CITY OF OAKLAND

AGENDA REPORT

TO:	Jestin D. Johnson City Administrator	**FROM:**	Eric Roseman Finance Director
SUBJECT:	Fiscal Year 2026-30 Five-Year Financial Forecast	**DATE:**	May 14, 2025

City Administrator Approval Jestin Johnson (May 16, 2025 09:42 PDT) Date: May 16, 2025

RECOMMENDATION

Staff Recommends That City Council Receive An Informational Report On The City Of Oakland Five-Year Financial Forecast Prepared In Accordance With The City Of Oakland's Consolidated Fiscal Policy, Ordinance No. 13279 C.M.S.

EXECUTIVE SUMMARY

The Five-Year Financial Forecast (Forecast) for the City of Oakland (City), which is included as ***Attachment A***, spans from Fiscal Years (FY) 2025-26 to FY 2029-30. The purpose of the Forecast is to help make informed budgetary and operational decisions by anticipating future revenues and expenditures as well as highlighting anticipated fiscal risks and opportunities. The Forecast is not a budget and does not include any proposed balancing solutions or revised service levels. For FY 2025-26, initial budget projections anticipated revenue growth in the GPF to $771.44 million. The updated five-year financial forecast lowers revenue projections to $756.88 million due to declines in sales tax, business tax, TOT, interest income, and service fees, but the newly approved Measure A increases the GPF revenue to a higher projection of $779.01 million.

BACKGROUND / LEGISLATIVE HISTORY

On December 9, 2014, the City Council approved the Consolidated Fiscal Policy (Ordinance No. 13279 C.M.S), which directs staff to produce a Five-Year Financial Forecast as part of the biennial budget development process. The City Council amended the Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.) on May 15, 2018. The amended Consolidated Fiscal Policy was designed to facilitate various goals and objectives, including enhanced public participation, adoption of best practices, and to provide budgetary flexibility.

ANALYSIS AND POLICY ALTERNATIVES

This report advances the Citywide priority of a **responsive, trustworthy government** by delivering current financial data and outward projections, increasing transparency, and empowering residents, stakeholders, and decision-makers with insights into the City's fiscal health to support prudent financial planning for the upcoming biennial and future years.

Per the Consolidated Fiscal Policy, the Five-Year Financial Forecast shall contain the two-year baseline budget for the forthcoming budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus an additional three-year forecast of revenues and expenditures. The Baseline Budget shall consist of projected expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues for the two-year period.

The Forecast shall also contain information on the variance between prior forecasts and actual amounts, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available; minimally, revenue projections shall take into account projected revenue for the current fiscal year, as reflected in the 2nd quarter Revenue and Expenditure Report, with appropriate trending into future years and an explanation as to how such revenue projections were derived.

The current forecast follows the period of the 2019 COVID-19 Pandemic and the ensuing high inflationary period that followed consequently. Following the onset of the Pandemic, the City faced a record $121 million budget shortfall in 2020, draining its Rainy Day Fund, triggering vacant position freezes, and suspending fiscal policies. Federal ARPA funds ($188 million) mitigated further cuts during the pandemic, but increased reliance on temporary solutions. Persistent revenue challenges followed, with a $70.91 million shortfall in FY 2023-24, driven by a Real Estate Transfer Tax (RETT) drop from $138 million (FY 2021-22) to $57.61 million (FY 2023-24) due to high interest rates, alongside declining Sales Tax and other taxes amid inflation and reduced consumer spending.

For FY 2024-25, year-end revenue projections appear mixed. Property Tax is projected to grow modestly based on a 4.6% property assessed value increase. Fines & Penalties have risen with higher parking citation rates that have taken effect over the past two fiscal years, and Utility Consumption Tax collections have also come in higher after utility rate increases. Meanwhile, Sales Tax and Transient Occupancy Tax (TOT) continue to fall, echoing statewide downturns in reduced travel and retail activity. Real Estate Transfer Tax (RETT) collections to date have seen an improvement compared to the decline observed in FY 2023-24, driven by a 9.7% increase in property sales through the second quarter in FY 2024-25, but the recovery is much lower compared to the downturn experienced in FY 2023-24.

For FY 2025-26, initial projections estimated $771.44 million in revenue and $909.36 million in expenditures, resulting in an initial $137.92 million shortfall. Updated forecasts now reduce revenue by about $15 million due to several factors: a $3.3 million drop in sales tax from statewide trends, another $3.3 million decline in business tax from large account closures, a $2.42 million decrease in TOT from major hotel closures, a $2.16 million reduction in interest income due to no GPF cash balance, and a $4.43 million cut in service fees from legal limits on refuse franchise fees. However, the newly approved Measure A is expected to add $22.13 million in revenue. With this, projected FY 2025-26 revenue rises to $779.01 million, expenditures are minimally revised to $908.99 million, and the updated shortfall is $129.98 million.

Between FY 2025-26 and FY 2029-30, GPF revenues are projected to grow from $779.01 million to $909.13 million, at an average annual rate of 3.74%. Property tax, the City's primary revenue source, previously grew at 8% annually over the past decade, but the growth is now expected to slow due to fewer property reassessments resulting from reduced property transfers, per recent County data. Sales tax is forecasted to grow modestly at 1.6% in FY 2025-26, approaching 3% by FY 2026-27, and thereafter getting back to State-wide growth average levels of approximately 3.5% in the outer years. Additionally, Sales tax will bring in approximately $30 million annually from the new Measure A half-cent Transactions and Use Tax, taking effect in the second quarter of FY 2025-26. Business tax, driven by stable categories like Rental Property and Business, Personal, and Professional Services, which account for over 70% of payments, is projected to grow at an average of 3.71% annually. Real Estate Transfer Tax (RETT) is expected to increase by 3.8% on average, though it is expected to remain below the peak levels observed between FY 2018-19 and FY 2021-22. Transient Occupancy Tax will likely remain flat following the recent downturn due to hotel closures and low occupancy, while Utility Consumption Tax is projected to grow at 4.64% annually, reflecting rate increases and consumption growth. Parking fine revenue is expected to remain stable following recent accelerated growth due to parking fine rate increases and improved enforcement staffing.

Expenditures, especially personnel costs, outpace revenue growth, with a projected approximate $130 million General Purpose Fund (GPF) shortfall in FY 2025-26. Historical spending growth of 3-4% has accelerated, relying unsustainably on depleted one-time funds. Rising insurance, medical, and pension costs—particularly for public safety (funded ratio below 65%)—add pressure, with unfunded pension liabilities over $2 billion and OPEB liabilities at $500 million. Healthcare costs, driven by aging staff and inflation, hit $78 million in 2024, and are projected to reach $92 million in 2025, though the cost increase may slow if inflation eases.

The City maintains a 7.5% General Purpose Fund Emergency Reserve, and in 2014, approved a Rainy Day policy. These responsible fiscal policies enabled the City to set aside funds for long-term obligations and to establish a Vital Services Stabilization Fund (VSSF). Per the Consolidated Fiscal Policy, 25% of excess RETT revenue is intended to go into the VSSF. As of June 30, 2024, the balance in the City's GPF Emergency Reserve was $70.16 million, or approximately 8.1% of the FY 2023-24 GPF Adopted Budget of $863.68 million. The FY 2022-23 ending available balance in the VSSF of $10.27 million was used in its entirety in the FY 2024-25 Adopted Budget to balance expenditures, as the City Council declared that the City is experiencing a severe financial event and state of extreme fiscal necessity. The target funding level for the VSSF per the City's Consolidated Fiscal Policy is 15% of the GPF revenues.

Overall, the City's anticipated General Purpose Fund (GPF) shortfall in the 2025-26 fiscal year of approximately $130 million is expected to persist through the forecast period, as revenue growth is offset by the anticipated increases in expenditures.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

PUBLIC OUTREACH / INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This report was prepared by the Finance Department.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No direct environmental opportunities have been identified.

Race & Equity: No direct social equity opportunities have been identified.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report On The City Of Oakland's Five-Year Financial Forecast Prepared In Accordance With The City Of Oakland's Consolidated Fiscal Policy, Ordinance No. 13279 C.M.S.

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

Respectfully submitted,

Stephen Walsh (May 16, 2025 08:36 PDT)

STEPHEN WALSH
Acting Finance Director,
Finance Department

Prepared by:
Jose Segura, Principal Budget & Management Analyst

Attachments (1):
A: Five-Year Financial Forecast Fiscal Year 2025-26 – Fiscal Year 2029-30

Appendixes (2):
A: Consolidated Fiscal Policy
B: Background on California Legal Revenue Limitations

Attachment A

FIVE-YEAR FINANCIAL FORECAST

Fiscal Year 2025-26 – Fiscal Year 2029-30

CITY OF OAKLAND

[This Page Intentionally Left Blank]

CITY OF OAKLAND

Five-Year Financial Forecast
Fiscal Year 2025-26 to Fiscal Year 2029-30

MAYOR

Kevin Jenkins (Interim)

MEMBERS OF THE CITY COUNCIL

Noel Gallo – District 5
Council President

Zac Unger - District 1

Rebecca Kaplan (Interim) - District 2

Carroll Fife - District 3

Janani Ramachandran - District 4

Kevin Jenkins - District 6

Ken Houston - District 7

Rowena Brown - At-Large

ADMINISTRATION

Jestin D. Johnson
City Administrator

Elizabeth Lake
Assistant City Administrator

Harold Duffey
Assistant City Administrator

LaTonda Simmons
Assistant City Administrator

Monica Davis
Deputy City Administrator

Joe DeVries
Deputy City Administrator

ELECTED OFFICERS

Ryan Richardson
City Attorney

Michael C. Houston
City Auditor

FINANCE DEPARTMENT

Erin Roseman
Director of Finance

Bradley Johnson
Budget Administrator

Vacant
Revenue & Tax Administrator

Stephen Walsh
Controller

David Jones
Treasury Administrator

AUTHORS & KEY CONTRIBUTORS

Rina Stabler
Assistant Budget Administrator

Huey Dang
Principal Revenue Analyst

Charles Maurer
Principal Revenue Analyst

Jose Segura
Principal Budget & Management Analyst

Daniel Mariano
Budget & Management Analyst

ACKNOWLEDGEMENTS

Staff wishes to acknowledge the City Administrator's Office, the Finance Department, Department of Human Resource Management, the Economic and Workforce Department, and the Planning & Building Department provided valued subject matter expertise necessary for the creation of this document.

We would also like to acknowledge Departmental fiscal staff for their diligent work on behalf of the residents of Oakland and in support of their Department's operations.

Mission Statement

The City of Oakland is committed to the delivery of effective, courteous and responsible service. Citizens and employees are treated with fairness, dignity and respect.

Civic and employee pride are accomplished through constant pursuit of excellence and a workforce that values and reflects the diversity of the Oakland community.

Table of Contents

EXECUTIVE SUMMARY

Purpose

The Five-Year Financial Forecast (Forecast) for the City of Oakland (City) covers Fiscal Years (FY) 2025-26 to FY 2029-30. The report begins from a baseline analysis of the City's projected finances on a "carry-forward" basis over the next five years – assuming continuation of current programs and services as well as economic conditions consistent with mainstream forecasts.

None of the Mayor's and City Council's goals can be effectively advanced without a stable fiscal foundation.

The purpose of the Forecast is to help make informed budgetary and operational decisions by anticipating future revenues, expenditures, and financial risks. None of the Mayor's and City Council's goals can be effectively advanced without a stable fiscal foundation. The Forecast is best used as a strategic planning tool to help ensure financial sustainability and anticipate the long-term impacts of current decisions. The Forecast is not a budget and does not include any proposed balancing solutions or revised service levels. Instead, the Forecast is a planning tool to identify opportunities and challenges over a longer time frame.

The Forecast is not a budget and does not include any proposed balancing solutions or revised service levels.

The Forecast serves as a resource for a diverse audience – residents, businesses, elected officials and City employees. The Forecast provides detailed information regarding the City's revenues and expenditures, as well as the assumptions, uncertainties, and external factors that are projected to influence the City's fiscal health over the next five years.

Key Findings

The City's expenditures have historically grown at a steady average of 3-4%, but in recent years that growth has accelerated primarily due to ongoing expenditures that have been supported using one-time resources. This budgeting methodology is no longer sustainable as the City has exhausted virtually all one-time resources while expenditures continue to grow. Heading into FY 2025-26, the City faces a nearly $130 million ongoing structural deficit in its General Purpose Fund (GPF), compounded by imbalances in other restricted funds.

Escalating costs for insurance, medical benefits, and pensions—particularly for public safety employees, with a funded ratio below 65%, are straining the GPF and other restricted funds across the City. The latest actuarial reports from CalPERS projects the City's unfunded pension liability to exceed $2 billion for civilian and sworn employees. The City's Other Post-Employment Benefits (OPEB) unfunded liability exceeds $500 million, driven by retiree healthcare costs. Based on the latest actuarial projections, the City is expected to be required to make larger contribution payments for both pension and OPEB costs during this forecast period.

Healthcare expenses for active employees and retirees, fueled by an aging population, chronic diseases, advanced treatments, and inflation, have surged, with 2024 medical premiums at $78 million, projected to reach $92 million in 2025, and total PERS medical payments exceeding $100 million in FY 2024-25. This forecast projects that healthcare expenditures will continue to grow, but at a more gradual rate than what the City has experienced in recent years as inflation begins to slow down.

After the most recent economic recession in 2008, the City implemented robust fiscal controls, including the 2014 Consolidated Fiscal Policy (CFP), which increased the General Purpose Fund Emergency Reserve policy from 5% to 7.5%, established reserves like the Vital Services Stabilization Reserve and leveraged excess Real Estate Transfer Tax (RETT) to bolster reserves, reduce debt, and address unfunded obligations. Subsequently, a strong real estate market and disciplined fiscal management stabilized finances, earning a historic credit rating upgrade from S&P in February 2020 to an AA+, the second highest rating available, citing prudent revenue use, moderated spending, and retiree healthcare efforts. However, with the 2019 Covid Pandemic, the City faced a $121 million budget shortfall in 2020—the City's largest ever. This depleted the City's Rainy Day Fund, resulted in layoffs of temporary staff, tapped into additional new ballot measure revenue, and suspended fiscal policies to address the shortfall. A total of $188 million in Federal American Rescue Plan Act (ARPA) funds and other one-time sources, alongside position freezes, prevented further layoffs but deepened reliance on temporary fixes.

