



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Finance Director

SUBJECT: FY 2025-2027 Budget Study Session

DATE: May 22, 2025

City Administrator Approval


Jestin Johnson (May 22, 2025 17:26 PDT)

Date: **May 22, 2025**

RECOMMENDATION

Staff Recommends That The City Council Approve A Report And Recommendation On The Proposed FY 2025-2027 Biennial Budget, Recommendations From The Budget Advisory Commission, And Councilmember Budget Priorities

EXECUTIVE SUMMARY

The Mayor's Fiscal Year (FY) 2025-27 Proposed Policy Budget was published on May 5, 2024. This informational report was written to provide the City Council an overview on the proposed spending plan for FY 2025-27.

BACKGROUND / LEGISLATIVE HISTORY

Per Section 801 of the Oakland City Charter, the City Council is required to adopt a budget by June 30 to authorize expenditures for the following fiscal year. If a budget is not adopted by June 30, the appropriations of the previous fiscal year are deemed to be effective until the new budget and appropriation measures are adopted.

ANALYSIS AND POLICY ALTERNATIVES

Below is the transmittal letter for the Biennial Budget:

Honorable City Council and Oakland Community Members,

Like many cities across California and beyond, Oakland is facing rising costs on all fronts. This moment calls for unity, urgency, and action—and I've said from the start: it's *all hands on deck*. I'm proud to say Oakland is answering that call.

In March, our residents stepped up in a big way by passing Measure A. That change to our sales tax will bring in an estimated \$20 million in the first year of this budget and \$30 million in the second. That's real support for real services.

Special City Council
May 28, 2025

Inside City Hall, our departments have taken a hard look at every dollar. They've done the difficult, responsible work of identifying spending reductions—protecting essential services while finding smarter, more sustainable ways to deliver them.

Our Mayor-elect is already rolling up her sleeves, building partnerships and expanding our reach so we can bring even more support to Oaklanders. And every day, our City workers—our frontline heroes—are stretching limited resources to meet the needs of our community. They do it with heart, with hustle, and with an unshakable commitment to service.

This budget is the product of a team effort. I've been fortunate to work alongside the City Administrator's Office, our Finance Department, and a group of dedicated experts—inside and outside of government—who've brought clarity, integrity, and determination to this process. Together, we've asked the tough questions and delivered a responsible, forward-looking proposal grounded in Oakland's values. Those values include:

- **Centering service outcomes** – We have a shared, collective responsibility to deliver the best possible service outcomes for the Oakland community; we must make reductions, but centering these outcomes helps us visualize what we are working toward.
- **Public safety as priority #1** – All leaders involved in this process have agreed that public safety is the organization's top responsibility to our community.
- **Being realistic and straightforward about the structural deficit** – This budget must break the years long cycle of financial instability by taking our structural deficits head-on; we did not get here overnight, and we cannot solve the whole problem in one budget, but we are laying down clear markers for the future while taking strong action today.
- **Acknowledging shortcomings** – I told my team at the start of this process that we will acknowledge where external forces and the City's own past practices have not delivered for us or for our stakeholders. We will not sugar coat or minimize the experiences of communities who are living through hardships or past failures. It's okay to say what has not worked because that's an essential step to leading us toward a successful future.
- **Accountability and measurements for success** – We need to foster credibility and trust by naming specific accountability mechanisms, including performance metrics and other measurable, provable goals.
- **Strategic direction** – We need to address our resource and budget constraints through streamlining operations, fostering cross-departmental collaboration, enhancing communication and coordination, optimizing workforce management, and aligning the budget with Citywide priorities.

To address our current shortfall and Oakland's longstanding structural budget deficit, we are proposing strategic spending reductions to maintain current staff and minimize service disruptions. What follows here is a summary of our major proposals to reach these goals. I thank you for your participation to date and for your engagement into the next steps of this process, as we deliver this budget to the City Council to discuss, amend, and adopt.

Sincerely,
Interim Mayor Kevin Jenkins

Budget Overview

As shown in **Table 1** below, the FY 2025-26 proposed budget totals \$2.16 billion across all funds, including restricted and capital funds. The FY 2026-27 budget grows to a total of \$2.20 billion. The planned General Purpose Fund (GPF) Expenditure of \$787.7 million in FY 2025-26 are \$19.4 million less than the planned GPF expenditures at the beginning of FY 2024-25, \$26.2 million less than the actual expenditure in FY 2023-24. These reduced expenditures are reduced despite substantial growth in costs due to inflation, insurance, medical and pension costs, and negotiated salary increases.

