



CITY OF OAKLAND

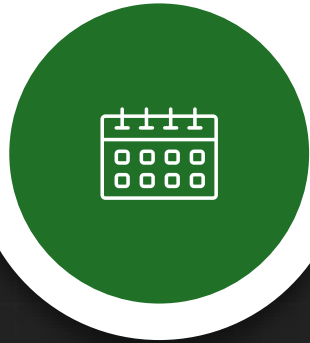
FY20 Q2 R&E



Presentation Agenda



**Current
Financial
Standing**



**Timeline of
Events**



**Causes of the
Fiscal Crisis**



**Possible
Federal Aid**

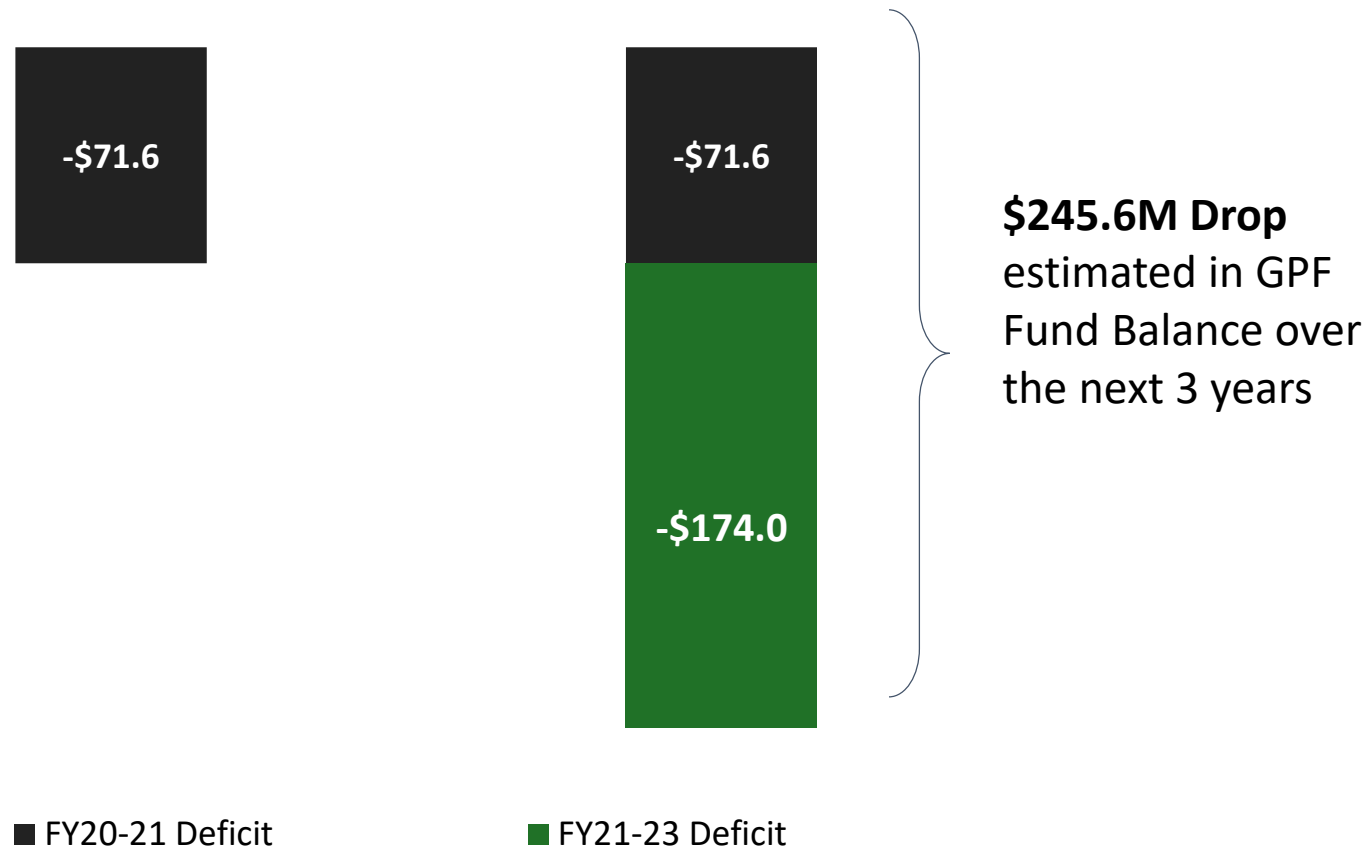


**Necessary
Action**

Current Fiscal Realities



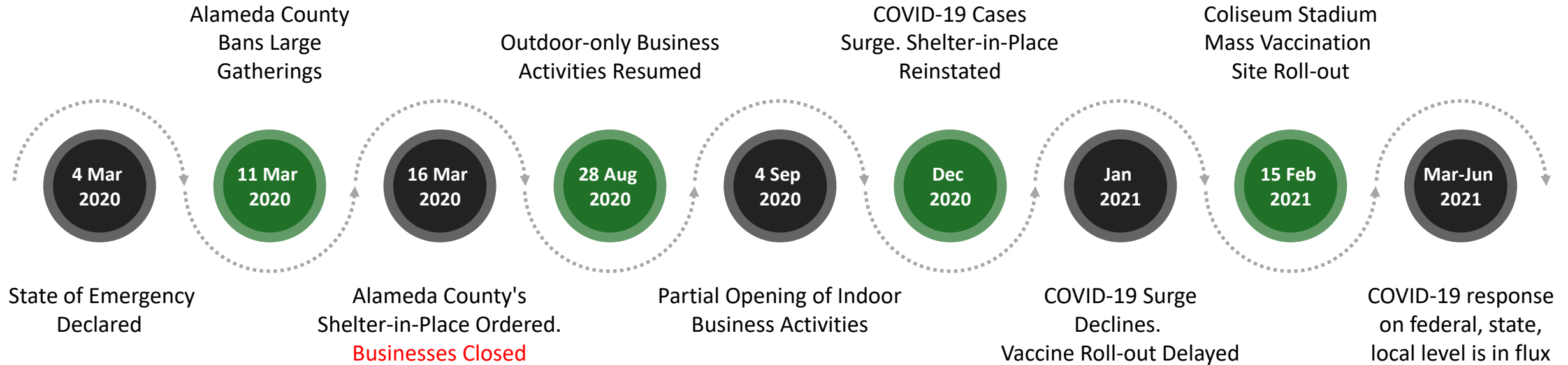
Projected GPF Fund Balance for FY2020-2023



How did we get here?

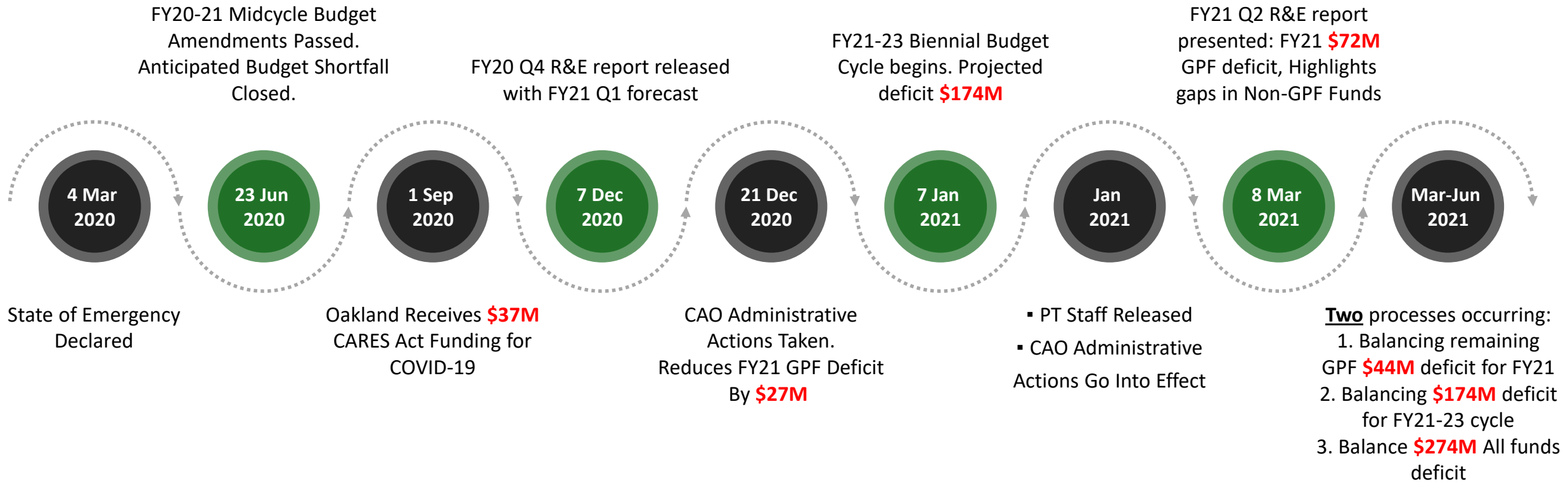


COVID-19 Timeline



How did we get here?