Continuous pressures have remained since with lower-than-expected tax revenue in certain categories, and under-budgeted public safety overtime. The biggest tax revenue shortfall in recent years is attributed to Real Estate Transfer Tax (RETT) which peaked at $138 million in FY 2021-22 and dropped to $57.61 million in FY 2023-24 attributed to lower property demand due to higher interest rates in the market. Overall, in FY 2023-24 actual GPF revenues ended with a shortfall of $70.91 million. Persistent high inflation reduced purchasing power and decreased tax revenue as consumers bought less or opted for cheaper alternatives. In addition to the decline in Real Estate Transfer Tax, higher interest rates also made other financing more expensive, which decreased automobile sales and reduced spending in general, impacting Sales Tax, Business Tax, and other consumer-driven revenues.

Following FY 2023-24's revenue shortfalls, FY 2024-25 shows a mixed revenue outlook. Property Tax is estimated to continue its gradual growth due to a 4.6% year over year assessed property value growth in the City. Fines & Penalties are expected to increase following a 10% increase in parking citation rates over the past two years in addition to the enforcement unit getting fully staffed. Utility Consumption Tax has shown a significant increase after the California Public Utility Commission has approved multiple rate increases over the past couple years, and RETT is showing signs of a moderate rebound from the FY 2023-24 low. However other categories have continued to decline such as Sales Tax with continuous declining receipts and Transient Occupancy Tax (TOT) collections which have trended lower in recent years from fewer operational hotels. While severe, Oakland's crisis mirrors challenges across U.S. cities, driven by pandemic aftershocks, sluggish real estate, remote work shifts, and declines in business travel, tourism, and retail taxes.

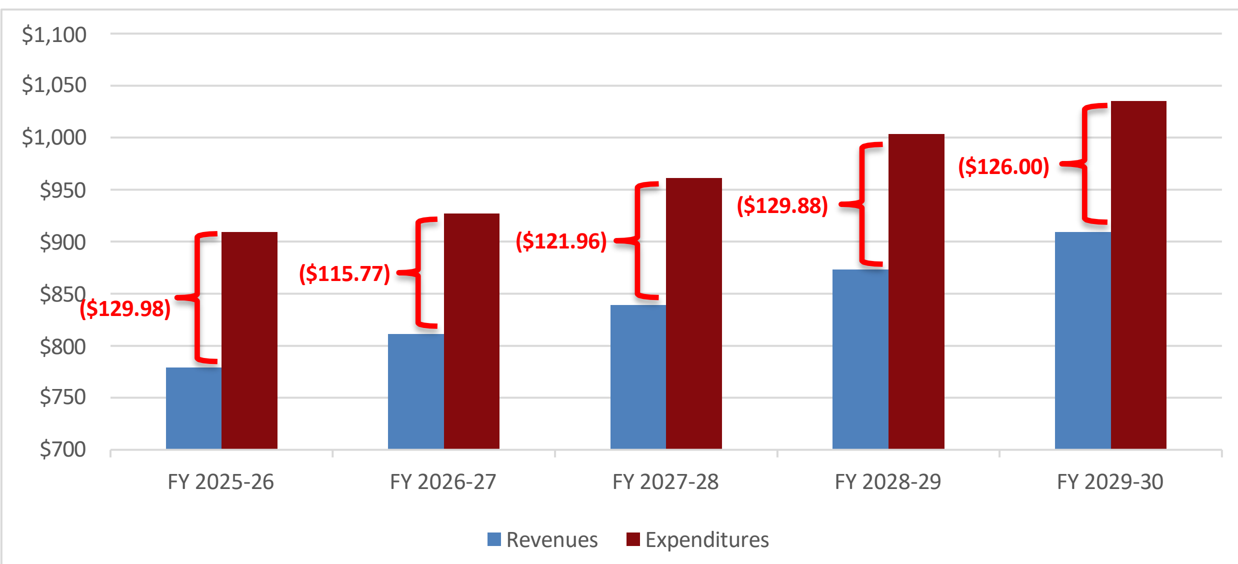
Between FY 2025-26 and FY 2029-30, GPF revenues are projected to grow from $779.01 million to $909.13 million, at an average annual rate of 3.74%. Property tax, the City's primary revenue source, previously grew at 8% annually over the past decade but the growth is now expected to slow due to fewer property reassessments resulting from reduced property transfers, per recent County data. Sales Tax is forecasted to grow modestly at 1.6% in FY 2025-26, approaching 3% by FY 2026-27 and potentially thereafter, getting back to State-wide growth average levels of approximately 3.5%. Additionally, Sales Tax will bring in approximately an additional $30 million annually from the new Measure A half-cent Transactions and Use Tax taking effect in the second quarter of FY 2025-26. Business Tax, driven by stable categories like Rental Property and Business, Personal, and Professional Services, which account for over 70% of payments, is projected to grow on average at 3.71% annually. Real Estate Transfer Tax (RETT) is expected to increase by 3.8% on average, though is expected to remain below the peak levels observed between FY 2018-19 and FY 2021-22. Transient Occupancy Tax will likely remain flat relative to the recent downturn due to hotel closures and low occupancy, while Utility Consumption Tax is projected to grow at 4.64% on average annually, reflecting rate increases and consumption growth. Parking fine revenue is expected to remain stable following recent growth due to parking fine rate increases and additional enforcement staffing.

Uncertainties remain with the increasing odds of a recession, driven by recent tariffs implemented as of April 2025, which could have significant implications for the City of Oakland over the next 2-5 years. While the exact impact depends on the duration and scope of the tariffs, as well as the broader economic response, several key factors can be anticipated based on economic principles. Tariffs are likely to raise the cost of goods and services, as businesses pass on increased import costs to consumers. This means higher prices for essential supplies and infrastructure materials—like steel, aluminum, and energy products. Therefore, cities might face higher costs for items like construction materials, potentially leading to trade-offs in public services. A recession could also reduce local tax revenues. For example, as economic activity slows, consumer spending drops, leading to lower sales tax receipts. Additionally, if businesses face layoffs or closures, business tax revenues could decline. Furthermore, businesses, wary of higher costs and reduced demand, might delay or cancel expansion plans, reducing job creation and economic growth at the local level. Overall, over the next 2-5 years, Oakland could face higher operational costs, declining tax revenues, and reduced economic activity due to the tariff-induced recession risks.

While the City's revenue base has generally proven resilient, most expenditure categories, such as personnel costs for wages and retirement, have grown faster. In FY 2023-24, the GPF recorded a year-end shortfall of $79.84 million, with revenues ending at $734.68 million and expenditures at

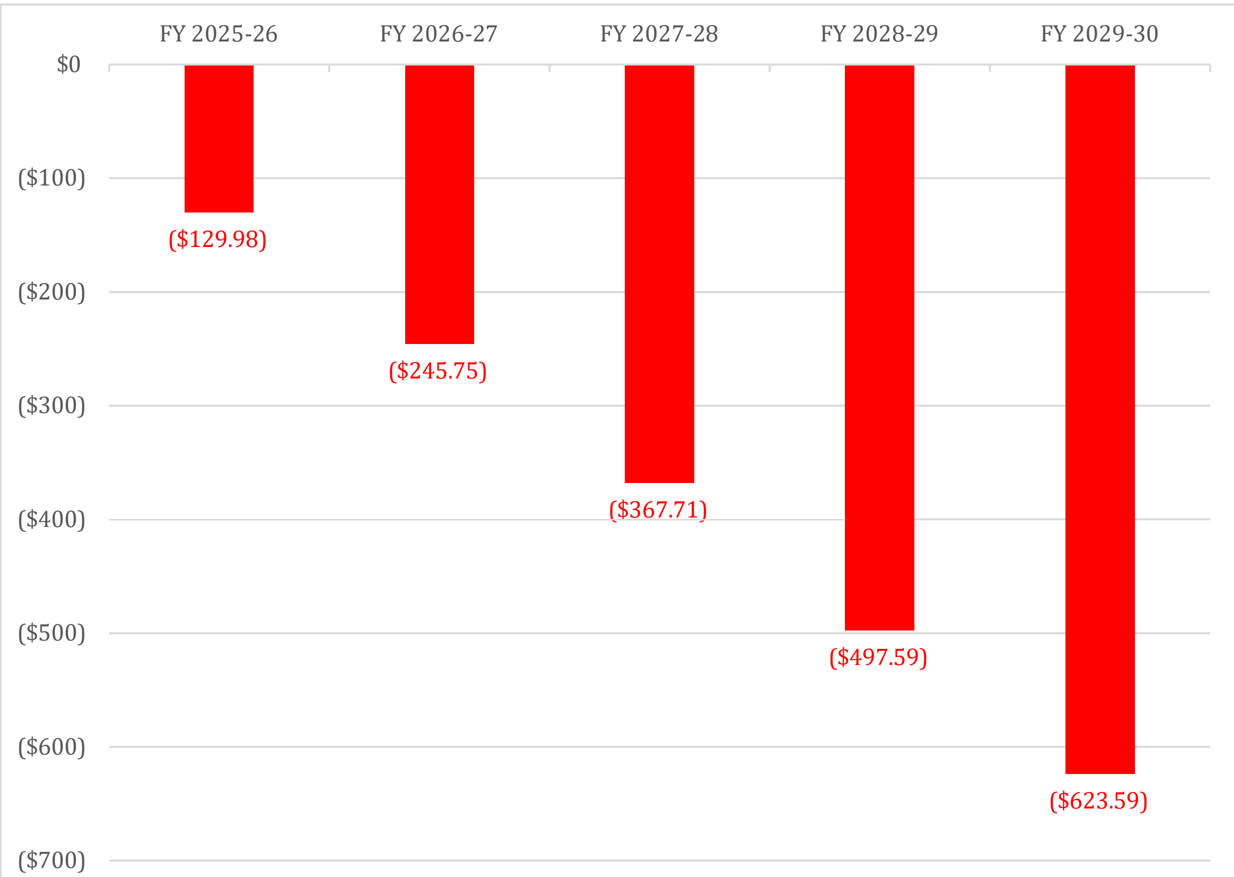
$814.52 million. For FY 2024-25, the second-quarter report projects a slightly larger shortfall of $87.20 million, based on estimated revenues of $756.49 million and expenditures of $843.69 million. For FY 2025-26, initial budget projections anticipated revenue growth to $771.44 million, but expenditures were expected to climb significantly higher to $909.36 million, resulting in an initial projected shortfall of $137.92 million. Updated estimates in the five-year forecast now show revenues dropping by approximately $15 million from the initial figure. This revision derived from several factors which include a statewide decline in sales tax projections, reducing the FY 2025-26 outlook for sales tax by about $3.3 million from the initial budget assumptions. Large account closures have lowered the forecast outlook for FY 2025-26 by another $3.3 million for business tax (BT). Major hotel closures have further decreased the transient occupancy tax (TOT) estimates by approximately $2.42 million for the following year. In addition, a reduction in interest revenue by $2.16 million is now assumed due to the lack of a cash balance in the GPF, and the exclusion of refuse franchise fees due to legal restrictions has contributed to the reduction of service fees projections by $4.43 million in the GPF. On the other hand, the approval of Measure A, a special sales and use tax, is now accounted for and is projected to contribute $22.13 million in FY 2025-26, increasing estimated revenues to $779.01 million. As a result, the projected shortfall for FY 2025-26 is $129.98 million, with expenditures now projected at $908.99 million. This gap is expected to persist through the forecast period, as revenue growth is offset by the anticipated increases in expenditures as shown in Figure 1 - GPF Forecast Revenues, Expenditures & Shortfall) and Figure 3 - All Funds Forecast Revenues, Expenditures & Shortfall).

Figure 1 - GPF Forecast Revenues, Expenditures & Shortfall ($ in Millions)



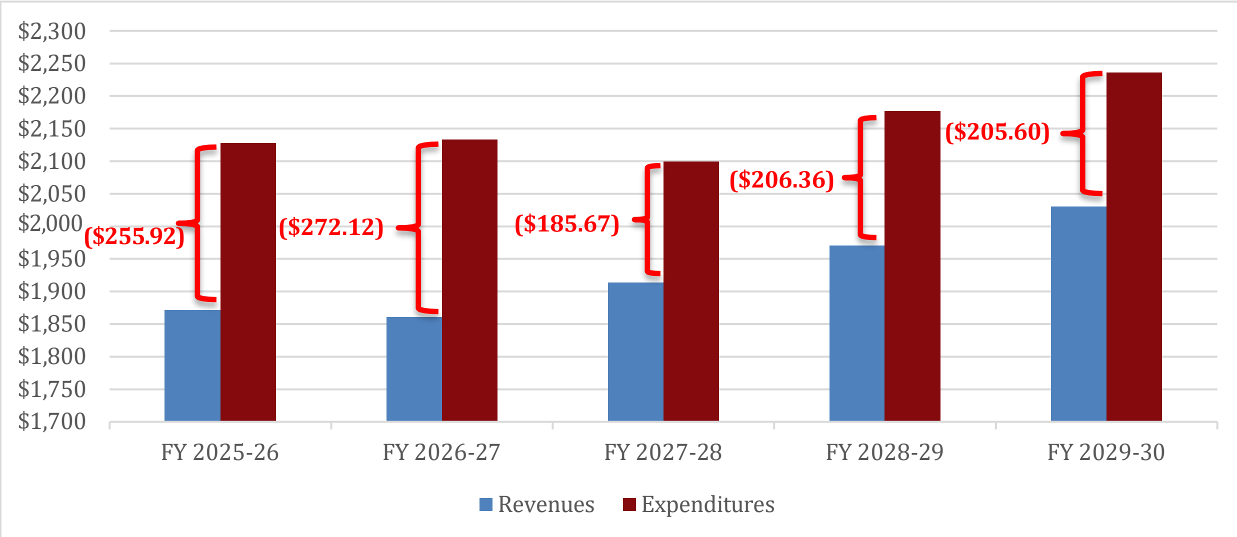
General Purpose Fund (GPF) shortfalls are projected to persist during the forecast period and the cumulative gap in the City's GPF over this period (assuming no corrective actions) is expected to exceed $600 million, as shown in Figure 2. The City's Charter and Consolidated Fiscal Policy require adoption of a balanced budget each fiscal year, and the City will therefore need to develop strategies to address the shortfalls projected in the Forecast. Additional uncertainties surround this forecast due to policies being implemented by the new Federal administration. These policies include the imposition of high percent tariffs on imported goods, the renewal of the 2017 Tax Cuts and Jobs Act., cuts to programs and grants for local governments, and mass deportations affecting the local workforce. In addition, the Federal Reserve continues to fight inflation, and interest rates are expected to remain relatively high in the foreseeable future. If a downturn in the economy occurs with the many unknowns with regard to the pace of economic growth– projected shortfalls could be larger. The onset of a new recession or even modest changes in the assumed revenue growth rates could significantly alter these results.