Table 1

Proposed Budget	FY 2025-26	FY 2026-27
General Purpose Fund	\$ 788,085,083	\$ 856,236,849
Restricted Funds	\$ 1,377,666,602	\$ 1,345,067,791
All Funds	\$ 2,165,751,685	\$ 2,201,304,640

Prioritizing Public Safety

The Public Safety functions of the City constitute the majority of the GPF. The public safety departments of the City, Police, Fire, and Violence Prevention are largely funded through the GPF with some additional grants and special ballot measure support. This is typical of municipal governments in California. The budget includes the following key public safety elements:

- **Police and Fire Academies:** In order to employ sworn public safety officers, the City must hold sworn academies. The budget includes one sworn fire academy in each fiscal year. The budget includes three sworn police academies in each fiscal year. The police academies are a component of a multi-year strategy to achieve the sworn officer count required under Measure NN.
- **Police Staffing:** This budget funds a total of 678 sworn police officers in both fiscal years. This is larger than the average number of officers that the City expects to have working over the course of those two fiscal years. FY 2025-26 is the first year of a multi-year plan to hire and fund the minimum number of officers under Measure NN, which is 700.
- **Police Overtime:** The budget provides for overtime in the amounts of \$33.6 million in year one and \$38.2 million in year two. Overtime will be used for backfilling 911 response, investigations of violent crime, special operations such as supporting City fairs and festivals, and responding to sideshows.
- **Fire Companies:** This budget provides for the Operation of 23 Fire Engine companies throughout the City. The three engine companies browned out in FY 2024-25 will all be reopened, and two ongoing engine company brownouts will be rotated throughout the City as determined by the Fire Chief based upon estimated fire hazards and medical response needs. The budget funds the operation of all Fire truck companies.
- **Violence Prevention:** This budget maintains and expands investments in the Department of Violence Prevention with resources from the General Purpose Fund

and Measure NN to enhance capacity for dealing with those most likely to commit violent crimes. The budget right sizes DVP contracts and grants within the amounts required under Measure NN and focuses them on the strategies which drive reductions in violence.

Efficient Delivery of Core Municipal Services

This budget focuses on providing the core services of a municipal government. In order to best serve Oaklanders, the City must focus on its core competencies and partner with other governmental, non-profit, and private sector organizations. Key areas of focus in the budget include:

Homelessness, Housing, Built Environment

- Maintaining investments in maintenance of City buildings, streets, parks, and other infrastructure while delivering new capital assets and maintaining the cleanliness of the built environment. This budget maintains current key investments in illegal dumping crews, encampment clean-up crews, abandoned auto enforcement, and environmental enforcement officers to address the problems of dirty streets and public spaces.
- Collaborating with Alameda County to determine clear roles and responsibilities for health and support services for homelessness. As the County is able to pick up investments in these services, the City can transition resources to encampment clean up and broader clean City functions.
- The budget incorporates planned bonding in both fiscal years for Affordable Housing, Transportation, and Public Works, including \$180 million of Affordable Housing investments over two years and \$50+ million each year for street paving.
- The budget maintains ongoing efforts to streamline and improve service delivery for development services such as planning, inspections, code enforcement, and permitting. And supports the operation of local merchants and businesses by maintaining the community ambassadors' program.

Community Services

- This budget continues current funding and operations for Oakland Parks & Recreation Summer and After School Programs and for Oakland Public Library operations.
- We propose to continue operating Senior Centers at the reduced schedule that began in April 2025.
- The budget initiates a process to investigate reimagining or transferring services the City is not best positioned to provide or for which the City needs to coordinate service provision with other entities commensurate with emerging strategies. For instance:
 - The City's HeadStart program remains funded by the City for the coming two years. The City will need to competitively renew its current federal Head Start grant at the end of this biennial cycle, and a subsequent application will need to consider other service providers, including the new State Universal T-K program, and County resources.

- The City intends to maintain the Youth Summer Lunch Program using a combination of one-time fund balance and philanthropic contributions. Details of this partnership are expected to be announced soon, separately from this budget.
- Arts grants programming is also continued to the extent it is funded by Measure C Transient Occupancy Tax (TOT), however this budget initiates a process to provide this service through non-profit partners while the City retains a leading role in public art, fairs, and festivals.

Confronting An Uncertain Economic Environment and Difficult Tradeoffs

- The budget continues to assume the status quo allocation of federal resources to the City; however, we are aware that many of these programs are under threat. The City does not have the resources to maintain certain programs absent federal funding, and thus, we are preparing to rapidly adjust in case any funding is reduced.
- This budget does, unfortunately, reduce more than 400 positions that would otherwise provide needed services to Oaklanders. Of these, roughly 240 are vacant in part thanks to the hiring freeze that has been in place most of the current fiscal year. Approximately 85 were frozen in the current year but funded in prior years. Eighty of these positions are currently filled, and while we expect most reductions of filled positions to be offset by funded vacancies in other parts of the City, there may be reductions in force to City staff. We expect actual reductions of force to be fewer than a dozen.