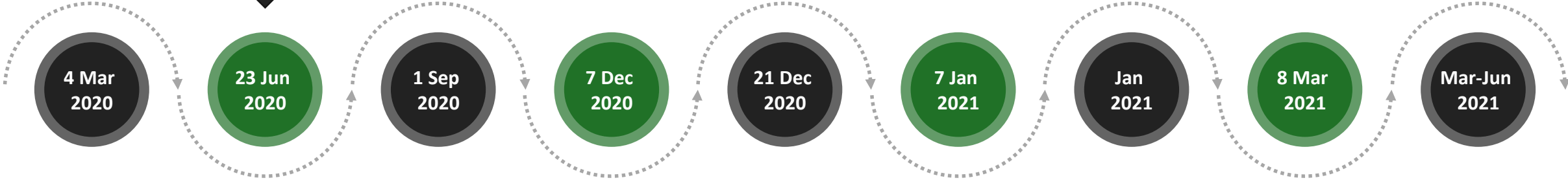
City of Oakland's Timeline



City of Oakland's Timeline

*FY20-21 Midcycle Budget Amendments
Passed. Closes Significant
All Funds Revenue Shortfall.*

HERE

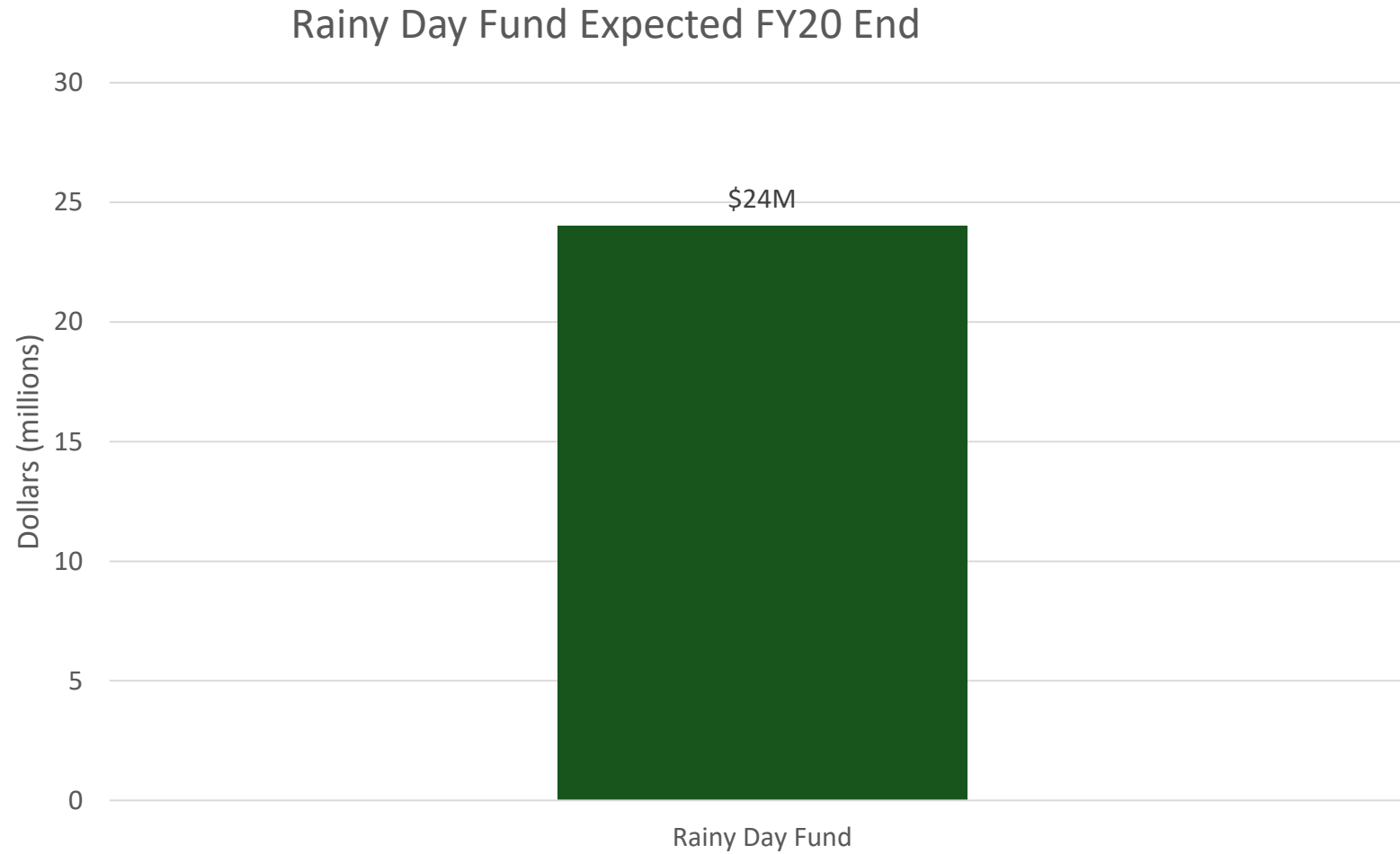




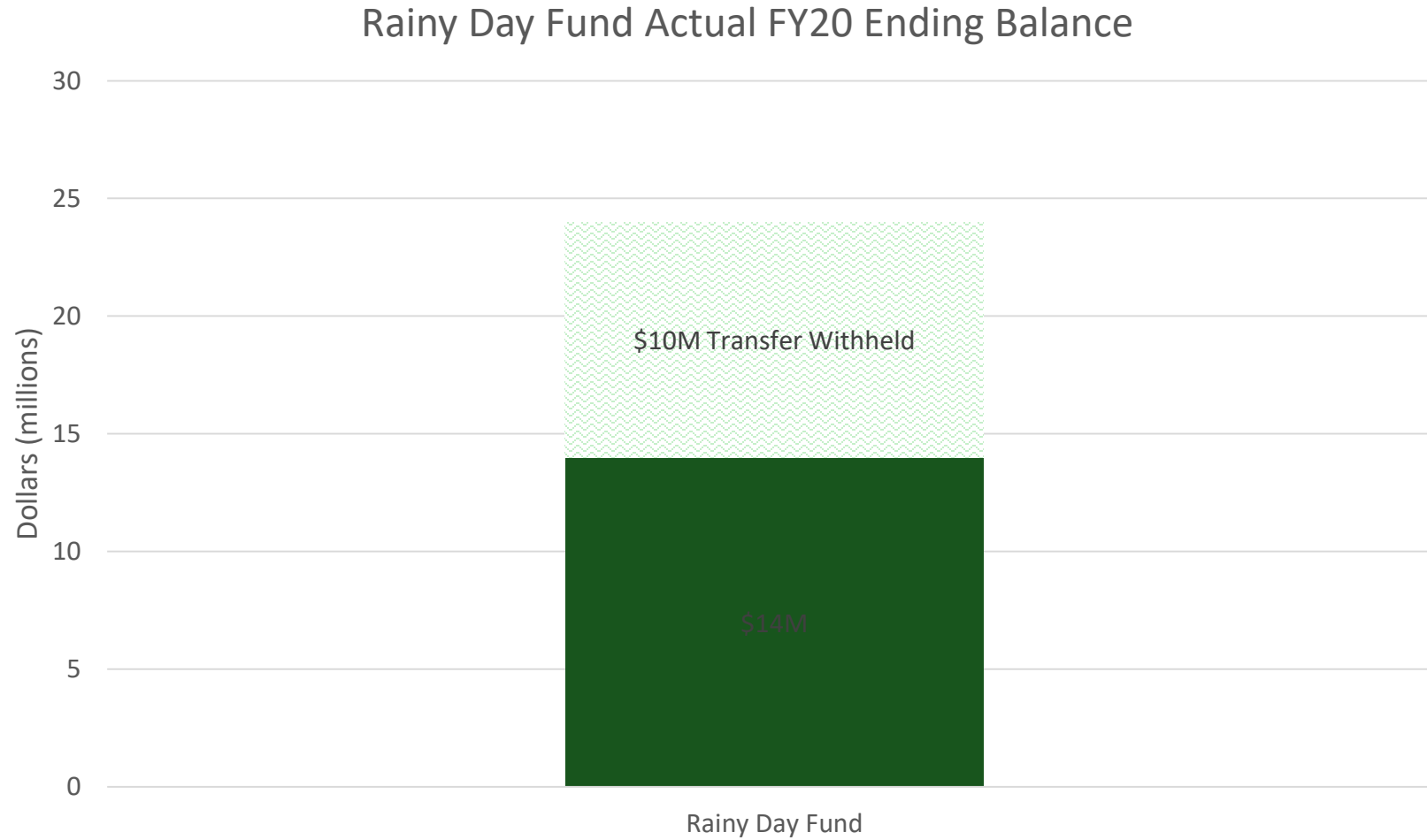
Midcycle Actions Taken – \$57M GPF Savings

| Action Taken | Savings |
|---|--------------------|
| Froze 60.20 positions | \$9.08M |
| Transferred 60.66 positions out of GPF | \$10.25M |
| Civilianized 11.00 OPD positions | \$0.68M |
| Eliminated O&M budgets in GPF | \$7.58M |
| Suspended OPEB Trust contribution | \$4.10M |
| Re-amortized negative fund repayment | \$1.96M |
| Budgeted FEMA reimbursements | \$3.59M |
| Budgeted CARES Act allocations | \$5.50M |
| Used 100% Rainy Day reserve to plug deficit | \$14.65M (in FY21) |

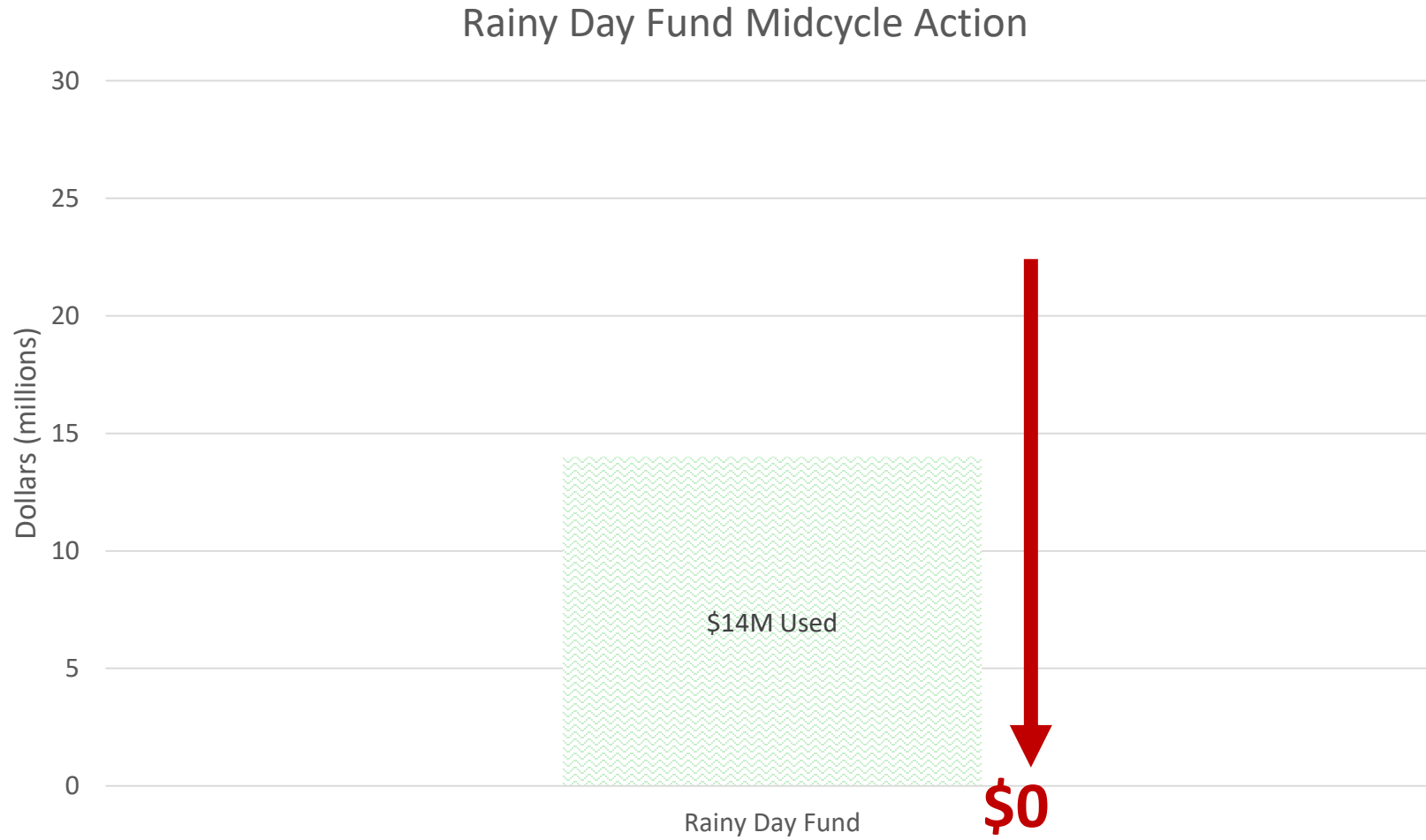
Rainy Day Fund: Before-and-After FY21 Midcycle Budget Process