Figure 2 - GPF Cumulative Budget Gap ($ in Millions)



The forecast for All Funds (see Figure 3) shows that the expected increases in revenues outpace expected expenditure increases, resulting in a declining deficit during the forecast period.

Figure 3 - All Funds Forecast Revenues, Expenditures & Shortfall ($ in Millions)



The deficits, particularly in the GPF, will continue to grow unless structural corrections are made to the City's operations and expenditures. Rising costs for insurance, medical benefits, and pension obligations will place increasing pressure on the GPF and other funds in future budget cycles. Pension obligation costs, especially for public safety employees are expected to continue to have steep increases over the next several fiscal years. Sustainable solutions to address the City's needs are necessary to address this fiscal circumstance. Large scale economic growth, revenue enhancement, financial prudence, efficient service delivery and honed management practices can lead to structural balance if adopted and implemented to address historical practices and growing cost drivers. The reliance on one-time solutions, such as fund reallocations, temporary expenditure reductions, and use of one-time revenues to support ongoing expenditures, do not result in structural balance but may bridge from one year to the next. Sustainable budget practices, with long-term strategies to address growing cost drivers, will lead the City to structural balance.

The City maintains a 7.5% General Purpose Fund Emergency Reserve and in 2014 approved a Rainy Day policy. These responsible fiscal policies also enabled the City to set aside funds for long-term obligations and establish a Vital Services Stabilization Fund, which has been utilized in recent years to help balance the GPF.

Revenues

The General Purpose Fund (GPF) is the City's main operating fund and typically accounts for roughly 40% of total City revenues. As shown in Table 1, total General Purpose Fund revenues are anticipated to increase by approximately 3.74% per year throughout the forecast period. These projected increases are driven mainly by increases in property tax, business tax, utility consumption tax, and real estate transfer tax, in addition to the implementation of the new Measure A Sales Tax which will take effect in the second quarter of FY 2025-26.

Table 1- GPF Revenues by Category ($ in Millions)

General Purpose Fund (1010)	FY 2023-24 Year-End Actuals	FY 2024-25 Q2 Projections	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	$299.15	$312.91	$322.29	$332.29	$345.58	$362.41	$379.84
Sales Tax	$61.74	$61.04	$62.02	$63.82	$65.86	$68.10	$70.35
Measure A Sales Tax	$0.00	$0.00	$22.13	$30.68	$31.67	$32.74	$33.82
Business Tax	$123.48	$116.11	$123.71	$127.42	$131.24	$135.18	$139.23
Utility Consumption Tax	$66.22	$71.82	$75.62	$79.63	$82.97	$86.46	$90.09
Real Estate Transfer Tax	$57.61	$66.31	$68.30	$70.34	$72.45	$76.08	$79.88
Transient Occupancy Tax	$18.93	$16.07	$15.48	$15.79	$16.26	$16.83	$17.50
Parking Tax	$11.87	$11.76	$11.94	$12.12	$12.48	$12.85	$13.37
Licenses & Permits	$1.44	$1.16	$1.35	$1.35	$1.35	$1.35	$1.35
Fines & Penalties	$19.19	$22.73	$24.20	$24.45	$24.69	$25.18	$25.94
Interest Income	$3.55	$2.50	$0.34	$0.31	$0.30	$0.30	$0.30
Service Charges	$46.98	$56.35	$48.89	$50.26	$51.77	$53.22	$54.71
Grants & Subsidies	$1.77	$0.59	$0.00	$0.00	$0.00	$0.00	$0.00
Miscellaneous Revenue	$9.14	$14.08	$2.75	$2.75	$2.75	$2.75	$2.75
Interfund Transfers	$13.08	$3.08	$0.00	$0.00	$0.00	$0.00	$0.00
Total	**$734.15**	**$756.51**	**$779.01**	**$811.20**	**$839.37**	**$873.45**	**$909.13**
Growth	**N/A**	**3.05%**	**2.97%**	**4.13%**	**3.47%**	**4.06%**	**4.09%**

During the forecast period, All Funds revenues are projected to grow at a slower rate than the revenues in the GPF. Increases in property tax, sales tax, business tax, utility consumption tax, real estate transfer tax, local tax, and service charges are expected to drive growth. A summary of All Funds revenue during the forecast period is provided in Table 2 below.

Table 2 - All Fund Revenues by Category ($ in Millions)

All Funds	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	$340.43	$350.60	$365.88	$383.69	$402.15
Sales Tax	$96.79	$99.60	$102.78	$106.28	$109.78
Measure A Sales Tax	$22.13	$30.74	$31.64	$32.51	$33.35
Gas Tax	$23.35	$23.99	$24.65	$25.08	$25.64
Business Tax	$123.71	$127.42	$131.24	$135.18	$139.23
Utility Consumption Tax	$75.62	$79.63	$82.97	$86.46	$90.09
Real Estate Transfer Tax	$68.30	$70.34	$72.45	$76.08	$79.88
Transient Occupancy Tax	$19.70	$20.09	$20.70	$21.42	$22.28
Parking Tax	$23.87	$24.23	$24.96	$25.71	$26.73
Local Tax	$351.53	$357.23	$367.95	$378.25	$388.84
Licenses & Permits	$31.08	$31.08	$31.08	$31.08	$31.08
Fines & Penalties	$26.33	$26.59	$26.85	$27.39	$28.21
Interest Income	$2.44	$2.41	$2.48	$2.55	$2.63
Service Charges	$234.07	$239.79	$248.83	$255.79	$262.96
Internal Service Funds	$143.84	$143.23	$147.53	$151.66	$155.91
Grants & Subsidies	$70.50	$70.50	$70.50	$70.50	$70.50
Miscellaneous Revenue	$39.65	$39.65	$39.65	$39.65	$39.65
Interfund Transfers	$178.34	$123.62	$121.67	$121.67	$121.67
Total	**$1,871.67**	**$1,860.75**	**$1,913.81**	**$1,970.95**	**$2,030.59**
Growth	**N/A**	**-0.58%**	**2.85%**	**2.99%**	**3.03%**

Expenditures

Expenditures are projected to increase over the forecast period, but at a faster rate than revenues. The largest category of expenditures relates to employee wages and benefits. Growth in non-personnel expenditures include insurance premiums, claims in the City's Self-Insurance Fund, and other fixed operational expenses such as fuel and utilities. The expenditure forecast is based on current staffing and service levels; in most cases, future expenditures are based on current year (FY 2024-25) estimated expenditures adjusted for inflation, previously negotiated salary increases, and anticipated changes due to economic conditions. Current memoranda of understanding for unions representing miscellaneous (civilian) employees expire at the end of the 2024-25 fiscal year; salary increases for these employees are included in the forecast at the MOU rate and then CPI. To the extent that there are known trends in expenditures, they are captured in this forecast.

The City currently oversees one active retirement system, the California Public Employees Retirement System (CalPERS), and one closed pension system, the Oakland Police and Fire Retirement System (PFRS). The Forecast assumes an average Full-Time Equivalent (FTE) count of 4,622 for FY 2024-25 and 4,629 for FY 2025-26 and beyond and does not propose staffing level increases, although anticipated cost of living adjustments are reflected in the Forecast.

In FY 2018-19 the City reached agreement with its sworn public safety unions – led by the Oakland Police Officers' Association (OPOA) – to cap retiree medical benefits and implement new, lower-cost tiers for employees hired after January 1, 2019. In addition, on February 26, 2019, the City Council approved a new OPEB Funding Policy that committed 2.5% of payroll (approximately $10 million per year) to an irrevocable trust addressing unfunded liabilities. These contributions were suspended for FY 2019-20 and 2020-21 due to COVID-19 and financial emergencies. Contributions resumed in FY 2021-22, and the OPEB liability has decreased from $871 million in FY 2020-21 to $612 million in FY 2023-24. The full contribution of 2.5% of payroll is currently included in the FY 2025-27 Biennial baseline budget.

> This multi-pronged approach to OPEB will allow the City to incrementally address its long-term OPEB funding challenges and help to ensure this benefit is available to its workforce into the future.

The steps the City has taken to address retirement and retiree medical costs have resulted in lower projected costs for these expenditure categories relative to previous forecasts. In large part as a result of these changes, expenditures are expected to grow more slowly than revenues over the forecast period. Nevertheless, the combined risks of a possible economic regression, escalating expenditures, and long-term liability payments will continue to pressure City finances. **Regardless of this forecast or what actually happens in the economy, the City remains underfunded with regard to meeting these obligations for current and past City employees to the tune of more than $1.2 billion.** The City will need to consider additional, more aggressive fiscal policies to increase funding to responsible levels to ensure the City will be able to meet its obligations.

Summary information on GPF and All Funds expenditures are provided in Table 3 and Table 4 below.

Table 3 - GPF Expenditures by Category ($ in Millions)

Category	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Wages	$366.14	$366.14	$377.13	$387.69	$398.54
Fringe Benefits	$96.82	$99.59	$104.57	$109.80	$115.29
Retirement	$158.02	$175.89	$190.05	$204.41	$208.27
Operations and Maintenance	$154.73	$154.73	$160.23	$165.80	$170.64
Debt, Transfers and Other	$133.29	$130.61	$129.35	$135.63	$142.39
Total	**$908.99**	**$926.97**	**$961.33**	**$1,003.33**	**$1,035.12**
Growth	**N/A**	**1.98%**	**3.71%**	**4.37%**	**3.17%**

Table 4 - All Funds Expenditures by Category ($ in Millions)

Category	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Wages	$641.43	$641.43	$660.67	$679.17	$698.19
Fringe Benefits	$189.89	$195.14	$204.90	$215.14	$225.90
Retirement	$239.61	$253.51	$273.92	$294.62	$300.18
Operations and Maintenance	$590.20	$590.20	$609.70	$628.96	$647.20
Debt, Transfers and Other	$466.46	$452.59	$350.29	$359.43	$364.72
Total	**$2,127.59**	**$2,132.87**	**$2,099.49**	**$2,177.32**	**$2,236.19**
Growth	**N/A**	**0.25%**	**-1.57%**	**3.71%**	**2.70%**

The following tables provide a summary of forecast results for the next five fiscal years for GPF and All Funds, respectively. As shown in Table 5, the growth in revenues offsets the growth in expenditures over the period. As a result, the significant operating shortfalls projected in the first year of the forecast are expected to persist throughout the forecast period. It is critical to note that these estimates do not incorporate any proposed changes or balancing solutions that will be considered as part of the budget process. Pursuant to the Oakland City Charter and the Consolidated Fiscal Policy, the City must adopt a balanced budget.

Table 5 - GPF and All Funds Shortfall ($ in Millions)

GPF	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues	$779.01	$811.20	$839.37	$873.45	$909.13
Expenditures	$908.99	$926.97	$961.33	$1,003.33	$1,035.12
Surplus/(Gap)	**($129.98)**	**($115.77)**	**($121.96)**	**($129.88)**	**($126.00)**

All Funds	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues	$1,871.67	$1,860.75	$1,913.81	$1,970.95	$2,030.59
Expenditures	$2,127.59	$2,132.87	$2,099.49	$2,177.32	$2,236.19
Surplus/(Gap)	**($255.92)**	**($272.12)**	**($185.67)**	**($206.36)**	**($205.60)**

Although the impacts of the COVID 19 pandemic have receded, the City faces a significant gap between anticipated revenue collections and the expected level of expenditures (if no policy changes are made). It will take long-term solutions and strategies to resolve the forecasted structural imbalance of revenues and expenditures, which will require fiscal and budgetary discipline focused on a set of clear outcomes.

INTRODUCTION

Purpose & Development Process

Purpose

The City Council first approved the Consolidated Fiscal Policy in 2014 (shown in Appendix B), which directs the Administration to create a Five-Year Forecast biennially that projects the City's revenues and expenditures over a five-year period. With a forecast of revenues and expenditures under known and anticipated conditions, the City can plan strategies for providing a consistent, appropriate level of service to its residents and bring its revenues and expenditures into sustainable balance. Such planning provides for greater financial stability, signals a prudent approach to financial management, prioritizes appropriate service levels, and keeps the City in compliance with the current best practices of similar governmental entities.

The Consolidated Fiscal Policy requires that the Five-Year Forecast:

- Estimates the City's revenues and expenditures over a future period of at least five-years.
- Contains the baseline budget for the forthcoming two-year budget period;
- Assumes continuation of expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues without balancing intervention;
- Estimates revenues on the most current data available, including projected revenue for the current fiscal year as reflected in the Second Quarter Revenue and Expenditure Report, with explanation of trends into future years;
- Considers known laws and legislation that impact the City's revenue and expenditure levels; and
- Accounts for national, state and local economic conditions to the extent that it is relevant to Oakland.

Development Process

City staff, led by the Finance Department, conducted extensive data collection and analysis to produce this Forecast. Staff consulted with independent consultants to develop the forecasts and confirm the soundness of the assumptions and analysis presented in this report.

BACKGROUND INFORMATION

General Information

The City of Oakland is located on the east side of the San Francisco Bay in the County of Alameda. Oakland is bordered by 19 miles of coastline to the west and rolling hills to the east. In between are proud and diverse neighborhoods, a progressive downtown, and superior cultural and recreational amenities. As its largest city, Oakland serves as the administrative hub for Alameda County, a regional seat for the federal government, the district location of primary state offices, and a center of commerce and international trade for the Bay Area.

According to the State Department of Finance, Oakland is the eighth largest city in the State of California, with an estimated population of 425,093 in 2024. Oakland is home to the Port of Oakland and Oakland International Airport. The City continues to improve the environment for its residents and business investors. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones.

