations.



Recommendation: Review proposed contracts and grants to identify funding opportunities to meet voter-approved measures

A total of \$33.6 million in contracts and grants spending in FY 2025-26 is proposed to be met with general purpose funds (fund 1010). While much of this is for GPF-funded departments like police, fire, and general government departments, some of these proposed expenditures would likely be suitable candidates for restricted funds. This includes \$190k from the Department of Violence Prevention (DVP) for “Third Party: Grant Contracts”, \$500k from Economic & Workforce Development Department (EWDD) for the Corridor Ambassador program, and \$2.9 million from Human Services for “(blank)” (most of these grants appear earmarked for nonprofits providing homeless and children’s services). The DVP and EWDD funding are suitable candidates for Measure NN funds, while the Human Services programs are likely eligible for a range of other restricted funds (some of the same grantees are listed under multiple different funding sources).

This is not free money: moving these GPF allocations to restricted funds requires equal reductions in those restricted funds, which are already proposed to be fully allocated. For example, Council adopted a resolution on May 20th fully allocating the Measure NN grant funds for FY 2025-26. Moving the EWDD Corridor Ambassador program to Measure NN for FY 2026-27 would require reducing other DVP grant awards by the same amount. Evaluating performance metrics for grants across both GPF and restricted funds may help identify suitable opportunities for re-allocation. Other sources of funding may also come available, e.g. for homeless services from the countywide Measure W, newly unlocked after resolving legal challenges.

Ultimately, Council must evaluate trade-offs and decide whether to meet the legal requirements of voter-approved measures, or to fund other essential and nonessential services. As outlined previously, one of BAC’s guiding principles is that these legal mandates should be prioritized over other initiatives to the greatest extent feasible; this is likely to help build voter trust and ensure support for future revenue measures to bolster funding for other services.

Issue: Review proposed FTE allocations to ensure appropriate staff classifications and levels

In many areas of the budget, vacant positions are frozen or deleted to keep staffing costs down, and opportunities for promotions are limited. However, the FY 2025-27 Proposed Policy Budget breaks with this trend for the Office of the Mayor: instead of freezing or reducing vacant positions, all twelve (12) FTE staff positions reporting directly to the Mayor are promoted to [Special Assistant to the Mayor III](#), a class



specification that pays between roughly \$150k - \$250k annually. Most of these positions are currently vacant. In the 2024-25 budget, the 11.5 FTE for the Mayor's office were divided across a combination of Special Assistant I (3.5 FTE, pay of \$91,137 to \$157,822), Special Assistant II (3.0 FTE, pay of \$111,558 - \$181,756), and Special Assistant III (5.0 FTE). No justification is offered for this increase in classification level. The GPF allocation to the Office of the Mayor is increasing from \$4.0 million in FY 2023-24 to \$5.7 million in FY 2025-26.

At the same time, the Police budget proposes to freeze 41 FTE non-sworn positions across crucial divisions including Patrol, Records, Crime Lab, Criminal Investigation, Property and Evidence, Human Resources, and Crime Analysis. As noted in the proposed policy budget, "These cuts are expected to **decrease** efficiency and affect service delivery" (emphasis added), "...including responsiveness to emergency and non-emergency calls for service." The cuts would reduce staff availability and are likely to "...lead to delays in investigations and court cases... a backlog of cases... longer wait times for trials and impacting the rights of the accused to a timely trial." In addition, "The impact on employee health and wellness and the negative effect on morale could lead to employees seeking jobs outside of the City of Oakland, further burdening the remaining staff." Instead of having non-sworn positions providing support, these cuts will increase the burden on the remaining sworn officers, decreasing our police departments' efficiency and reducing our officers' effectiveness.

Lastly, the Human Services Department is currently without a director and the vacant position is reportedly frozen. As evidenced by the missing information for the departments' proposed contracts and grants, this lack of leadership presents challenges for operational efficiency and effectiveness. While the proposed budget restores a deputy director position to the department, no justification is provided as to why the director-level role remains frozen and unfilled over other positions.

These and other proposed staffing levels should be reviewed for appropriateness in classifications based on the work and responsibilities of the position, and needs of the department. Adjusting staffing levels is best achieved when roles are vacated due to ordinary turnover and requires a long-term strategy.