Rainy Day Fund: Before-and-After FY21 Midcycle Budget Process



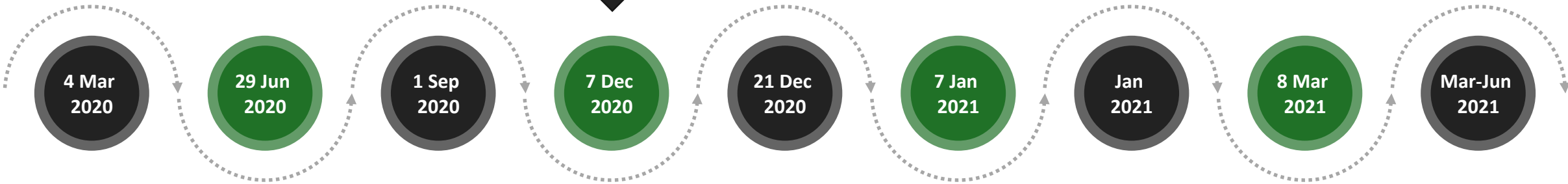
Rainy Day Fund: Before-and-After FY21 Midcycle Budget Process



City of Oakland's Timeline

*FY20 Q4 R&E report released
with FY21 Q1 forecast*

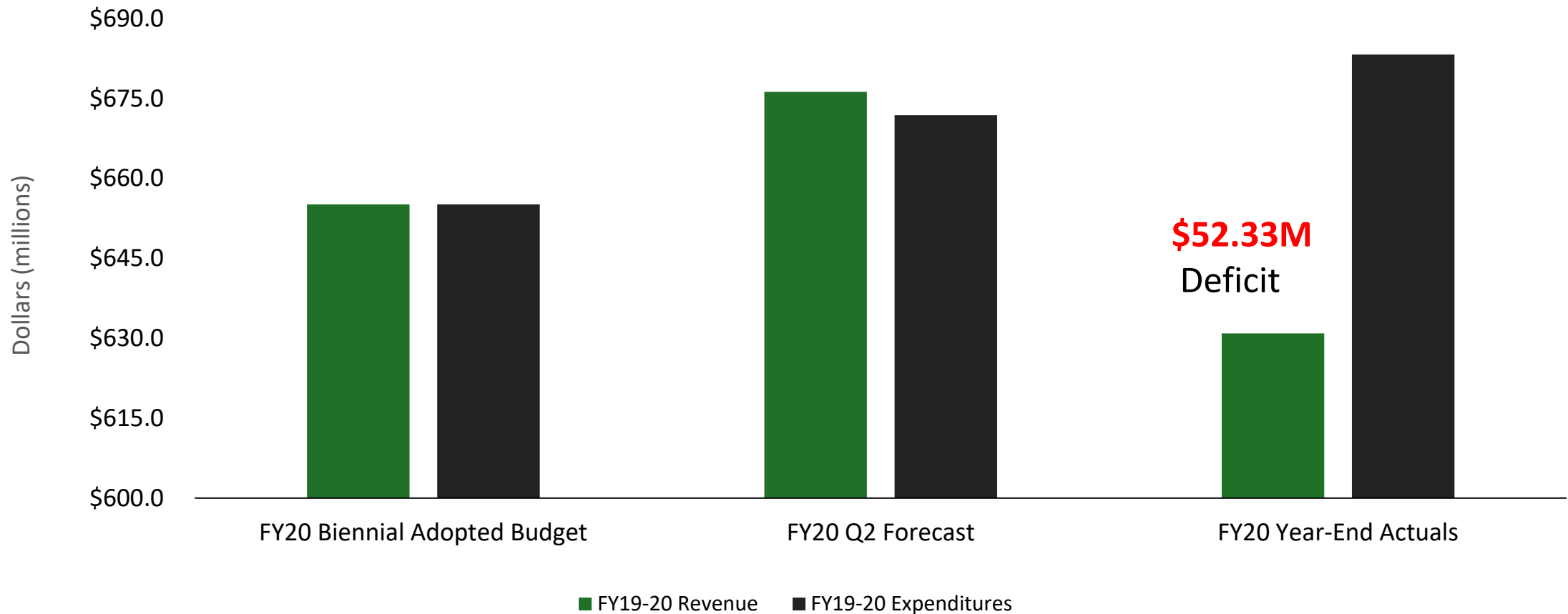
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Changes in FY2019-20 Projections From Adopted Budget to Year-end

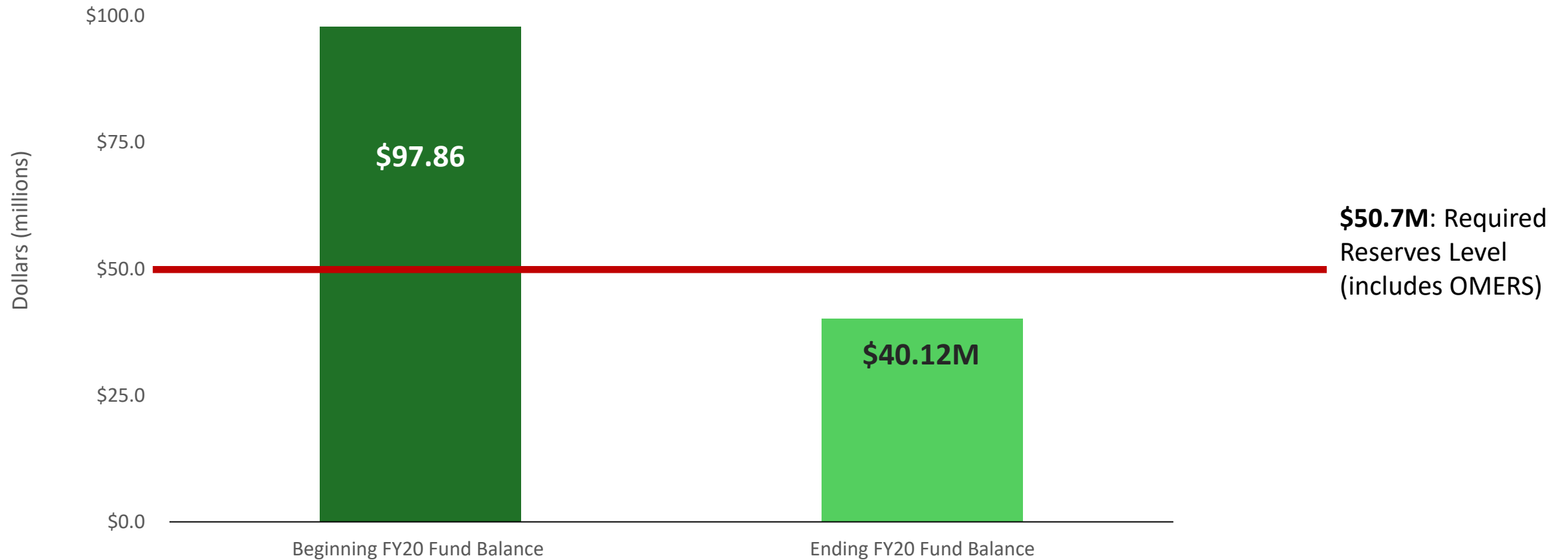
FY20 Adopted Budget vs. Year-End Actuals



GPF Fund Balance in FY20: Healthy Before COVID-19 Pandemic to **\$10.6M** Below Reserve at Year-End.



Change in GPF Fund Balance in FY20



Emergency Reserve **\$10.6M** Below Mandated Amount: Dire Consequences to City's Fiscal Health



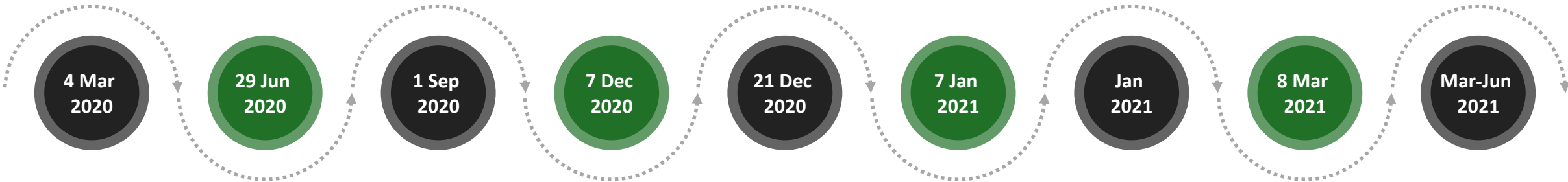
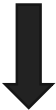
Consequences of NOT Restoring Emergency Reserves

- City Must Declare Fiscal Emergency
- Declaration of Fiscal Emergency **Negatively** Impacts Credit Ratings
 - Loss of access to capital markets
 - Inability to issue bonds for infrastructure for affordable housing
 - Inability to enter into master lease agreements (no new vehicles or major IT systems)
- Threatens Ability To Pay for Monthly Operations
- Unable to respond to other disasters or major emergencies