Oakland is a mature city that has preserved its abundant natural beauty and resources. The City has 106 parks (totaling over 2,500 acres) within its borders, as well as several recreational areas along its perimeter. Lake Merritt, the largest saltwater lake within a U.S. city, borders the downtown area. Its shoreline is a favorite retreat for joggers, office workers and picnickers. Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

In concert with ongoing economic development efforts, the City strives to maintain a balance between old and new structures. Historic structures continue to be renovated, preserved and revitalized, while new buildings are constructed. Major corporate headquarters include Blue Shield of California, Clorox and Kaiser Permanente.

Form of Government

The City of Oakland was chartered as a city in 1852. It was a Council-City Manager form of government until 1998. In 1998, the citizens of Oakland passed Measure X changing the government structure to a Mayor-Council form of government through a City Charter amendment. The Mayor-Council form of government remains in place. The Mayor is elected at-large for a four-year term and can be re-elected only once. The Mayor is not a member of the City Council; however, the Mayor has the right to vote only if the Council members are evenly divided for decisions requiring simple majority passage.

The City Council is the legislative body of the City and is comprised of eight Council members. One Council member is elected "at large," while the other seven Council members represent specific districts. All Council members are elected to serve four-year terms. The Council members elect one member as President of the Council and one member to serve as Vice Mayor every two years.

The City Administrator is appointed by the Mayor and is subject to confirmation by the City Council. The City Administrator is responsible for the day-to-day operations of the City.

For duties and responsibilities of the elected and appointed officials, visit the City's website via the following link: City of Oakland | City of Oakland Government 101.

The City of Oakland's Role in Service Provision

The City of Oakland is one of many government entities serving the residents of Oakland, California. The City is a key provider of important government services to residents; however, it is not the only provider. Understanding which services are provided by the City, and which are provided by other entities is helpful before engaging in a more in-depth analysis of City services and fiscal position.

Services Provided to Residents of Oakland by Service Providers

The following table summarizes the services provided by various government entities serving the residents of Oakland, California. In some cases, services are provided collaboratively by multiple government agencies; in those instances, the primary service provider is listed.

Table 6 - Oakland Service Providers & Services

The City of Oakland	Alameda County
Police Protection	Courts of Law
Fire Suppression	Jails & Juvenile Hall
Recreation Programs	Corner & Medical Examiner
Oakland Public Libraries	Probation
Violence Prevention Services	Registrar of Voters
Planning & Building	Property Tax Assessment & Collection
Economic Development	Public Defender
Head Start	District Attorney
Senior Centers & Services	MediCal (Medicaid)
KTOP (local government cable channel)	CalFresh (Food Stamps)
Housing Development & Referral Services	CalWORKs (TANF)
Rent Arbitration	Health Programs
Emergency Medical Response	Public Health Services
Children & Youth Services	Child Support & Protection
Parking Management	Mental Health Services
Sewers & Storm Drains	Emergency Medical Transport (Ambulance)
Transportation Planning	
Street & Sidewalk Maintenance (local)	**The Peralta Community Colleges**
Parks, Trees, & Public Spaces	Laney Community College
Street Lights & Traffic Signals	Merritt Community College
Recycling and Solid Waste	
Workforce & Job Training	**East Bay Regional Park District**
	Operations of Regional Parks
The Oakland Unified School District	
Public Elementary, Middle, and High Schools	**Bay Area Rapid Transit District (BART)**
Adult Education	Commuter Rail
Charter Schools	
	Alameda-Contra Costa Transit District (AC Transit)
East Bay Municipal Utilities District (EBMUD)	Bus Transportation
Provision of Drinking Water	
Treatment of Wastewater	
Public Open Spaces near reservoirs	
The Port of Oakland	
Oakland International Airport	
Oakland Seaport	

Economic and Demographic Profile of the City of Oakland

Economic Profile

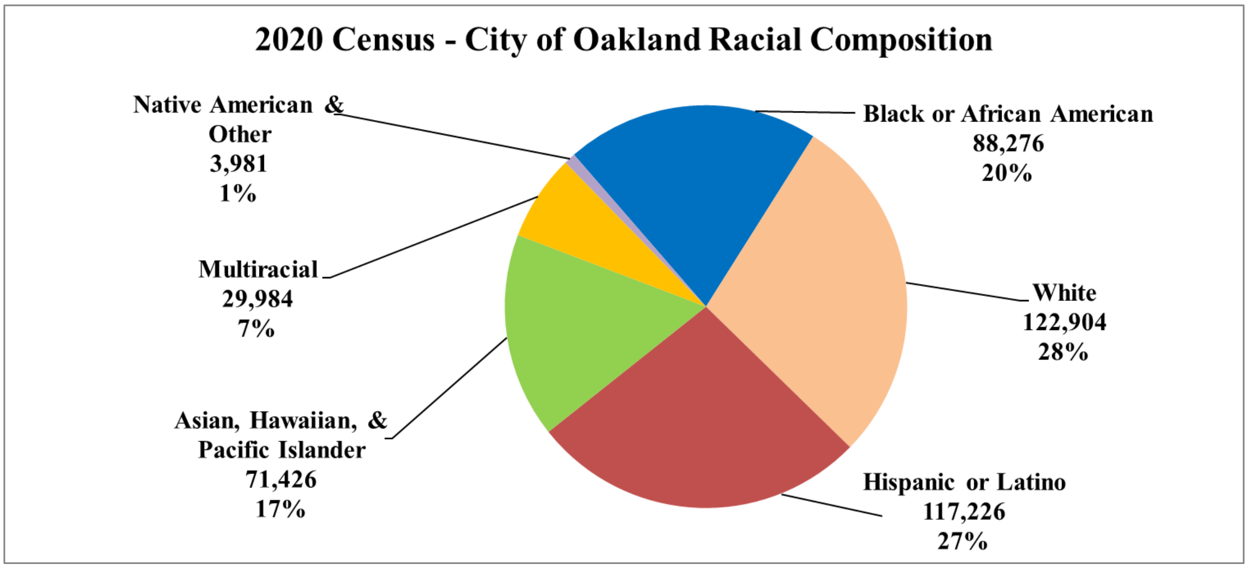
Oakland's economy offers a mix of trade, government, financial, medical, information technology, publishing and service-oriented occupations. The City offers its residents and businesses resources such as an extensive network of converging transportation services— highlighted by the Port of Oakland's ongoing expansion, along with office and mixed-use buildings, public facilities, hotels, convention centers, parks, and waterfront restaurants and shops at Jack London Square.

Neighborhood retail areas benefit from the support of Oakland's ten Business Improvement Districts and Community Benefit Districts. Manufacturing continues to be a vital part of the City's economic fabric, while Oakland remains a prominent hub for the medicinal and recreational cannabis industry.

Demographic Profile

According to the California Department of Finance, Oakland was ranked the eighth largest city in the State of California in 2024, with an estimated population of 425,093 residents within approximately 55 square miles. The racial makeup of Oakland in 2020 was roughly 20% African American, 28% Non-Hispanic White, 27% Hispanic or Latino (of any race), 17% Asian & Pacific Islander, 7% Multiracial and 1% Native American & Other. See Figure 4 below.

Figure 4 - 2020 Oakland Census Racial/Ethnic Composition



Per the 2020 United States Census, 20% of the City's population was under the age of 18 and 15% was over the age of 65. In 2010 the United States Census estimated that 21% of the City's population was below the age of 18 and 11% was over the age of 65.

Table 7 - Oakland Population by Age

City of Oakland Population by Age				
Age Range	2010 Census Count	2010 Census %	2020 Census Count	2020 Census %
0 to 4 Years	26,099	7%	22,311	5%
5 to 17 Years	57,021	14%	61,602	14%
18 to 64 Years	264,045	68%	286,743	66%
65+ Years	43,559	11%	63,141	15%
Total	**390,724**	**100%**	**433,797**	**100%**

In 2010 22% of households were families with children, as compared to 25% in 2000. In 2020 roughly 59% of housing units were occupied by renters, essentially unchanged from the 2010 estimate.

Quick Facts and Latest US Census Updates

Population	
Population estimates, July 1, 2023, (V2023)	436,504
Population, percent change - April 1, 2020 (estimates base) to July 1, 2023, (V2023)	-0.90%
Population, Census, April 1, 2020	440,646
Population, Census, April 1, 2010	390,724

Age and Sex %	
Persons under 5 years	5.70%
Persons under 18 years	19.30%
Persons 65 years and over, percent	14.30%
Female persons	50.50%

Businesses	
All employer firms, Reference year 2022	8,827
Men-owned employer firms, Reference year 2022	4,729
Women-owned employer firms, Reference year 2022	2,201
Minority-owned employer firms, Reference year 2022	3,496
Nonminority-owned employer firms, Reference year 2022	4,095
Veteran-owned employer firms, Reference year 2022	137
Nonveteran-owned employer firms, Reference year 2022	7,535

Race Origin %	
White	30.50%
Black	21.10%
American Indian and Alaska Native	1.20%
Asian alone	15.50%
Native Hawaiian and Other Pacific Islander	0.40%
Two or More Races	11.60%
Hispanic or Latino	28.90%
White alone, not Hispanic or Latino	27.90%

Housing	
Owner-occupied housing unit rate, 2019-2023	41.70%
Median value of owner-occupied housing units, 2019-2023	$924,700
Median selected monthly owner costs - with a mortgage, 2019-2023	$3,521

Families & Living Arrangements	
Households, 2019-2023	173,179
Persons per household, 2019-2023	2.49
Living in the same house 1 year ago, percent of persons age 1 year+ , 2019-2023	87.40%

Median selected monthly owner costs -without a mortgage, 2019-2023	$979
Median gross rent, 2019-2023	$1,917

Language other than English spoken at home, percent of persons age 5 years+, 2019-2023	39.90%

Health	
With a disability, under age 65 years, percent, 2019-2023	8.00%
Persons without health insurance, under age 65 years, percent	6.70%

Population Characteristics	
Veterans, 2019-2023	11,061
Foreign-born persons, percent, 2019-2023	27.10%

Education	
High school graduate or higher, percent of persons age 25 years+, 2019-2023	84.80%
Bachelor's degree or higher, percent of persons age 25 years+, 2019-2023	47.90%

Computer and Internet Use	
Households with a computer, percent, 2019-2023	95.00%
Households with a broadband Internet subscription, percent, 2019-2023	89.80%

Income & Poverty	
Median households' income (in 2023 dollars), 2019-2023	$97,369
Per capita income in past 12 months (in 2023 dollars), 2019-2023	$58,987
Persons in poverty, percent	13.70%

Transportation	
Mean travel time to work (minutes), workers age 16 years+, 2019-2023	30.5

Economy	
In civilian labor force, total, percent of population age 16 years+, 2019-2023	68.20%
In civilian labor force, female, percent of population age 16 years+, 2019-2023	64.10%
Total accommodation and food services sales, 2022 ($1,000)(c)	1,534,728
Total health care and social assistance receipts/revenue, 2022 ($1,000)(c)	6,006,531
Total transportation and warehousing receipts/revenue, 2022 ($1,000)(c)	5,250,325
Total retail sales, 2022 ($1,000)(c)	4,472,259
Total retail sales per capita, 2022(c)	$10,291

Geography	
Population per square mile, 2020	7,878.40
Population per square mile, 2010	7,004.00
Land area in square miles, 2020	55.93
Land area in square miles, 2010	55.79

Principles of Government Finance

The following section is intended to familiarize the reader with terms, concepts, and documents important in government finance and budgeting. Knowledge of these items will provide the reader a better understanding of this Forecast and other similar documents produced by the City.

Budgets & Fiscal Years

Budgets are plans for how organizations intend to use projected resources (revenues) on payments to perform operations or provide services (expenditures), over a defined period. Budgets are prospective planning tools and must be balanced between revenues and expenditures within the defined time period. The City of Oakland has received the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA) for its biennial budgets for the past 20 consecutive fiscal years.

The primary timeframe for the City of Oakland's budget and other financial reports is the Fiscal Year (FY). The City's Fiscal Year runs from July 1st to June 30th of the following year. Fiscal Years are typically expressed as follows: The Fiscal Year starting on July 1, 2025, and ending on June 30, 2026, is referred to as FY 2025-2026. It may also be abbreviated as FY 2025-26, FY25-26, or FY26, depending on context and space constraints. Fiscal Years can be divided into quarters or monthly periods. For example, the Second Quarter of FY 2025-26 will end on December 31, 2025, and is commonly referred to as Q2 FY 2025-26 or Q2-26. Similarly, the 9th month (or period) of FY 2025-26 will conclude on March 31, 2026, and is typically expressed as Q3 FY 2025-26 or Q3-26. It is important to note that grants awarded to the City may or may not synchronize with the City's fiscal year, and often are based on the granting agency's fiscal period or other predetermined period as determined by the grant agreement.

The City of Oakland adopts a biennial (two-year) balanced budget by June 30th of the preceding fiscal year. For instance, the City of Oakland will adopt the FY 2025-27 Biennial Budget by June 30, 2025.

Operating Budget vs. Capital Improvement Program

In general, the City issues two types of budgets. The first and more commonly known is the Operating Budget. This Budget includes projected revenues and expenditures for the provision of most City operations and services. For instance, the operating budget includes revenues from general taxes as well as expenditures on police services, fire & emergency medical services, youth & recreation programs, library services, minor repairs, etc. The second budget is the Capital Improvement Program (CIP), which presents planned expenditures on projects to improve discrete elements of the City's infrastructure, buildings, and environment, as well as major purchases such as land, buildings and equipment. For example, the CIP includes water quality projects around Lake Merritt, complete repaving of streets and roads, construction of sewer infrastructure, and construction or renovation of City buildings.

The Proposed and Adopted CIP is also summarized in the Operating Budget in accordance with best practices. Because all CIP projects are one-time in nature and require new appropriations for each two-year cycle, the Baseline Budget does not include CIP Projects.

There are other special budgets such as the Oakland Redevelopment Successor Agency, which is a separate legal entity of the City responsible for the wind down and completion of the activities of the former Oakland Redevelopment Agency.