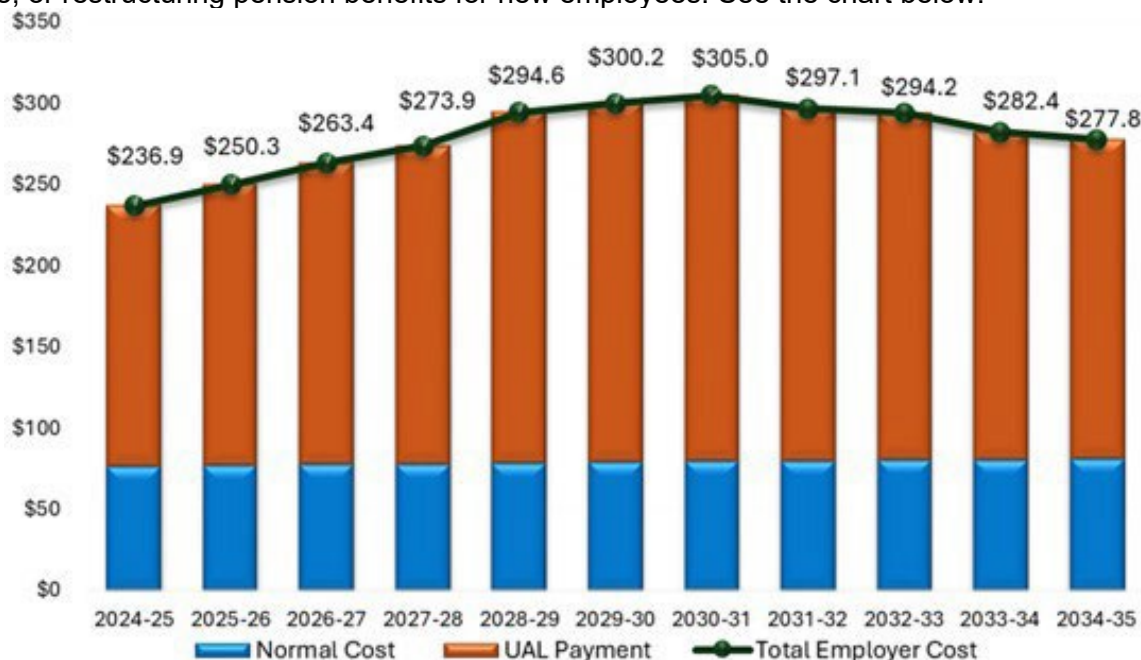
Stabilizing City Finances

Adopting a balanced budget that adheres to sustainable fiscal practices, such as the one I am proposing, is Step 1 of a longer road map to financial health for our City.

- Roadmap to Fiscal Health: This budget will be accompanied by a medium term roadmap to fiscal health which will layout the steps needed to stabilize the City finances, obtain reliable service delivery, and secure access to the bond market. This road map will include a return to compliance with all adopted ballot measures without waiving maintenance of effort requirements.
- One-Time Revenues: 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 CARES and ARPA funding, GPF Fund Balance, and Projected Land Sales of the Raiders' Training Facility and Coliseum. This budget breaks from this troubling past practice in that GPF is balanced without use of one-time revenues for ongoing purposes. The budget makes limited use of one-time funds in various restricted funds (consistent with their requirements) but this usage is also greatly reduced in compared to prior budgets.
- Revenue Generation: The budget does include the passage of an additional ongoing parcel tax with \$40 million in GPF offsets in June 2026 to provide ongoing resources for public safety services and to provide the key equipment, IT system, and 911 investments. While passage of such a measure is a risk, it is a necessary step toward a comprehensive structural balancing plan. Additionally, the Budget supports revenue

enhancements including an audit of delinquent business taxes, pursuing efficiencies in the collections process, and enhancing parking enforcement.

Additional financial challenges remain beyond the two-year budget. Current required payments to CalPERS for retiree pension benefits will continue to drive the City's budget out of structural balance each year. While the proposed budget addresses these cost increases for the coming two fiscal years, these costs will increase by an additional \$68 million between now and 2031, driving new significant shortfalls each fiscal year. There are a number of options to better manage these costs, including working with CalPERS on possible alternative amortization of past pension liabilities, using one-time revenue sources and debt to level the payments over time, or restructuring pension benefits for new employees. See the chart below:



Note: Normal Cost is the annual amount needed to pay for the benefits earned by employees during that specific year. UAL is the amount needed to be contributed to pay unfunded benefits from prior years.