City of Oakland's Timeline

CAO Administrative Actions Taken.
Reduces FY21 Deficit By **\$27M**

HERE





FY21 Administrative Actions Taken – \$27.3M GPF Savings

| General Personnel and Spending Cuts | Expected Savings - \$10.6M |
|--|-----------------------------------|
| Complete hiring freeze | \$4.1M |
| Release temporary staff | \$1.0M |
| Delayed pay increases for senior management | \$0.5M |
| Reduced discretionary spending (contract, travel, education) | \$0.1M |
| Other Reductions | \$4.9M |

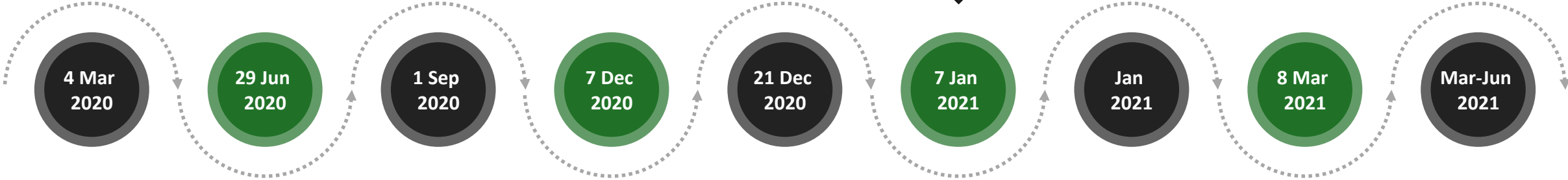
| Public Safety Reductions | Expected Savings - \$16.7M |
|---|-----------------------------------|
| Police – Reduction in services, specialized units, programs | \$15.0M |
| Fire – Brownout of one fire engine company | \$1.7M |

Any deviation from this plan will result in a reduced cost savings for FY21

City of Oakland's Timeline

*FY21-23 Biennial Budget
Cycle begins. Projected
GPF deficit **\$174M.***

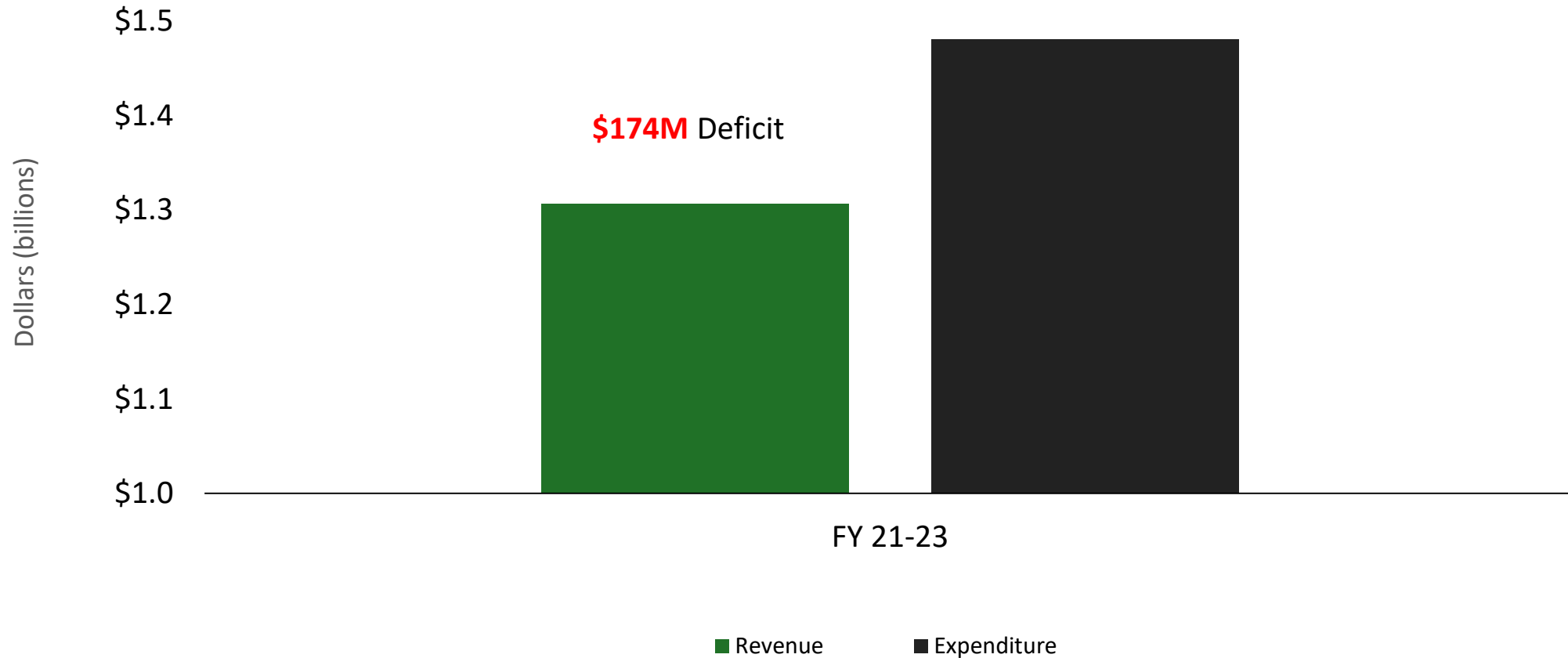
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FY21-23 GPF Projected Deficit: **\$174M** Over Two Years

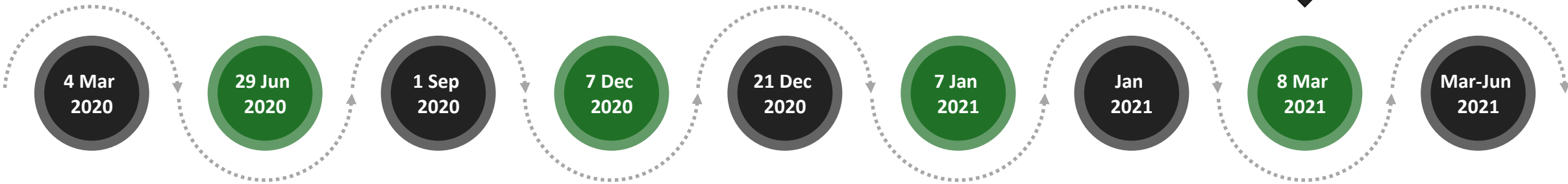
FY21-23 Biennial Baseline Budget Deficit



City of Oakland's Timeline

*FY21 Q2 R&E report presented: FY21 **\$72M** GPF deficit, Highlights gaps in Non-GPF Funds.*

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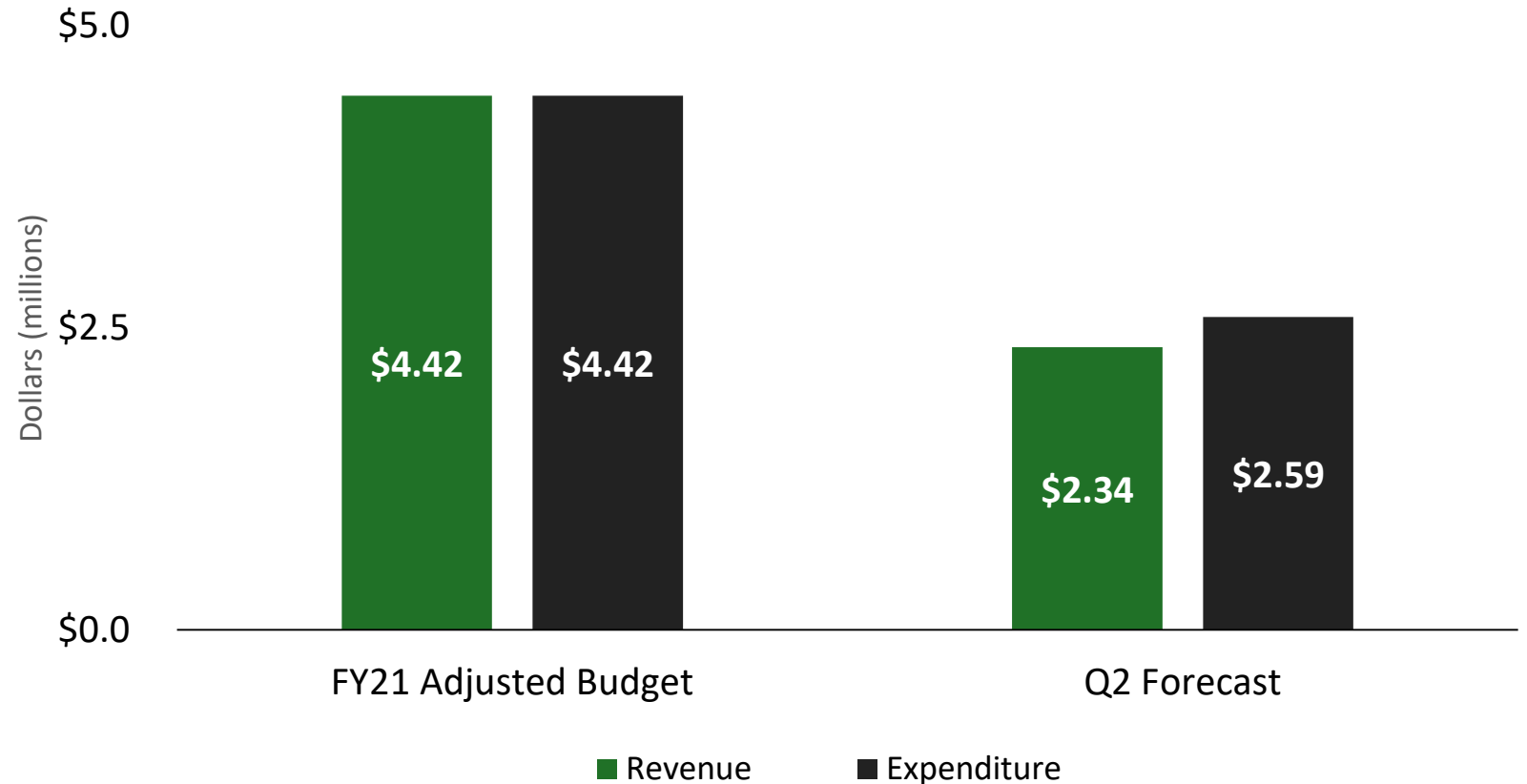


Q2 Key Finding: Non-GPF Funds Also Suffering from Pandemic



FY21 Measure C – Transient Occupancy Tax Q2 Forecast

- Measure C – Transient Occupancy Tax funds key cultural institutions such as the Oakland Zoo, Chabot Space & Science Center, Visit Oakland, Oakland Museum, and cultural art programs like street festivals, art grants, etc.