Financial Reports & Actuals

"Actuals" are recorded revenues and expenditures that have occurred over a defined period. While budgetary values are projected prior to the close of a fiscal period, actuals are recorded after the fact. A financial report is a statement of actuals and accruals. Actuals can be divided into two categories: unaudited and audited. Unaudited actuals include those reported in the City's quarterly Revenue & Expenditure (R&E) Reports. They are distinguished from audited actuals in that they have not been evaluated by an independent financial auditor. The City has an independent financial audit conducted following the close of each fiscal year to provide an independent opinion of whether the City's financial statements are stated in accordance with Generally Accepted Accounting Principles (GAAP). The audited actuals are presented in the Annual Comprehensive Financial Report (ACFR).

Revenues

Revenues can be generally understood as the sources of income for the City and divided into several categories or Fund Types (See Funds and Transfers Section for details). Tax revenues are largely unrestricted and are attributed to the General Purpose Fund. Grant revenues are restricted by the grant agreement and often require matching contributions from other sources. Special revenues include voter-approved measures and are restricted for a specific purpose. Revenue from fines and penalties are largely unrestricted and result from enforcement activities. Based on best practices and City Council policy, one-time revenues (e.g. land sales) should not be used to support ongoing expenditures. Fee and Service Charge revenues support many City functions. The rate charged for fees and service charges is regulated by state law (specifically Proposition 26). Generally, fees may not exceed the cost of providing a service (with a few exceptions). Fees are listed in the City's Master Fee Schedule, which is approved annually through a City Ordinance, but can be modified at any time with City Council's approval.

Revenues are budgeted and recorded into specific accounts. These accounts are aggregated for reporting into categories, such as Property Tax, Fines & Penalties, or Service Charges.

Expenditures

Expenditures can be generally understood as the usage of resources by the City. There are two key categories of expenditures: personnel and operations & maintenance (O&M). Personnel expenditures are used to pay for City employees to perform various functions and provide services to the public. They are expended via the City's payroll and benefits systems and include salaries, overtime, premiums, retirement, and healthcare costs. O&M expenditures are used to pay for anything other than City employees and are expended through the contracting, purchasing, and payables systems. O&M expenditures include contracts for services, supplies and materials, utilities, equipment purchases and debt payments. Expenditures are budgeted and recorded into specific accounts. These accounts are aggregated for reporting into categories that include salaries, retirement, debt payments, or capital expenditures, among others.

Assets & Liabilities

Assets are tangible and intangible items that hold value and include City cash, investments, buildings, land and equipment. Assets can be divided into two types: current and long-term/fixed assets. Current assets include cash, receivables, and short-term investments. Long-term and fixed assets include things such as long-term investments, property, plant, and equipment that have value, but cannot be quickly converted into cash.

Liabilities are amounts that the City is obligated to pay based upon prior events or transactions. For example, if the City owes money resulting from borrowing or issuing debt (e.g. bonds), those would be considered liabilities. Liabilities can also be divided into two types: current liabilities and long-term liabilities. Current liabilities are those that the City expects to pay within a year. This includes wages paid to active employees for hours worked, or bills for utilities. Long-term liabilities are obligations that the City would pay out over time, such as pensions, retiree medical obligation, and long-term debt service.

Unfunded Actuarial Accrued Liability (UAAL), or Unfunded Liability, is often mentioned in conjunction with government finances. UAAL is defined by the State Actuarial Standards Board as "the excess of the actuarial accrued liability over the actuarial value of assets". Simply put, it is the amount that an entity is projected to owe that is not covered by projected future payments under a specific payment methodology, or by assets currently held by the entity.

Funds & Transfers

Funds are groups of revenues and expenditures that must be individually balanced. The City's Budget contains 128 funds, the largest of which is the General Purpose Fund (GPF). Other Funds normally have restrictions on the types of activities they support. These restrictions could be established by local ordinance, the City Charter, State law, or grant agreements. The General Purpose Fund is unrestricted in its use. The Five-Year Forecast will often summarize information by General Purpose Fund and All Funds.

In certain cases, monies may be transferred between City funds. For instance, 3% of the City's annual unrestricted GPF revenues are required to be transferred between the GPF and the Kids First! Fund to meet the requirements of the 2009 Kids First! ballot measure (Measure D). When a transfer occurs between funds the "sending" fund (where the transfer comes from) records an expenditure and the "receiving" fund (where the transfer goes to) records a revenue. This is to ensure that the overall budget remains balanced.

Department & Organizational Structures

The City of Oakland is organized into various departments as defined in Oakland Municipal Code 2.29. These departments are responsible for delivering the various external and internal services of the City. Departments are generally established by the City Ordinance approved by the City Council. A few Departments were established by the City Charter itself and generally include the name "Office" in the title; these include The Mayor's Office, the City Attorney's Office, and the City Administrator's Office.

In both the budget and financial forecast documents, there are also two quasi-departments within the City, namely the Capital Improvement Program and the Non-Departmental group. These two groups are distinguished from traditional Departments in that they do not have operational staff attributed to them. These groups are used to record various inter-departmental projects and citywide costs, such as debt service, legally required fund transfers, or major infrastructure projects.

Overhead Rates

Overhead rates are used to recover costs of certain administrative functions like accounting, cash management, and information technology, which can be difficult to allocate to specific funds or projects. Overhead charges are budgeted and recorded as positive expenditures in one fund while overhead recoveries are budgeted and recorded as a negative expenditure in the Fund supporting the relevant administrative function.

For example, the Oakland Public Works (OPW) Department has a centralized fiscal and human resources staff. Rather than splitting each of these staff across many funds, these expenditures are budgeted and recorded to a departmental overhead fund (Fund 7760). Overhead costs are then budgeted and recorded in the funds that receive support from OPW fiscal and human resources based on the payroll of those funds and a calculated overhead rate. Overhead recoveries are then budgeted and recorded in Fund 7760 to offset the costs of OPW fiscal and human resources staff. Thus, when viewed at a fund level, 7760 has net zero expenditures. The expenditures recorded there are offset by overhead recoveries. Other OPW funds have an overhead charge that reflects the use of central OPW services. The City utilizes an outside actuarial consultant to review rates and methodologies for its overhead rates.

Internal Service Funds

Internal Service Funds (ISF) charge departments for services based upon a formula to allow for centralized support functions. Similar to transfers, ISFs operate by recording an expenditure in the fund for which the operations are performed and recording revenue in the relevant Internal Service Fund. For example, the Oakland Police Department (OPD) requires vehicles to operate; however, the maintenance of OPD vehicles (along with vehicles used by the Oakland Fire Department and other City departments) is provided centrally by OPW. To reflect these costs, an internal service charge expense account is budgeted and charged to OPD in an appropriate fund (in this case, the General Purpose Fund). This expense is then offset by an internal service revenue account in the

Equipment Fund (4100). This revenue then pays for the expenses to maintain a vehicle (e.g. mechanics, fuel, parts) within Fund 4100. Each Internal Service Fund apportions costs across departments and funds by a different methodology driven by its nature.

Budget Balancing, Surplus, Projected Surplus, Deficit & Projected Shortfall

The term ‘balanced’ refers to a budget or forecast document where all projected revenues are equal to all projected expenditures; if they are not equal then there is an imbalance. If projected revenues exceed projected expenditures, then the budget or forecast is said to have a projected surplus. If expenditures exceed revenues, then there is a projected shortfall. By policy, the City must adopt a balanced budget.

A structural imbalance occurs when there is a difference between ongoing revenues and expenditures. A budget that uses one-time revenue to pay for ongoing expenditures may be balanced over the fiscal period but suffers from a structural imbalance; in this case a structural shortfall. By contrast if ongoing revenues exceed ongoing expenditures, a budget may have a structural surplus.

Deficit is an actual status of financial health in which expenditures exceed revenues, whereas budget shortfall means that projected spending is greater than projected revenues. The terms ‘surplus’ and ‘deficit’ refer to the relative balance of actual expenditures and revenues. A deficit occurs when actual expenditures exceed actual revenues over a fiscal period. By contrast a surplus occurs when actual revenues exceed actual expenditures.

Fund Balances & Reserves

At the end of each fiscal year, each fund’s revenue collections are compared against incurred expenditures. If there were revenues in excess of expenditures, a surplus occurs, which is added to that fund’s “fund balance.” Alternatively, if there were greater expenditures than revenues, then that difference is reduced from the fund balance. A negative fund balance occurs when cumulative fund expenditures exceed cumulative fund revenues. By contrast a positive fund balance exists when cumulative revenues exceed the expenditures.

If a positive fund balance is restricted or earmarked in its usage, it is often termed as ‘reserved’. For instance, the General Purpose Fund has a 7.5% emergency reserve for unanticipated and insurmountable events. Therefore, the City Council may direct funds from the positive fund balance to support the emergency reserve. Other funds may have a positive fund balance to support future anticipated expenditure needs such as equipment replacements, or future costs associated with a multi-year project.

REVENUES

This section provides a detailed analysis of major revenue categories and presents the results of the forecast for each category.

Methodology and Assumptions

Revenue estimates were developed by (1) developing estimates of likely revenue receipts for the current (24-25) fiscal year and (2) developing and applying estimated growth rates to the estimated actual receipts to develop projections for the entire five year forecast period.

Citywide revenues are projected based on the expected levels of economic growth, new development, and anticipated changes in fee structures compared to levels of service, changes in governmental policies at the state or federal levels, and various economic and demographic changes. In addition, the revenue forecast takes into consideration local and regional economic factors and trends, including changes in construction activity and real estate transactions in the coming fiscal year, and changes in business travel and in-person work behavior, among other factors.

The baseline economic growth assumptions were developed based on an analysis of statewide and nationwide economic forecasts produced, including projections from the California Legislative Analyst's Office, the California State Department of Finance, the UCLA Anderson School, the State of California Energy Commission, and the Federal Open Market Committee. Historical correlations between levels of statewide economic activity and those observed in Oakland were developed and applied in order to develop Oakland-specific revenue forecasts.

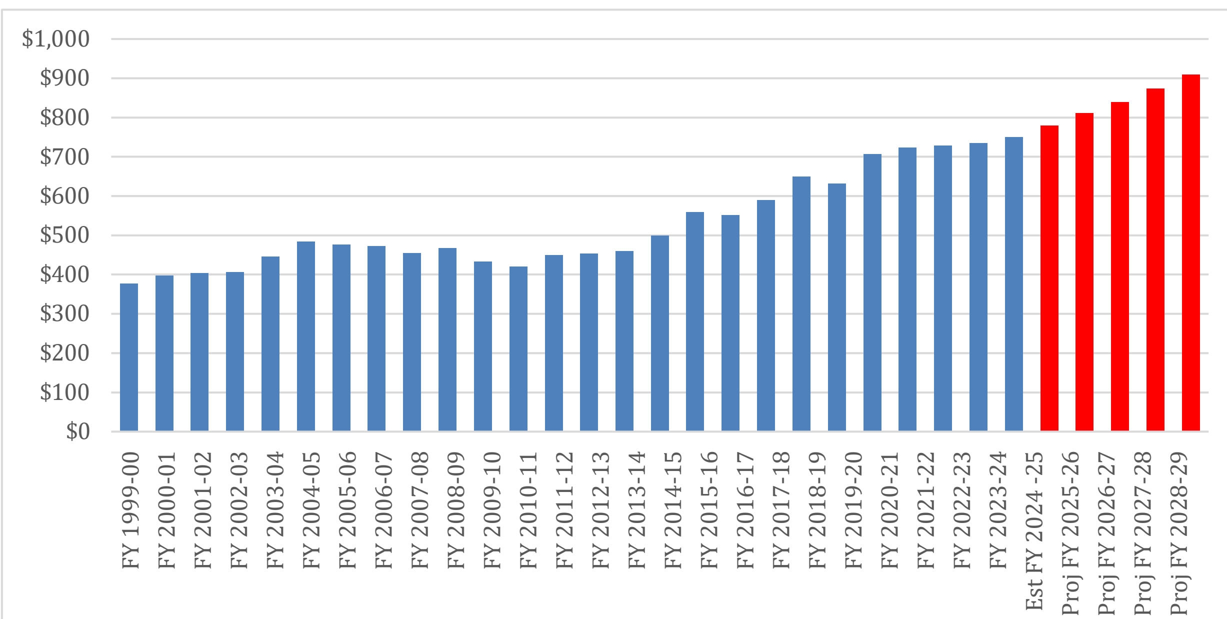
Major assumptions used in developing the forecast include:

- California's economy will grow more slowly than previously forecast while it adjusts to new national economic policies which include new or increased tariffs on the United States' largest trading partners, mass deportations, tax cuts, and deregulation. Consequential economic uncertainties include the administration proposing a sharp increase in U.S. import tariff rates, targeting key sectors like automobiles, steel, aluminum, and electronics. Aimed at boosting domestic manufacturing and reducing the trade deficit, the move has stirred inflation concerns and fears of stagflation—slower growth with rising prices—potentially slowing U.S. GDP growth to the 1% range in 2025 and raising unemployment to 4.5% or more. Real gross domestic product (GDP) nationwide decreased at an annual rate of 0.3% in the first quarter of 2025 (January, February, and March), according to the advance estimate released by the U.S. Bureau of Economic Analysis, marking the first quarterly decrease in over two years.

- Entering 2025, personal income projected to increase at an average annual rate of approximately 4.5% over the forecast period, according to estimates from the Congressional Budget Office.
- Entering 2025, the national unemployment rate projected to remain roughly constant over the five-year period, remaining at 4.3% in the first two years of the forecast and decreasing slightly to 4.2% for the latter years of the forecast period according to estimates from the Federal Open Market Committee.
- Entering 2025, inflation projected to decline nationally during 2026, with the Personal Consumer Expenditure (PCE) projected to decline from approximately 2.5% in 2025 to 2.1% in 2026 and expected to remain at annual rates around 2.0% over the remaining years of the forecast period according to the Federal Open Market Committee.
- For the San Francisco Area, California State Department of Finance projects the annual Consumer Price Index (CPI) growth to come in at 2.50% in FY 2025-26, at 2.80% in FY 2026-27, and at 3.00% in FY 2027-28.

Figure 5 depicts the historical General Purpose Fund (GPF) actual revenues since FY 1999-00 as well as the expected GPF revenues during the forecast period. Historical data shows that over the period from FY 1999-00 through FY 2023-24, GPF revenues have grown on average by 2.6% per year.

Figure 5 - Historical GPF Revenues ($ in Millions)



Revenue Forecast by Category

The following section provides detail on the revenue forecasts for each major revenue source.