In addition to pension benefits, employee healthcare costs are expected to grow at rates faster than revenue growth during the medium and long term, creating additional budget pressure beyond the two-year budget cycle.

The budget document contains a comprehensive list of all known contracts and grants (or planned contracts and grants) funded with resources appropriated in the operating budget. It also includes funding for the audit of the performance of high-risk contracts and grants. This additional transparency is provided to ensure the City is more effectively utilizing its resources to improve outcomes for Oaklanders, and to ensure no resources are left unaccounted for.

Oakland's Path to Fiscal Health

The proposed budget is the critical first step in Oakland's work to move beyond maintaining solvency to attaining the fiscal health necessary to provide quality services, support our

Special City Council
May 28, 2025

workforce, and achieve the financial resiliency necessary to weather future economic shocks. When adopted and implemented, the budget will avoid excessive use of one-time solutions and brings ongoing expenses and revenues into balance during the budget period.

The budget is the first step in this multi-year effort, but other strategies will be needed to achieve full fiscal health. The City Administrator is finalizing a roadmap that identifies other strategic financial goals for the coming years, including clear and measurable timelines to achieve them.

These strategic projects include:

- Achieving structural balance during the coming two-year budget,
- Establishing a fiscal health executive team to manage these initiatives and regularly report to the Mayor and Council on their progress,
- Develop long-term plans to restructure pension and other benefit costs,
- Maximize collection of current revenues and diversify the revenue base with an additional voter-approved measure in 2026,
- Develop multi-year plans to achieve voter-mandated staffing levels for city services and needed investments to sustain the City's infrastructure, fleet, and technology,
- Review and update the City's foundational financial and budget policies and practices,
- Fortify the City's revenue base through focused economic development activities, and
- Improving structures needed to hold the City and its contractors accountable for the delivery of city services.

This roadmap to fiscal health builds upon initial goals presented in December 2024 and will be presented to the City Council in July, following adoption of the budget.

Next Steps

This proposed budget is being released on May 5, 2025, and proceeds now to the Oakland City Council to discuss and amend before adopting a final budget by the deadline of June 30, 2025. As previously announced, Interim Mayor Kevin Jenkins has appointed Councilmember Rowena Brown and Councilmember Janani Ramachandran to co-chair the City Council President's Budget Team. The Mayor's Office and the administration's budget team will remain engaged to support the Council's process. Additional information will be posted as it is available to the City's budget web page at <http://www.oaklandca.gov/budget>.

Interim Mayor Jenkins again thanks the many stakeholders who have contributed to the process thus far to develop this proposed and balanced budget that takes strong action toward sustainable financial health while investing in public safety and core City services.

FISCAL IMPACT

The fiscal impacts are described in the FY 2025-27 Proposed Biennial Budget.

PUBLIC OUTREACH / INTEREST

The biennial budget development process includes various opportunities for community input. The process began with a poll on community priorities, which was conducted and presented to the City Council. Community Budget Forums will be held in the month of May 2025 on the proposed biennial budget.

COORDINATION

The Mayor's Office, City Administrators Office, and Finance Department worked with all City Departments in preparing the FY 2025-27 Midcycle Proposed Budget.

SUSTAINABLE OPPORTUNITIES

Economic: The City's Budget represents over \$2.1 billion in annual expenditures into the local economy over the next two years. There could be significant economic impacts depending on the decisions made by the Mayor and Council.

Environmental: *The impact of the City's appropriation can have a considerable effect on the local environment impacts depending on the decisions made by the Mayor and Council.*

Race & Equity: *The budget can be a significant tool for improving equity. Budgetary service impact statements reflect immediately available information of the proposed budget's impact on vulnerable communities.*

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Approve A Report And Recommendation On The Proposed FY 2025-2027 Biennial Budget, Recommendations From The Budget Advisory Commission, And Councilmember Budget Priorities

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

Respectfully submitted,



Erin Roseman (May 22, 2025 14:45 PDT)

ERIN ROSEMAN
Director of Finance, Finance Department

Attachments (4):

- A: Mayors Proposed FY 2025-27 Biennial Budget
- B: Mayors Proposed FY 2025-27 Biennial Budget Corrections & Errata
- C: Budget Advisory Commission Recommendations on the FY 2025-27 Proposed Policy Budget
- D: PowerPoint Presentations Regarding the Proposed Budget