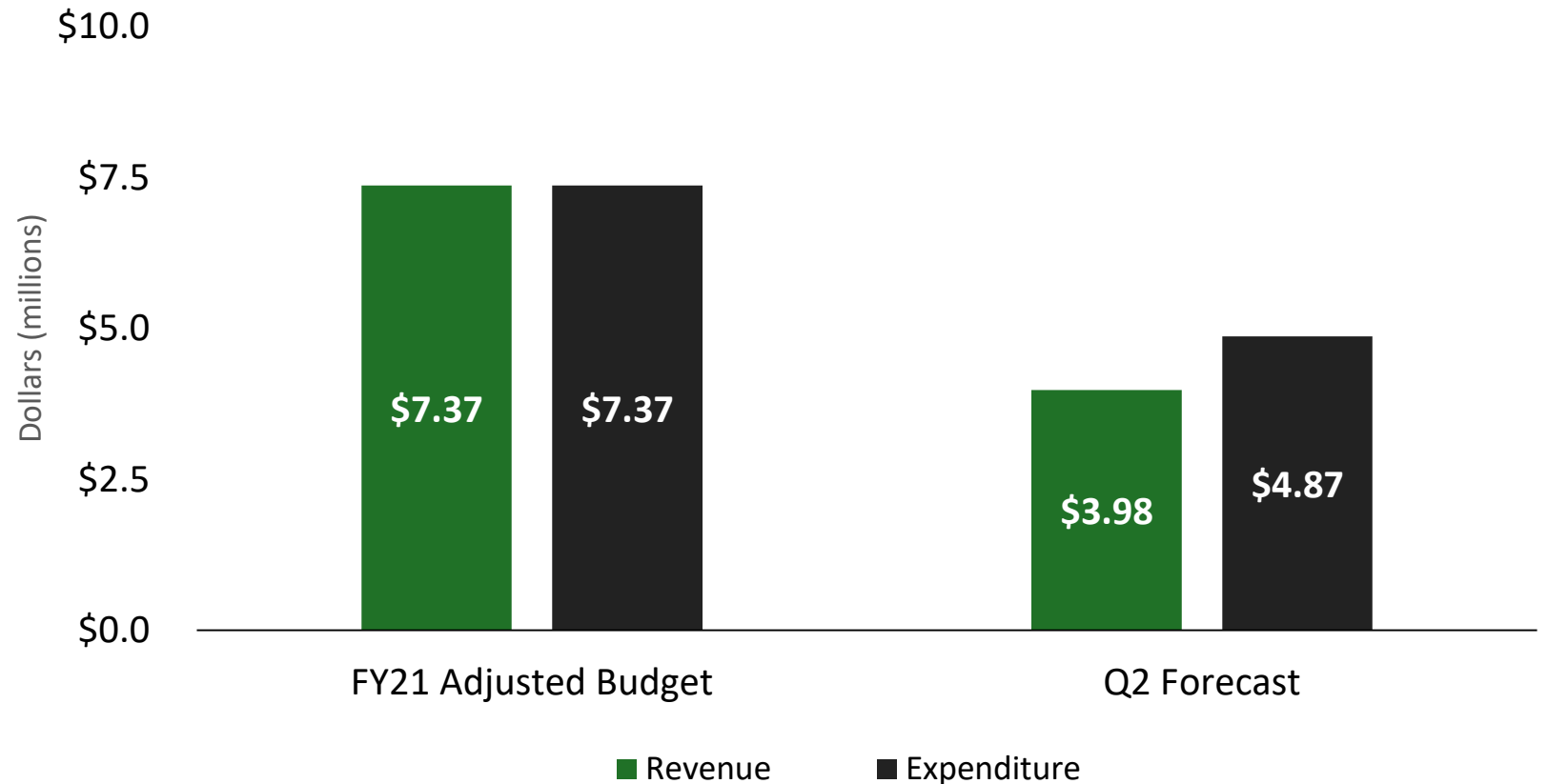


Q2 Key Finding: Non-GPF Funds Also Suffering from Pandemic



FY21 OPRCA Self Sustaining Revolving Fund

- OPRCA Self Sustaining Revolving Fund gets its revenues from fees for recreation related programs and supports programming in the Department Oakland Parks Recreation and Youth Development.

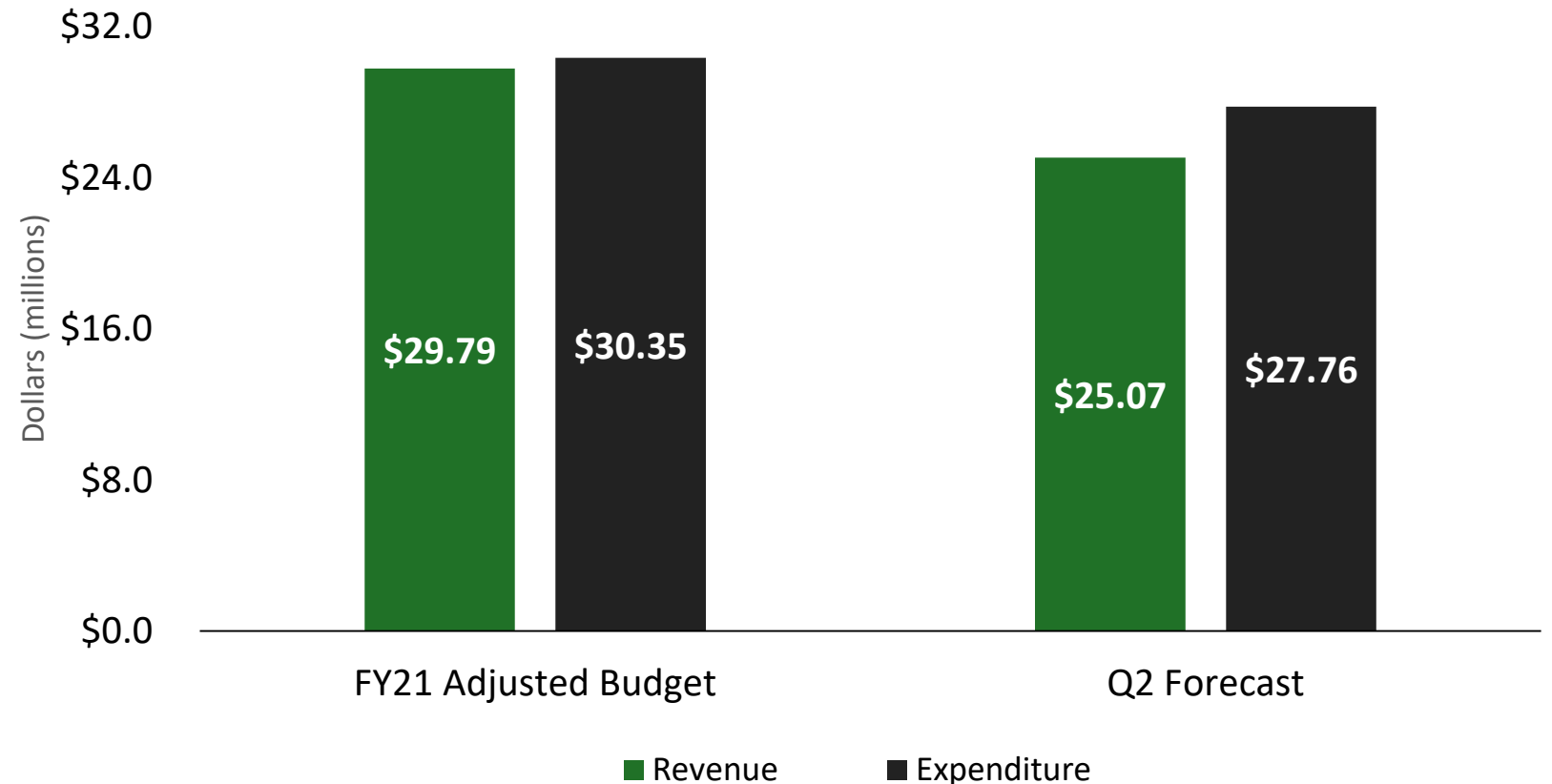


Q2 Key Finding: Non-GPF Funds Also Suffering from Pandemic



FY21 Measure Z – Violence Prevention Q2 Forecast

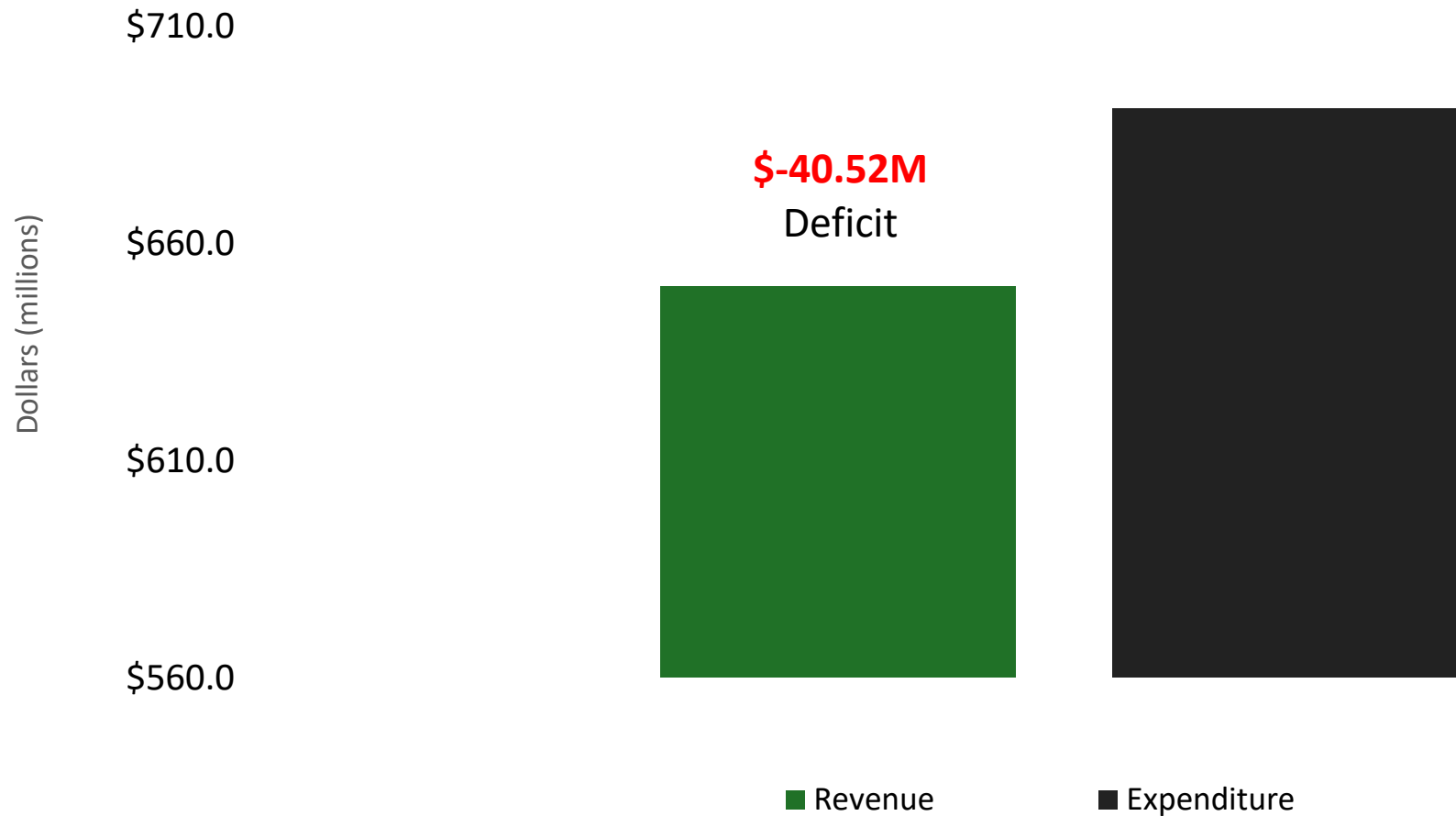
- Measure Z – Public Safety and Services Violence Prevention Act of 2014 funds violence prevention/intervention programs like re-entry job training, community violence interrupters, and cease fire.
- Parking tax loss jeopardizes this fund