Table 8 presents General Purpose Fund revenues by category over the past 5 years, including the estimated receipts for the 2024-25 Fiscal Year.

Table 8 - General Purpose Funds by Category FY 2020-21 to FY 2024-25

GENERAL PURPOSE FUND (1010)	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024 -25
Revenue in Millions	Actuals	Actuals	Actuals	Actuals	Q2 Estimate
Property Tax	$238.93	$258.97	$281.28	$299.15	$312.91
Sales Tax	$57.82	$64.17	$66.39	$61.74	$61.04
Vehicle License Fee	$0.32	$0.50	$0.44	$0.54	$0.00
Business Tax	$104.23	$101.29	$115.38	$123.48	$116.11
Utility Consumption Tax	$51.80	$57.93	$64.51	$66.22	$71.82
Real Estate Transfer Tax	$113.36	$138.40	$78.05	$57.61	$66.31
Transient Occupancy Tax	$10.61	$16.66	$20.20	$18.93	$16.07
Parking Tax	$6.26	$9.54	$12.01	$11.87	$11.76
Local Tax	$0.00	$0.00	$0.00	$0.00	$0.00
Licenses & Permits	$1.24	$1.41	$1.04	$1.44	$1.16
Fines & Penalties	$17.79	$20.37	$18.85	$19.19	$22.73
Interest Income	$1.27	$0.91	$4.99	$3.55	$2.50
Service Charges	$52.72	$51.81	$54.18	$46.98	$56.35
Internal Service Funds	$0.00	$0.00	$0.00	$0.00	$0.00
Grants & Subsidies	$3.51	$1.84	$2.42	$1.77	$0.59
Miscellaneous Revenue	$29.65	-$3.42	$5.79	$9.14	$14.08
Interfund Transfers	$17.55	$3.26	$2.90	$13.08	$3.08
Total	$707.07	$723.62	$728.42	$734.68	$756.51

Property Tax

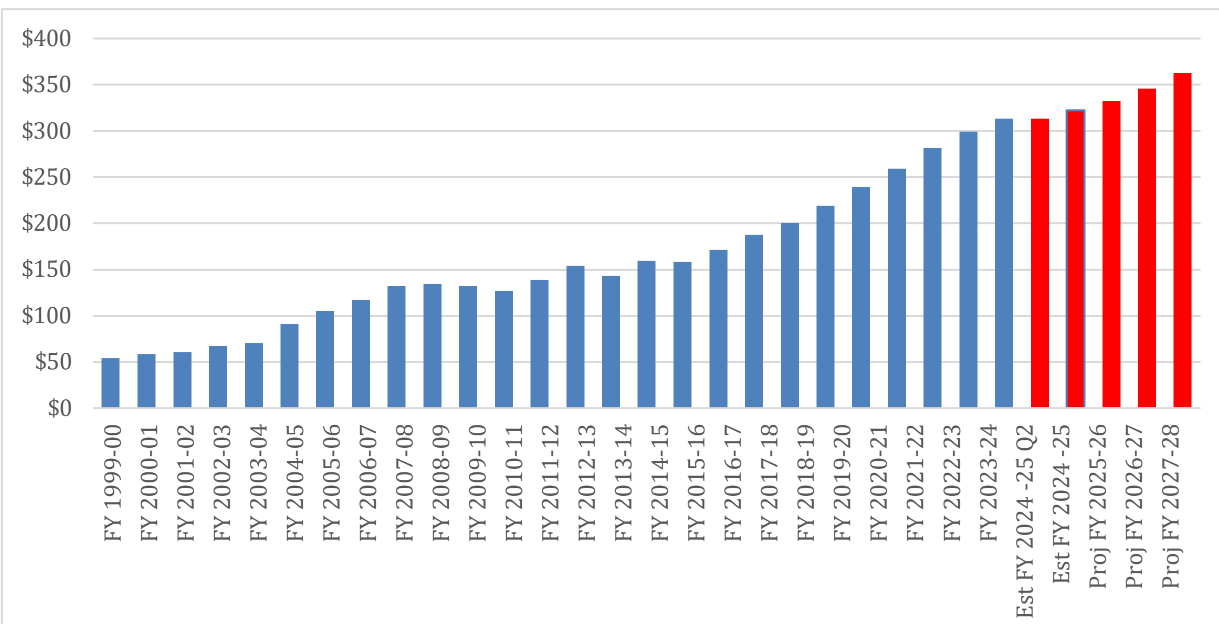
Property tax is the largest single source of revenue for the General Purpose Fund and represents approximately one third of all General Purpose Fund revenues. The property tax is *ad valorem*, which means that the tax paid on a property is proportional to the property's assessed value. Under the terms of Proposition 13 passed in 1978: 1) the annual tax owed is a maximum of 1% of a property's assessed value and 2) the assessed value can only increase a maximum of 2% each year unless ownership changes, in which case the prevailing market value assessment is used as the basis for taxation (see APPENDIX B-Background on California Legal Revenue Limitations for additional detail).

Over the past 20 years, property tax revenue has grown, year-over-year, at an average pace of approximately 6.0%. The growth for that period was accelerated by a rapid run-up of housing demand and accompanying new construction. The rise in property tax revenues was also due to a Vehicle License Fee (VLF) "backfill" payment from the State (the difference between the old VLF of 2.0% and new fee of 0.65%) in the form of property tax revenue. The value of rising property tax, which increased more quickly than VLF revenues, brought Oakland additional revenues. Furthermore, starting in FY 2011-12 with the dissolution of the Redevelopment Agency, unallocated property tax increment is flowing back to the City in the form of additional property tax revenues. This additional revenue is the portion of property tax increment that would have gone to the redevelopment agency if it had not been dissolved, less the funding required to wind-down the obligations of the agency, including any debt service payments owed on debt obligations issued prior to the dissolution of the agency.

Property Tax Revenue Forecast

General Purpose Fund property tax revenue is expected to grow at a slower pace compared to recent trends due to fewer property reassessments, driven by reduced property transfers in recent years, according to the latest County data. This trend may persist if property turnover remains low. Consequently, the forecast period estimates property tax to grow from an estimated $312.9 million in FY 2024-25 to $379.84 million in FY 2029-30. This is an average annual increase of 3.96% over the five years of the forecast period. In FY 2025-26, the growth is projected to be 3.0% over the estimated FY 2024-25 amount. Figure 6 shows property tax revenue since 2000 with a five-year projection.

Figure 6 - GPF Property Tax Revenues Over Time ($ in Millions)



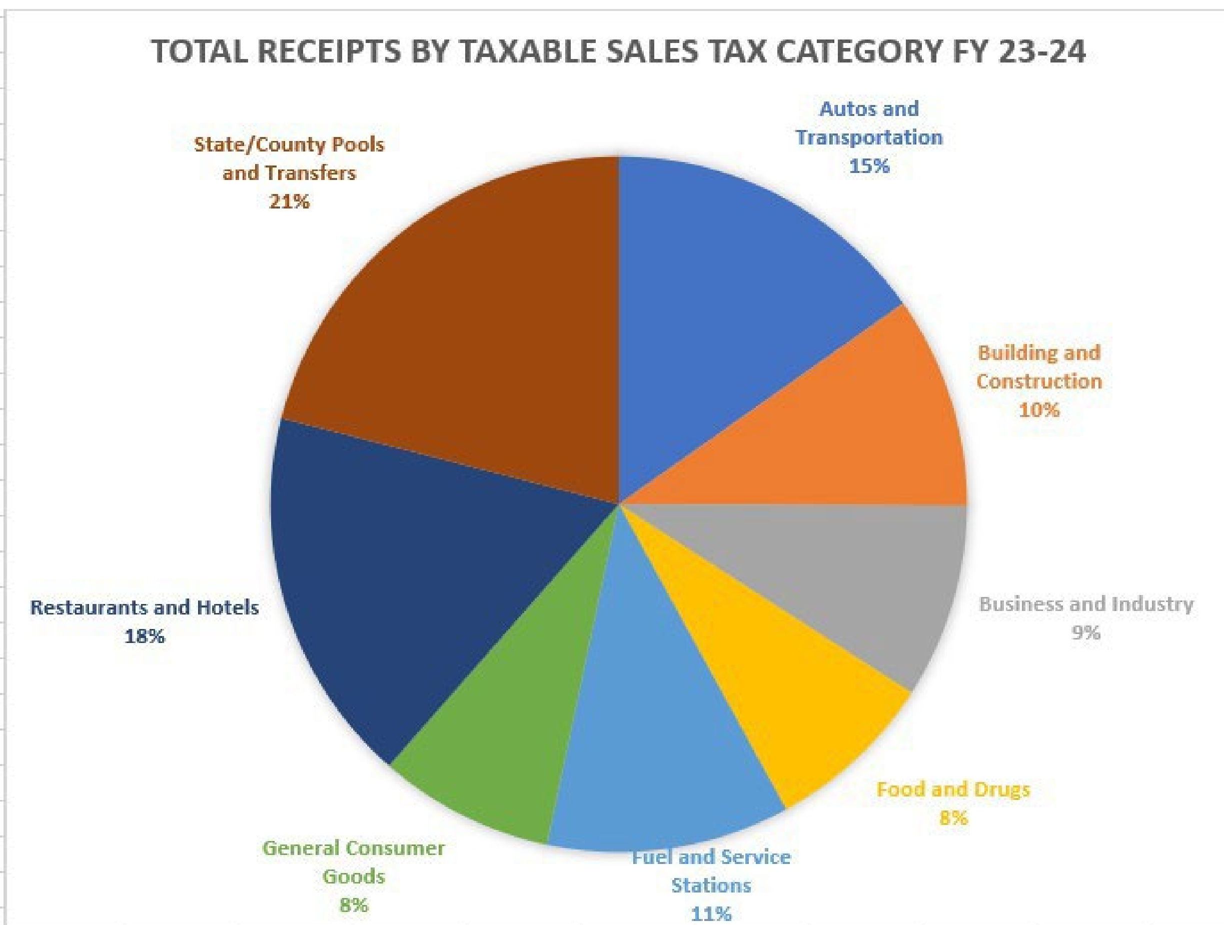
The forecast assumes that the base tax rate will continue to increase at the maximum allowable rate of 2%. New construction is assumed at the estimated annual construction average from 2017 to 2024 excluding outlying years. Over the past couple of years, the number of homes offered for sale is down and sale prices have not enjoyed as positive a year-over-year increase as we saw during the post-pandemic period when low interest rates were in play. Fewer sales are projecting in a lower addition of value for FY 2025-26 in reassessments based on sales. Sales transactions in the outer years of the 5-year forecast are modeled with a similar yearly growth due to the expected continuation of the transfers of ownership lower trend, continuing what was reflected in the 2024 calendar year.

Sales & Use Tax

Sales and Use Tax applies to the retail sale or use of "tangible personal property." Following the passage of Measure A, the total sales tax percentage in the City of Oakland is 10.75%, meaning that a $1 taxable purchase results in sales tax of 10.75 cents. The City receives 1.5% of the total sale as a distribution to its General Fund, meaning the City receives 1.5 cent on a $1 purchase.

Oakland's diverse Sales Tax base covers ten business types, including retail, motor vehicle parts and dealers, home furnishings, auto and transportation, fuel and service stations, business and industry, general consumer goods, building and construction, and food and drugs. No single group dominates the City's sales tax revenues, as shown in Figure 7, which presents the sources of sales tax revenue for the City of Oakland's General Purpose Fund during the 2023-24 Fiscal Year.

Figure 7 – GPF Sales Tax by Category



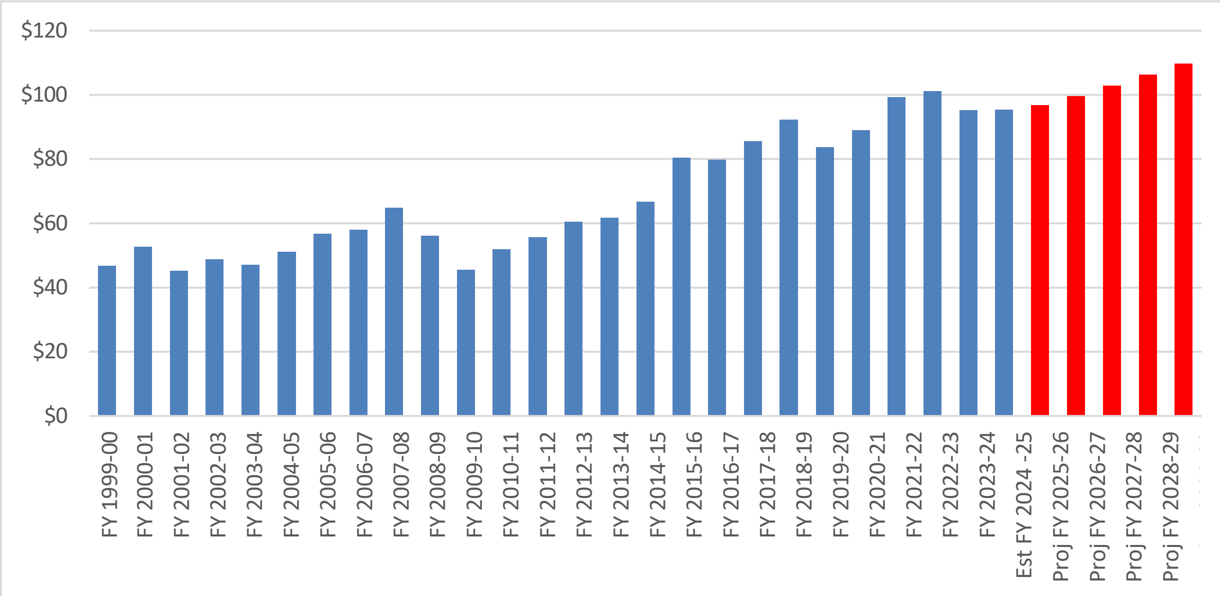
Sales tax revenue is closely tied to the strength of local, regional, and national economies. The estimates in the forecast are based on recent local and statewide results and economic forecasts. For fiscal year 2024-25, slower tax filings and uneven performance across different sales tax categories have led to lower expectations for sales tax revenue. This marks the second year in a row of declining sales tax revenue across the state. Factors like inflation, higher interest rates, reduced consumer confidence, less household spending money, and changing gas prices are all playing a role. These elements reflect broader economic trends, such as moderating inflation and evolving consumer spending patterns. Although inflation has eased compared to prior periods, its lingering effects have strained certain sectors, notably Fuel and Service Stations, Autos and Transportation, and General Consumer Goods. For instance, jet fuel tax revenue has declined sharply as airlines have opted to refuel in more cost-effective locations outside the region. Similarly, new motor vehicle sales have weakened due to rising financing costs, while retail sales of general goods have followed a national shift toward online shopping and a preference for services over tangible products, reducing in-store purchases that traditionally boost sales tax collections.