Suggested Long-Term Improvements

While our short-term recommendations focus on cost savings and reallocations, the BAC believes that long-term financial sustainability will come from a combination of new and expanded revenue streams and fiscal prudence and efficiency over the next



few years. Our commission has identified the following areas for potential exploration, and looks forward to partnering with the Mayor, Council, and staff to evaluate the feasibility and impact of these strategies:

- Implement the strategic plan in alignment with the 5-year financial forecast. Oakland's strategic plan calls for alignment between city priorities and fiscal policy. Currently, the lack of a strategic plan has meant that budget allocations were made without identifying long-term goals. The current strategic plan recommends Council identify and determine priorities, and prepare the budget accordingly.
- Fully implement the City Auditor's recommendations in the police overtime audit. While significant improvements have been made, there remain outstanding and unresolved issues with police overtime budgeting and practices. Thirteen of the City Auditor's 21 recommendations remain open, and police overtime has exceeded its budget for 16 of the last 18 years, forcing mid-cycle adjustments to other departments. Though some improvements have been made, better cost controls and more efficient police operations are needed to both support public safety and provide a more consistent and predictable budget.
- Explore new revenue opportunities, like the proposed parcel tax. The FY 2025-27 Proposed Policy Budget includes a new \$40 million new parcel tax supporting the GPF. BAC can help engage with the community to gauge support and buy-in for new tax measures. In the meantime, we urge Council to prioritize funding for existing voter-approved requirements in order to build trust and support with the public prior to proposing any new measures.
- Evaluate and benchmark pension and benefit costs, and explore cost-savings opportunities. With contract negotiations coming up, BAC can help evaluate employee benefits in comparable and neighboring jurisdictions. In addition, while the City has large unfunded liabilities in these areas, there may be opportunities to help meet or reduce these liabilities through proposals such as refinancing the CalPERS debt, adjustment of post-employment benefits, new cost-neutral taxes to replace the expiring PFRS Override Tax, or other strategies to ensure sustainable progress in reducing the unfunded liabilities.
- Explore the allocation of services between the City and the County. Oakland has significant expenditures associated with homeless services and affordable housing, which may fall under the County's jurisdiction. In addition, there may



be opportunities for cost savings through integrating ambulance services with the Oakland Fire Department like Berkeley. Exploring potential reallocation of responsibilities could free up budgets, overhead, or other resources for core City services.

- Establish metrics and evaluate performance of grant programs. The FY 2025-27 Proposed Policy Budget includes \$159 million in grants over the two-year period. However, the criteria for awarding these grants, and the performance metrics for the service providers, are not always well-specified and tracked, even though the intention of grant programs is to generally achieve specific and measurable outcomes. Fully staffing the City Auditor's office, as required in the City Charter, could help provide additional oversight and evaluation to ensure grant monies are being spent appropriately. Identifying citywide priorities, as recommended in the strategic plan, can help outline goals and expectations for this grant money to enable this evaluation process.
- Improve investments in Oakland's operational infrastructure, including IT and HR. Oakland's dedicated civil servants are the backbone of the city's operations, and they all rely on modern IT solutions to do their jobs effectively and efficiently. Unfortunately, the FY 2025-27 Proposed Policy Budget includes slight reductions in both HR and IT staffing, resulting in less capacity to recruit talented staff and fill vacancies, and equip them with the necessary technology to achieve exceptional performance. A preliminary review of other similarly sized California cities (Long Beach and Sacramento) suggests Oakland may be comparatively under-staffed in IT; additional research is needed to fully understand how Oakland's staffing levels benchmark against other cities. Effective use of modern technology is critical to improving performance and outcomes across City service delivery.
- Support the Economic & Workforce Development Department (EWDD) and the updated Economic Development Action Plan (EDAP). A long-term, consistent economic development strategy is key to growing Oakland's tax base and ensuring sustainable long-term revenue. However, the FY 2025-27 budget for EWDD is reduced from \$35.2 million in 2024-5 to \$24.9 million in 2025-26, and further reduced to \$24.2 million in FY 2026-27. EWDD is preparing an updated EDAP, which will help to attract, retain, and grow Oakland businesses; create a positive environment and image for Oakland business; and promote workforce development to create jobs for Oaklanders



and help Oaklanders find employment. Supporting these efforts, maintaining a robust and effective EWDD, and other Council actions to help small and large businesses thrive in Oakland, will help bolster long-term revenue growth and better enable the city to provide services to residents.

- Update the CFP to more accurately reflect the variability in real estate transfer tax (RETT) revenues. As evidenced over the past 15-20 years of economic cycles, the RETT is a highly volatile and unreliable source of funds. The current CFP establishes a clear requirement that no more than 15% of the GFP should be budgeted for from RETT revenue, but that level has not been updated to reflect the changing structure of the GFP over time and real-world data on RETT variability. Updating the CFP to set a dollar value threshold – rather than a percentage threshold – for RETT revenues available for GFP purposes can help smooth out the City's budget during economic downturns, and provide additional revenues during economic upcycles to help pay down long-term liabilities, invest in infrastructure, or save for a rainy day.

BAC will be working on these and other items per our work plan. Additional strategies and recommendations that have been discussed at recent BAC meetings can be found in the [March 2025](#) and [April 2025](#) BAC meetings packets.

Contact Information

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Additional References:

[2021 GPF Revenues and Expenditures](#)

[2024-25 Estimated GPF Rev and Exp - Q2 R&E](#)

[GPF Revenues vs Forecast - Presented in Oakland Report](#)

[Decline in Reserve Funds - See P12](#)