Q2 Key Finding: FY21 Projected **\$40.52M** Current Year GPF Deficit



FY21 Q2 Projected Current Year GPF Deficit

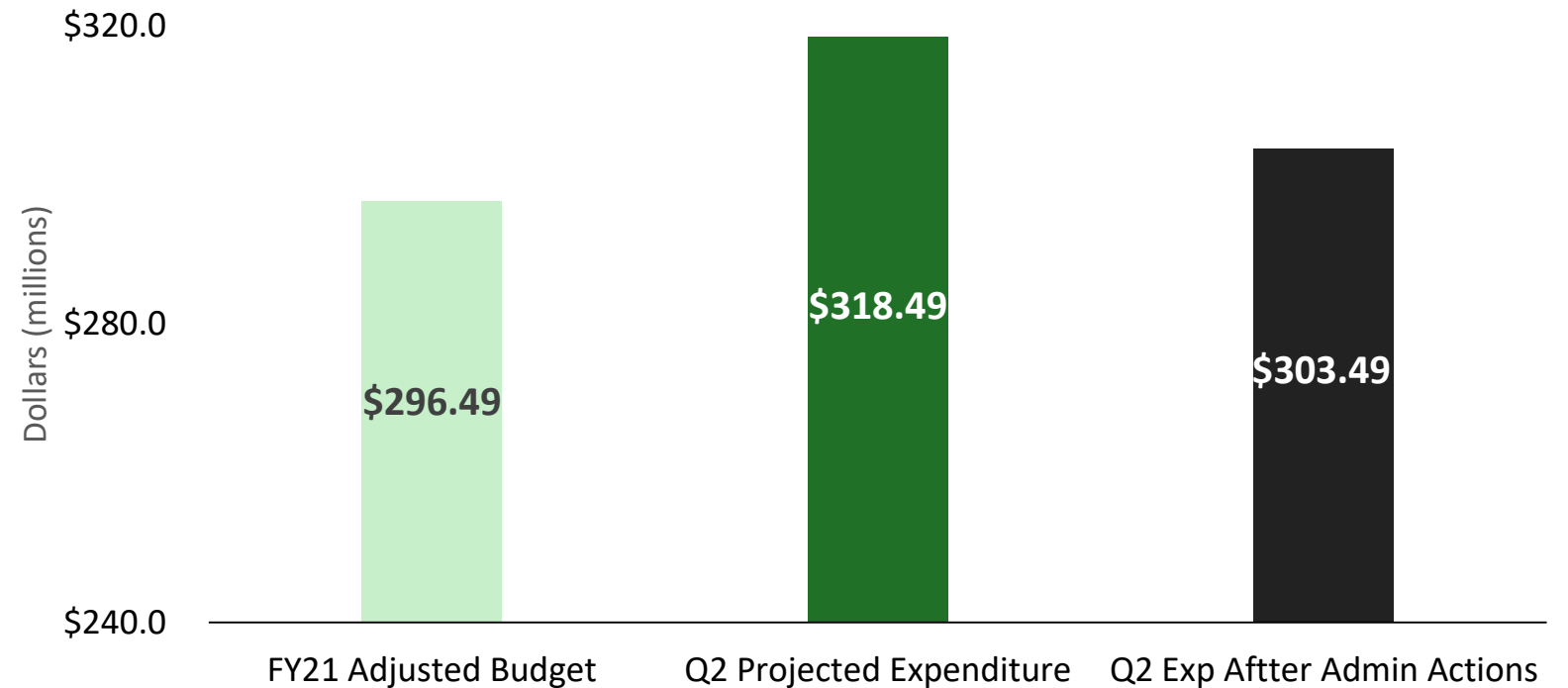


Q2 Key Finding: Department Overspending Is Primarily In Police Department



FY21 OPD Adjusted Budget vs. Q2 Forecast

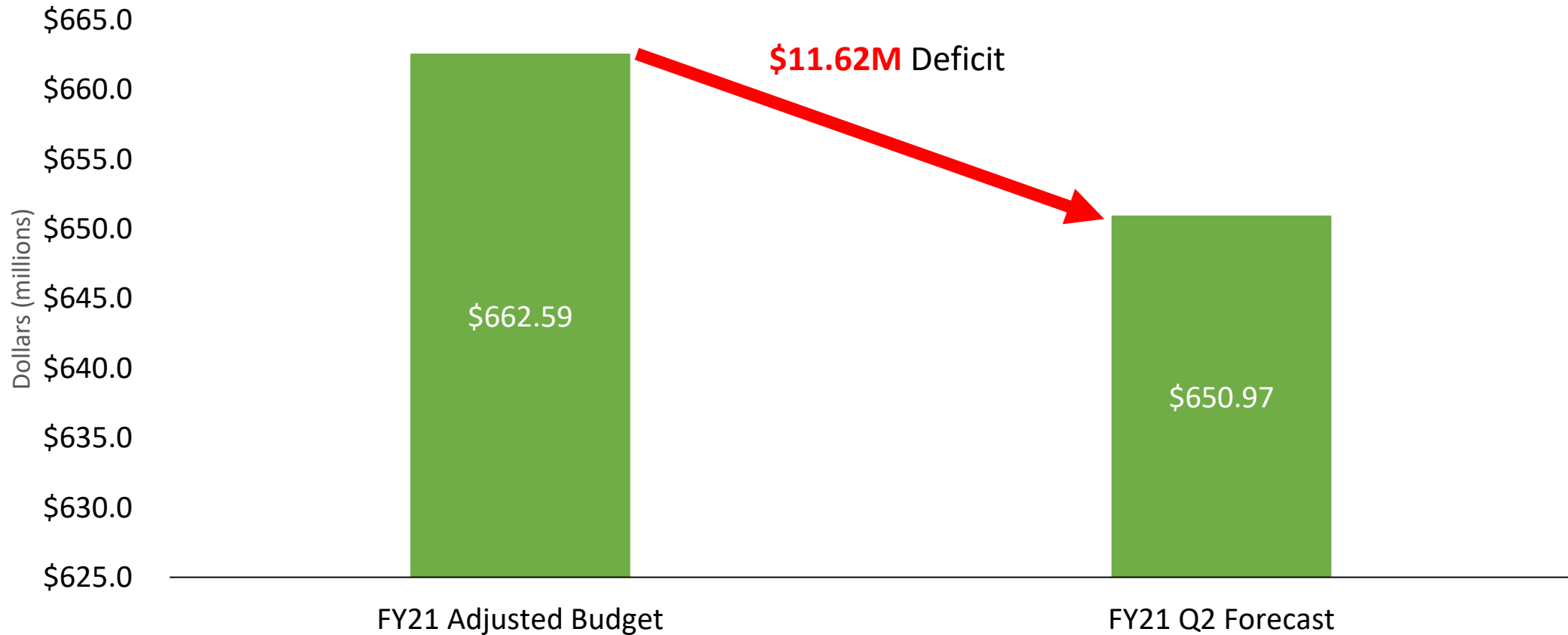
- OPD has been historically under budgeted for the current level of services provided.
- OPD projected to exceed its budget by **7%**.
- To help address the forecasted overspending, OPD has reduced services, estimated to save **\$15M**.