Looking ahead to the 2025-26 fiscal year, a modest growth of 1.6% in sales tax revenue is anticipated. By the 2026-27 fiscal year, growth is projected to approach 3%, with subsequent years potentially reaching approximately 3.5%, aligning with statewide historical averages. The recent election has introduced additional uncertainty into the economic forecast. However, it should be noted that inflation does not always directly correlate with declining sales tax revenue. When prices rise but consumer purchasing remains consistent, sales tax revenue can still increase. Consequently, even with potential tariffs or lingering higher prices, sales tax revenue may not necessarily decline further. In California, heading into 2025 the UCLA Anderson School projected that by 2026, personal income will rise by 5.8% and taxable sales will increase by 5.6% compared to 2025. Meanwhile, consumer price growth is expected to slow to 2.5% from 3%, and the unemployment rate is forecasted to decrease slightly from 4.8% to 4.4% over the same period, all potentially stabilizing consumer spending.

The forecast now includes Measure A, a half-cent Transactions and Use Tax increase that Oakland voters approved during the special election on April 15, 2025. This measure aims to raise vital funds to help support critical city services affected by recent budget reductions. It raises Oakland's sales tax rate from 10.25% to 10.75%, generating an estimated $29.82 million annually. Due to the election's timing, Measure A will take effect in the second quarter of FY 2025-26, meaning the first year of the forecast would generate only 75% of the projected revenue. This estimate is captured separately on the forecast tables.

Figure 8 below illustrates the historical All Funds actual sales tax revenue since 2000 and projects the next five years.

Figure 8 - All Funds Sales Tax Over Time ($ in Millions)



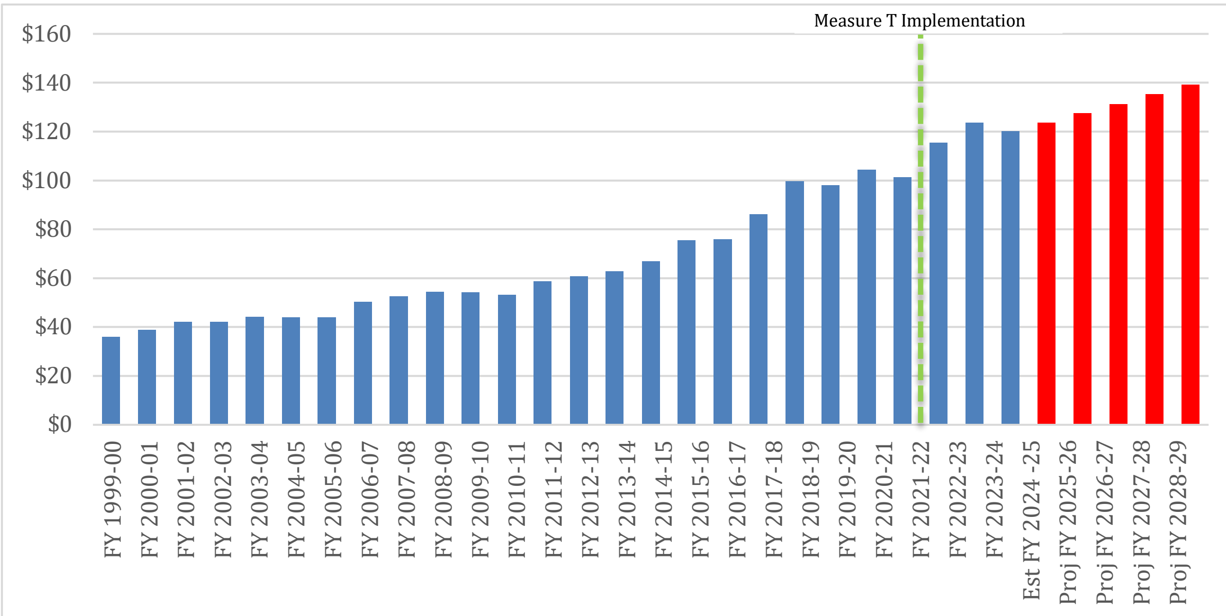
Business Tax

The Business Tax (BT) is charged annually to Oakland businesses based on either gross receipts or rental income. The rate on gross receipts varies by type of business, ranging from a low of $0.50 per $1,000 of receipts for grocers to $5.50 per $1,000 of receipts for the largest businesses in the miscellaneous category. The rate on rental income is $13.95 per $1,000. The rates for the BT were changed to a tiered based system by voters at the November 2022 election with the passage of Measure T.

In FY 2024-25, several large business accounts have closed. Notable departures include companies shrinking their administrative headquarters such as Kaiser Permanente relocating staff and selling buildings, as well as businesses in real estate, hospitality, and the Athletics Investment Group, LLC. Collectively account closures account for over $4 million in lost revenue, with the 29 largest businesses representing over $3 million out of that revenue loss based on prior year payments from these entities. Large account closures present a particularly significant risk, especially considering that 10% of businesses contribute to over 80% of the total taxes collected for the 2025 renewal. This highlights a narrow revenue stream for BT. Additionally, just 500 businesses make up 54% of BT's total revenue, which further emphasizes the concentration of income sources.

However, the Business Tax has traditionally been a steady revenue source for the City, as highlighted in Figure 9, though it's closely linked to economic conditions. Over the last 20 years, it grew at a solid rate of over 5% annually (adjusted for Measure T), but the closures in FY 2024-25 have tempered expectations. The lasting impact of the COVID-19 pandemic has slowed progress, and this downturn has created a new, more careful baseline for predictions, aligning with broader economic trends rather than the higher historical average. Even so, key revenue categories like Rental Property, Business/Personal Services, and Professional/Semi-Professional Services, which combine to account for over 70% of all BT payments, have shown growth in FY 2024-25. As a result, the City projects an annual growth of 3.71% on average during the forecast period, reflecting a more moderate recovery compared to historical trends but assuming the continual growth shown on Figure 9 below.

Figure 9 - Business Tax Over Time ($ in Millions)



Real Estate Transfer Tax

Until December 31, 2018, the Real Estate Transfer Tax (RETT) rate on residential and commercial sales was 1.61% of the value of each real estate transaction. Oakland's share was 1.5% with Alameda County receiving the remaining 0.11%. The tax is triggered by the transfer of property ownership, and both the buyer and seller are responsible for ensuring the tax is paid.

On November 6, 2018, Oakland voters approved Measure X, establishing a progressive real estate transfer tax rate for the City. The new rates became effective on January 1, 2019 and are as follows:

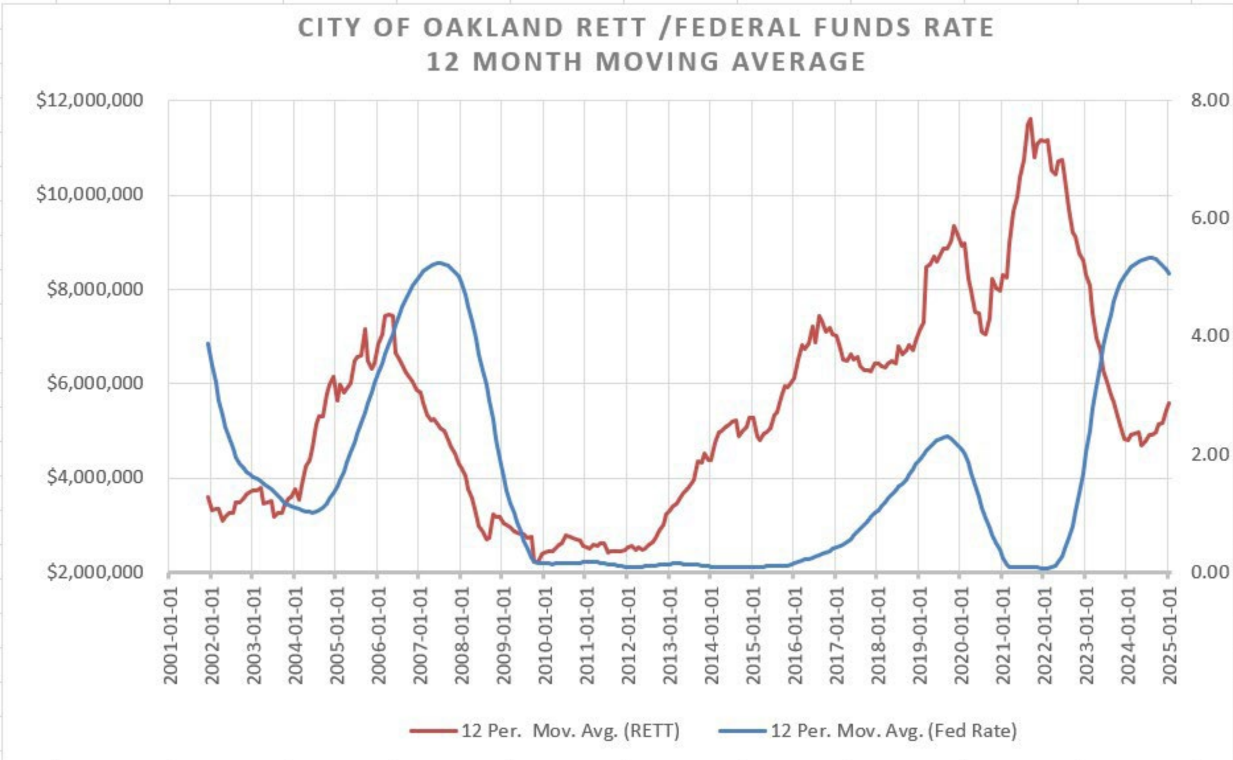
Transfers up to $300,000	1.00%
$300,001 to $2,000,000	1.50%
$2,000,001 to $5,000,000	1.75%
$5,000,001 and above	2.50%

As shown in Figure 10, RETT revenues can be volatile, subject to fluctuations based on a handful of high value transfers in a given year and changes in the transfer rate overall. The number and value of transactions cannot be easily predicted year to year. Given the volatility, the Consolidated Fiscal Policy (See Appendix B) states that if actual RETT revenues exceed the adopted budget amount by more than 15%, the RETT greater than 15% of GPF Tax Revenue is to be considered one-time or “Excess RETT.” One-half of Excess RETT may be spent on one-time expenditures, 25% is to be allocated to the Vital Services Stabilization Fund and 25% is allocated to repayment of long-term obligations.

In fiscal year 2024-25, Real Estate Transfer Tax (RETT) collections to date have seen an improvement compared to a decline observed in FY 2023-24, driven by a 9.7% increase in property sales through the second quarter, amounting to 167 additional transactions and a 16.9% rise in gross sales value compared to the same period in the previous year. This growth may be attributed to three interest rate cuts implemented by the Federal Open Market Committee (FOMC) within the fiscal year, boosting market activity. The current year’s improvement stands in contrast to FY 2023-24, when RETT collections fell sharply to $57.61 million against a budgeted $110.41 million. That shortfall stemmed from elevated federal funds rates, which pushed mortgage rates higher, dampened demand, and led to a 10.1% drop in sales compared to FY 2022-23.

Looking ahead, uncertainties around inflation cloud predictions about future interest rate reductions. The UCLA Anderson School’s 2025 Spring Economic Outlook suggests no rate cuts may be expected through 2027. On the final Summary of Economic Expectations to close 2024, the median FOMC projection indicated two rate cuts were expected for 2025, which reflects that persistent high rates could continue to cool the market by keeping mortgages costly and exerting downward pressure on prices. Historically, after the 2008 recession triggered a housing market crash, the Federal Funds Rate was reduced to help the sector’s recovery, yet Oakland’s RETT didn’t show significant improvement until 2013 and only exceeded its 2007 level until 2015 as shown in Figure 10 below.

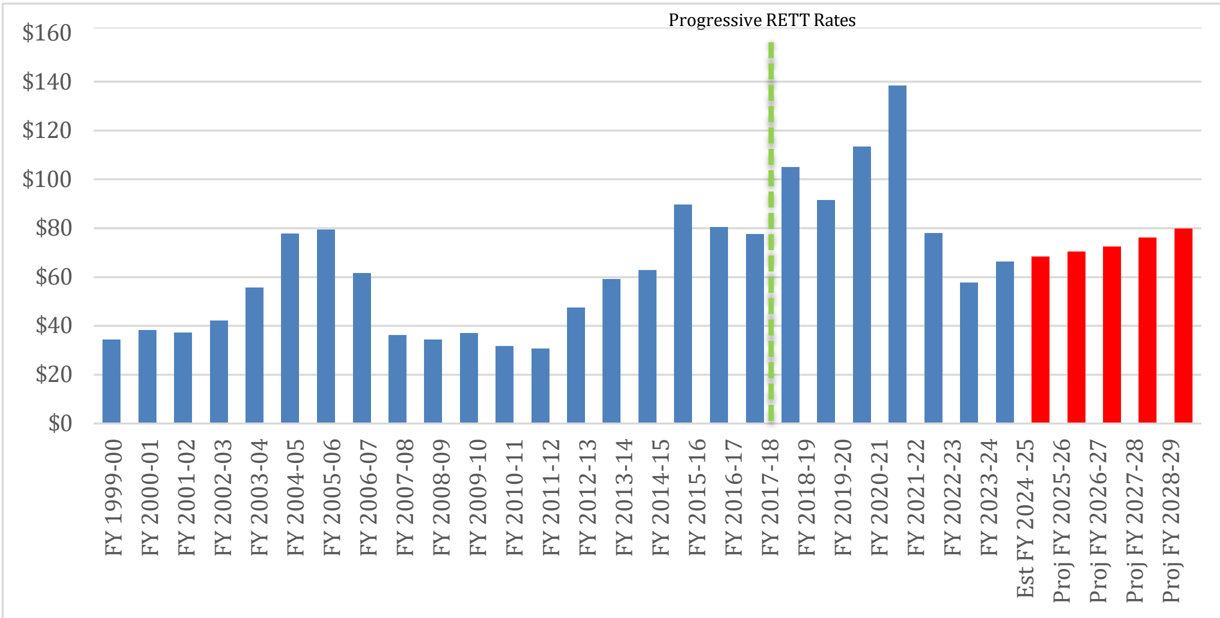
Figure 1010 - Real Estate Transfer Tax Compared to the Federal Funds Rate Over Time



Property sales price is another component that directly impacts RETT. Currently, a limited supply of homes for sale is propping up prices, but a substantial increase in inventory could tip the market toward buyers. Additional risks, like a potential recession, might further lower buyer confidence, especially in the Bay Area which is already one of the most expensive places to live in the country. This limits how much higher prices can realistically go. Nationally, housing price growth is expected to slow by 2026, with the S&P CoreLogic Case-Shiller U.S. National index forecasting a median home price rise of 2.7% year-over-year in Q4 2026 (down from 3.9% in Q4 2025), and the Federal Housing Finance Agency anticipating a 3.2% increase (compared to 3.7% in Q4 2025), signaling a broader trend of decelerating property appreciation.