Q2 Key Finding: COVID-19 Pandemic is Hurting City's GPF Revenue



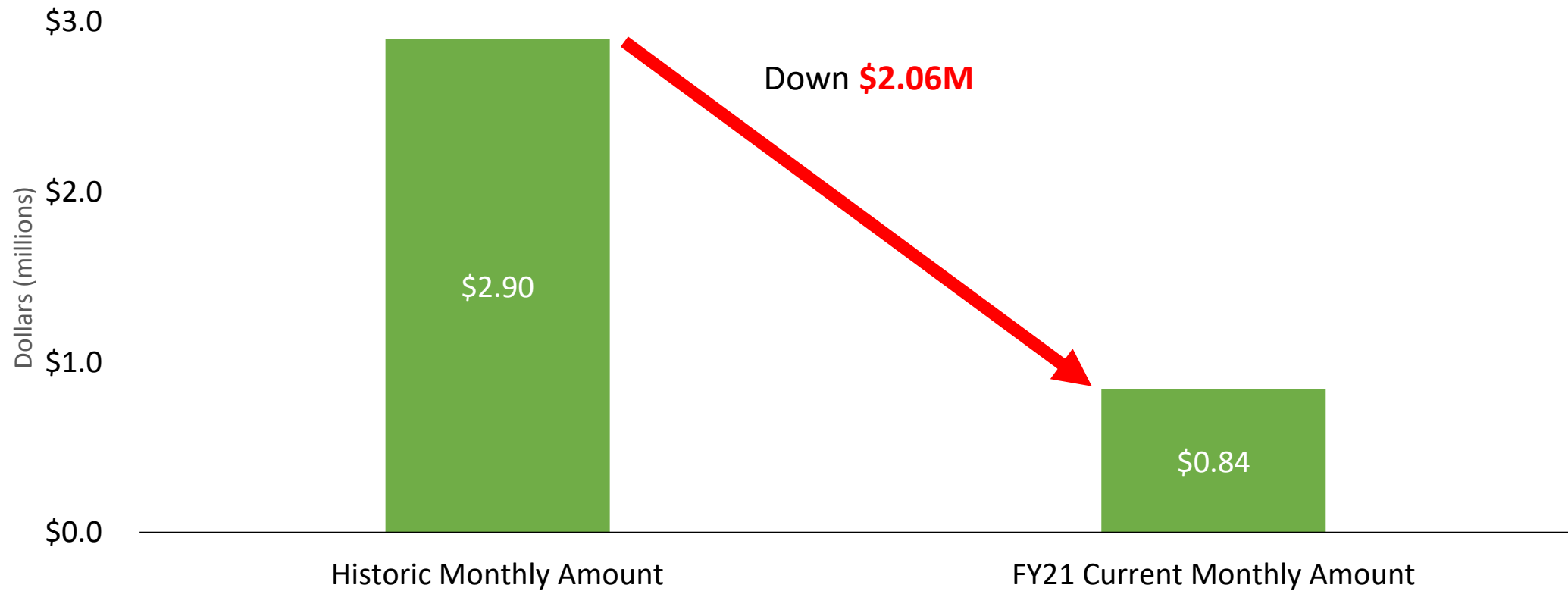
FY21 Adjusted GPF Budget vs. Q2 GPF Forecast



Q2 Key Finding: Ongoing Revenue from Hotels Experienced 71% Drop



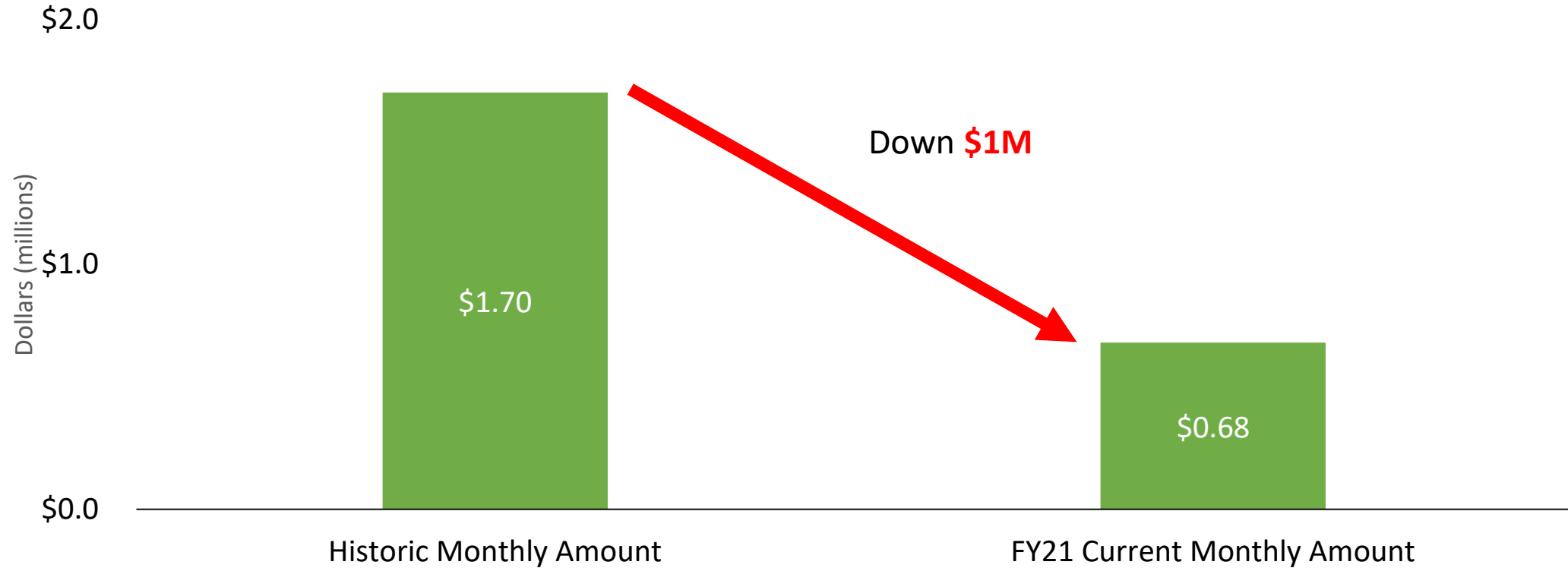
Hotel Tax Revenue: Historic vs. Current Monthly Amount



Q2 Key Finding: Ongoing Revenue from Parking Tax Experienced 61% Drop



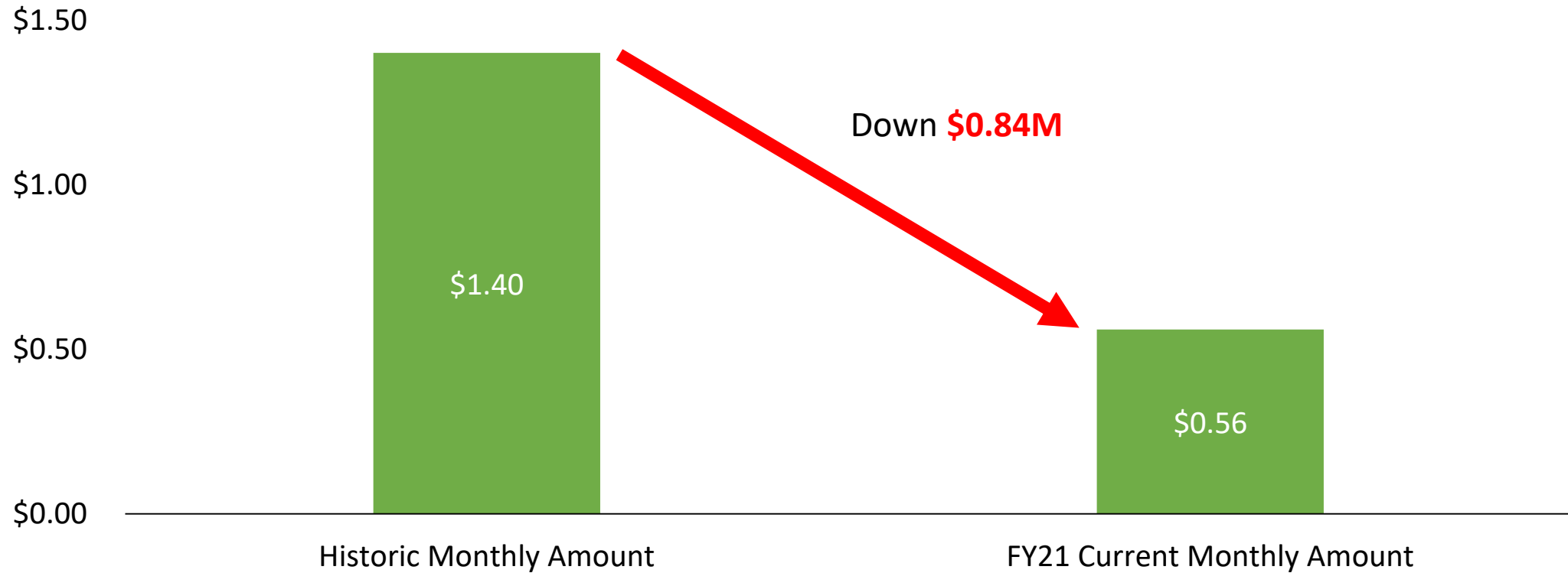
Parking Tax Revenue: Historic vs. Current Monthly Amount



Q2 Key Finding: Ongoing Revenue from Parking Meters Also Dropped



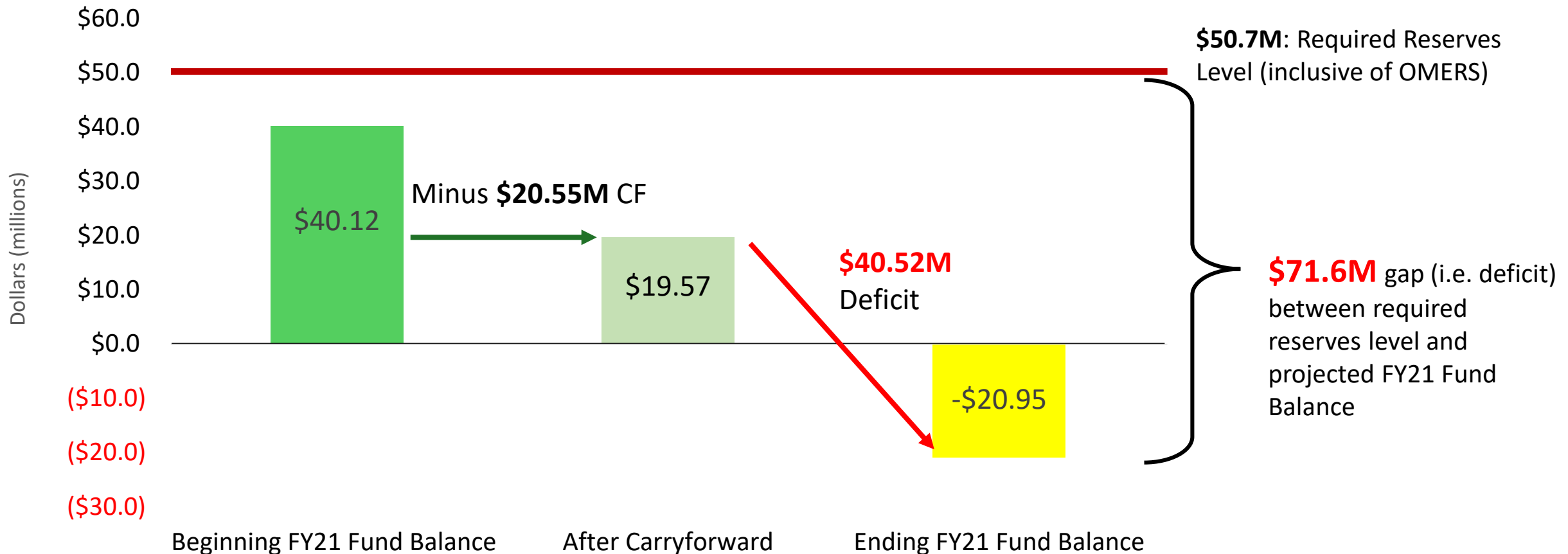
Parking Meters Revenue: Historic vs. Current Monthly Amount



How the City's **\$40.52M** Current Year GPF Deficit Increases the City's Overall GPF Deficit to **\$71.6M**



Impact of Current Year Deficit on GPF Fund Balance





FY21 Administrative Actions Taken – \$27.3M Savings

| General Personnel and Spending Cuts | Expected Savings - \$10.6M |
|--|-----------------------------------|
| Complete hiring freeze | \$4.1M |
| Release temporary staff | \$1.0M |
| Delayed pay increases for senior management | \$0.5M |
| Reduced discretionary spending (contract, travel, education) | \$0.1M |
| 10 & 20% Reductions | \$4.9M |

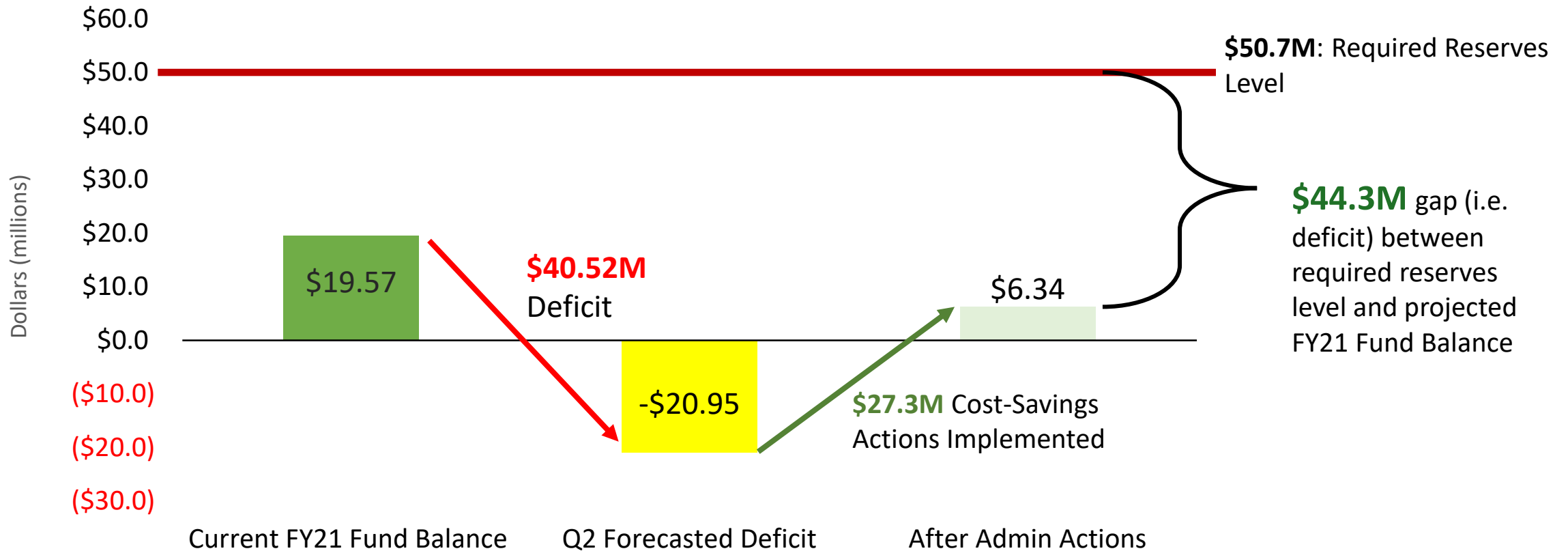
| Public Safety Reductions | Expected Savings - \$16.7M |
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| Police – reduction in overtime, specialized units, programs | \$15.0M |
| Fire – reduction in overtime | \$1.7M |

Any deviation from this plan will result in a reduced cost savings for FY21



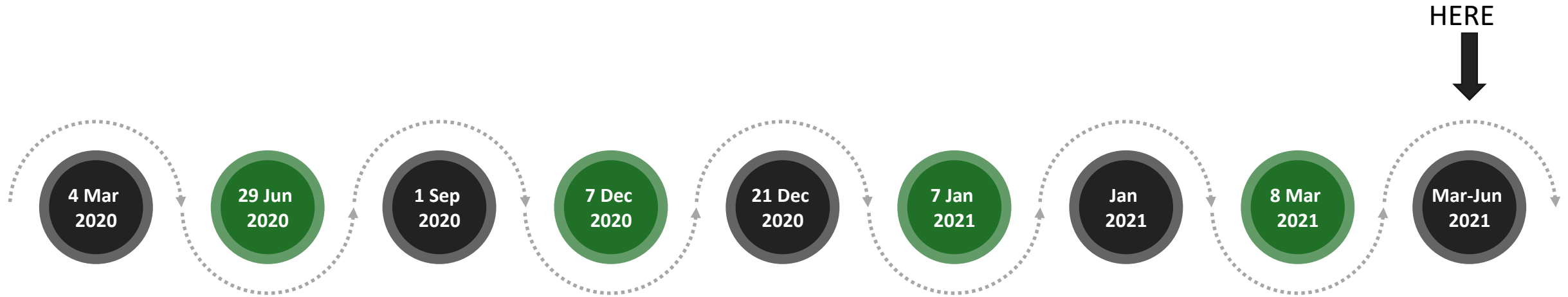
Administrative Actions Impact on Fund Balance

Impact of Administrative Actions on GPF Fund Balance



City of Oakland's Timeline

- Two** processes occurring:
1. Balancing remaining GPF **\$44M** deficit for FY21
 2. Balancing **\$174M** deficit for FY21-23 cycle
 3. Balance **\$274M** All funds deficit





Possible \$163-192M in Federal Aid from Congress



Allowable uses of federal aid:

- Backfill City revenue loss from COVID-19
- Other COVID-19 related services

Expiration of federal aid in 2024.

One time funding,

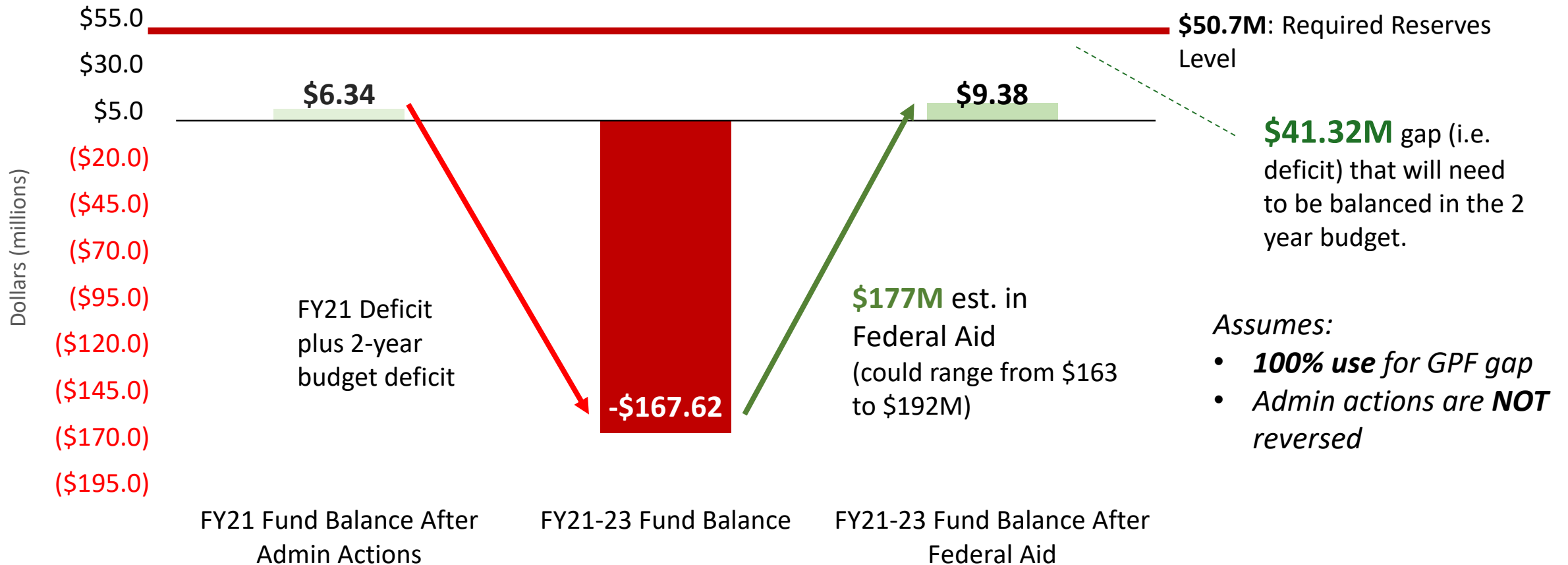
50% receipt in Spring 2021, remainder in Spring 2022

Possible \$163-192M



Federal Aid Impact on GPF Fund Balance

Impact of Federal Aid on GPF Fund Balance



Q2 R&E Report Concluding Points



The COVID-19 Pandemic has created large deficits across three fiscal years - FY 2020-23



FY21's Q2 GPF Fund Balance Deficit is equal to 11% of its adopted budget



The City's Emergency Reserve is in danger of being completely wiped out



Administrative Actions taken were to prevent the City from reaching a \$0 GPF Fund Balance



The remaining \$44M deficit requires action to restore the City's required reserve



Actions (or inactions) for FY21 deficit will impact the FY21-23 Budget Process

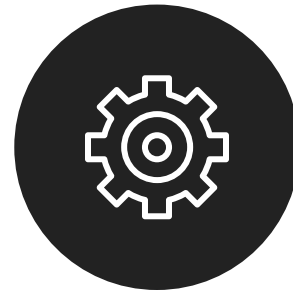


Federal aid will help but **will not solve the City's ongoing budget issues**

Necessary Actions Required



Restore the City's
Required Reserves to
above \$50M



Control FY21 Expenditures
to erase the current year
deficit



Balance the FY21-23
Biennial Budget
responsibly

Questions?



Impact of Federal Aid on GPF Fund Balance