The forecast estimates a moderate progressive growth in real estate transfer activity, with an average growth of 3.8% in RETT over the forecast period, but similarly to the 2008 recession does not anticipate an immediate rebound to prior highs, and projects to remain below the levels of RETT collected during the first four years following the implementation of Measure X as shown in Figure 11.

Figure 11 - Real Estate Transfer Tax Over Time ($ in Millions)



Transient Occupancy Tax (TOT)

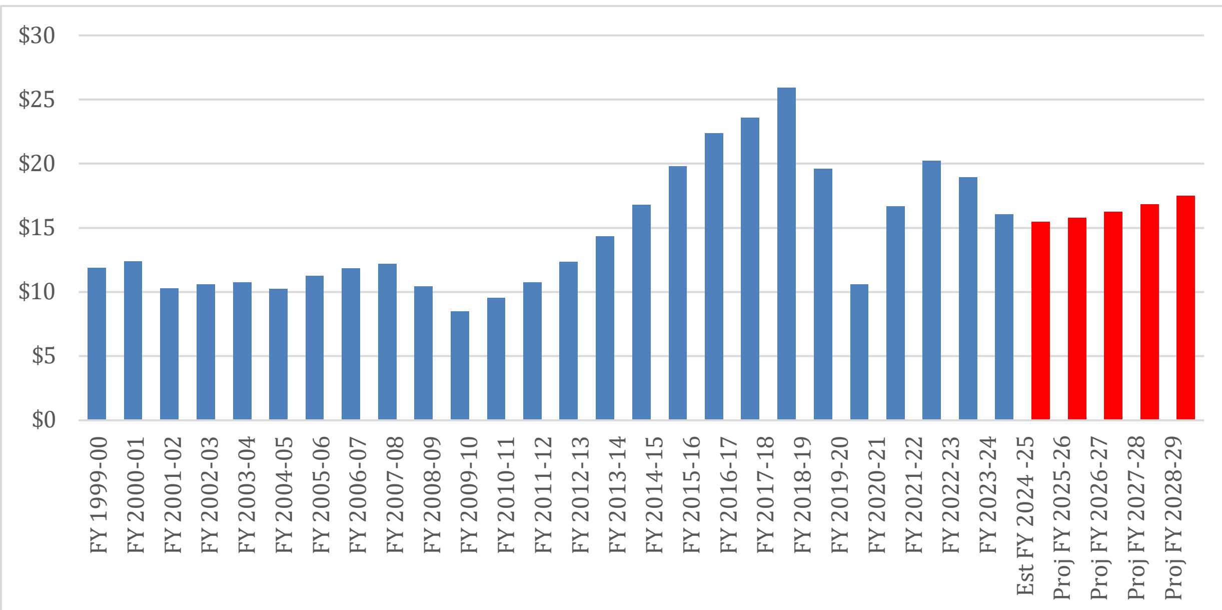
The Transient Occupancy Tax (TOT) rate is 14% of the hotel rate and is paid by individuals who stay thirty days or less in a hotel located within the City of Oakland. This tax is collected and remitted by hotel operators. The rate increased from 11% to 14% in FY 2008-09 due to the voter-approved Measure C tax surcharge. Measure C allocates the TOT revenue resulting from that 3% rate increase to support various community-based institutions, such as the Oakland Zoo; Oakland Convention and Visitors Bureau; Chabot Space and Science Center; Oakland Museum; and cultural art and festival activities. The Measure C portion (3%) is booked in a separate fund outside of the GPF.

Prior to the COVID 19 Pandemic, Transient Occupancy Tax (TOT) collections peaked in FY 2018-19, reaching $25.92 million collected in the General Purpose Fund (GPF). The pandemic impacted TOT severely, reducing GPF TOT collections to a low of $10.61 million in FY 2020-21. As the region emerged from the crisis, signs of recovery appeared, with TOT climbing to $20.20 million collected in the GPF in FY 2022-23. However, the upward trend reversed in FY 2023-24, with collections declining to $18.93 million, and the decline accelerated into FY 2024-25. In the first half of FY 2024-25, TOT collections plummeted by 14.4% compared to the same period in the prior year, underscoring persistent struggles in the hospitality sector's rebound.

Factors like falling commercial property values, growing public safety worries, decline in passenger volume at the Oakland Airport, and the exit of three major professional sports teams in recent years have impacted hotels and fueled this downturn. As of January 2025, Oakland's hotel metrics demonstrate the continuous downward trend. As of January 2025, over the past 12 months, hotel occupancy dropped by 1.8%, the average daily rate (ADR) fell by 2.8%, and revenue per available room (RevPAR) declined by 4.5%, contributing to declining revenues. Furthermore, the main contributor to projected TOT revenue declines comes from the closure of major hotels like the Hilton and Jack London Square's Waterfront Hotel, which have stripped away significant revenue sources for the City. There is concern regarding the potential for additional hotel closures in the foreseeable future. The current projection utilizes the Fiscal Year 2024-25 year-end estimate as its baseline and applies a conservative reduction for additional hotels deemed at risk in fiscal year 2025-26. Across the outer four-years, the projections anticipate a modest gradual recovery but are predicted to remain below the FY 2023-24 year end actuals during the entire forecast period.

Figure 12 shows the TOT revenue historical trend since 2000 and provides a five-year projection.

Figure 12 - Transient Occupancy Tax Over Time ($ in Millions)



Parking Tax

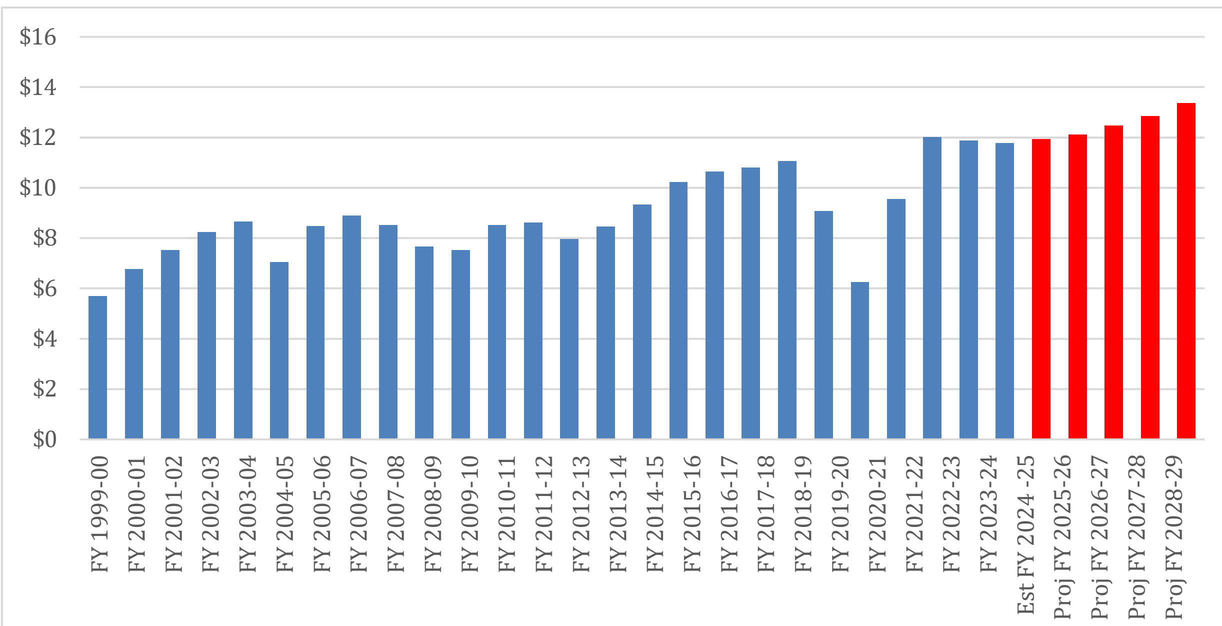
The Parking Tax (PT) is a tax imposed on the occupant of an off-street parking space. The tax rate is 20% (10% supports voter-approved Measure NN – Oakland Community Violence Reduction and Emergency Response Act of 2024 and is allocated to a separate fund) and is collected by parking lot and garage operators. The Measure NN parking tax surcharge, which took effect on January 1, 2025, increased the parking rate surcharge to 10% from 8.5% under Measure Z, the City's prior Violence Prevention measure, increasing the parking tax rate overall from 18.5% to 20%.

Over 90% of the City's Parking Tax revenue is generated from travel-related activities, including parking at or near the Oakland International Airport, and from the downtown area. As such, the Parking Tax revenues are strongly correlated with passenger volume at the airport and travel activity more generally, as well as with business activity in the downtown area. Like most of the other revenue categories, PT suffered following the onset of the COVID-19 pandemic, which emptied downtown offices and triggered large reductions in both business and personal travel. Across the city, PT revenues have now returned to levels seen before the COVID-19 pandemic. Notably, the downtown area has experienced significant year-over-year increases in parking tax collections over the past three fiscal years (FY 2021-22 to FY 2023-24), with sequential annual rises of 31%, 18%, and 11% of revenue collected respectively. However, airport passenger traffic remains low and has not recovered from the downturn caused by the pandemic.

In addition to the increase attributed to Measure NN, the first two years of the forecast assume a growth rate of 1.5%—half of the 20-year historical average of 3%—due to lower airport traffic, PT losses from major hotel closures, and reduced PT revenue from the absence of A's games. In years three and four, the forecast returns to the 20-year average growth rate of 3%. By year five, the expected growth rate rises to 4%, reflecting anticipated increases due to recoveries in downtown office occupancy and airport activity as we move forward.

Figure 13 illustrates the historical trend of parking tax (PT) revenue alongside a five-year forecast.

Figure 13 - Parking Tax Over Time ($ in Millions)



Local (Parcel) Taxes

Local parcel tax revenues consist of revenues approved by the voters. Parcel taxes appear as an assessment on the local property tax bills of real property owners whose property falls within the boundary of the assessment district. These various assessments fund important public services, such as libraries (Measures Q & D) and violence prevention and public safety (Measure NN). Since the last Five Year Financial Forecast, two new revenue generating Measures were approved by Oakland voters in November 2024. Measure MM was passed for 20 years on parcels within the wildfire prevention zone for the purposes of reducing wildfire risk, and Measure NN was passed to maintain and increase a parcel tax and a parking tax surcharge for a period of nine years to fund police and fire services.

Some of these local taxes, such as the pension override tax, increase with assessed property values; some local parcel taxes, such as the landscape and lighting district and the vacant property tax, do not adjust; and some local parcel taxes, such as paramedic emergency services parcel tax (Measure N) adjust with the CPI. Local taxes used to pay debt service obligations are projected to grow in line with debt payment obligations. Parcel taxes with a built-in escalator (e.g. CPI) are projected to grow with inflation, while others are expected to fluctuate around their current levels (e.g. vacant parcel tax). The Local Tax assessments of various funds are prepared every year by a District Engineer contracted by the City. FY 2025-26 estimates were provided by the City's designated District Engineer, Francisco & Associates, Inc. The outer years assume a CPI increase. Overall, Local Taxes are projected to grow from $351.53 million to $388.84 million during the forecast period.

Utility Consumption Tax

The Utility Consumption Tax (UCT) is a tax imposed on any person who receives services regarding tangibles or intangibles via the public rights-of-way including but not limited to services such as telephone, gas, alternate fuels, electrical, cable television, pay television, satellite dish reception, teletype writer, facsimile exchange and other electronic and telecommunication transmissions. The FY 2024-25 forecast reflects a significant boost from a 12.7% utility rate increase approved by the California Public Utilities Commission (CPUC) in 2024. Pacific Gas and Electric (PG&E), a key driver of the City's Utility Users Tax (UCT), rolled out this increase gradually over the course of 2024. As UCT is tied to utility bills, these incremental rate increases have driven up tax revenue. According to the CPUC's Public Advocates Office 2024 Q4 Report, residential average utility rates have significantly increased by 101% over the previous 10 years leading to February 2025.

In FY 2023-24, UCT collections reached $66.22 million, while the FY 2024-25 projection of $71.67 million marks an increase of $5.45 million, or 8.2%, year over year. Looking ahead, the California Energy Commission's 2024 Demand Forecast estimates PG&E's sales will grow at an annual rate of 2.9% through 2040. Statewide baseline electricity consumption, excluding data centers, is predicted to rise by 2.2% from 2024 to 2030, according to the 2024 California Energy Commission's Preliminary Annual Consumption and Sales Forecast Results. Meanwhile, PG&E implemented another 1.5% increase in residential electric rates starting January 2025, marking its sixth rate hike within a 12-month period. In addition, PG&E has proposed a further 2-4% rate increase for January 2026, reflecting ongoing efforts to fund infrastructure upgrades and wildfire mitigation. Overall, the forecast estimates annual growth of approximately 4.6% throughout the forecast period, accounting for the anticipated rate increases and consumption growth which are both expected to grow consistently.

Licenses, Permits, and Service Charges Including Parking Meter Collections

Service charges and other similar revenues are projected to grow with inflation tied to staffing costs during the forecast period. Historically, the City Council has approved fee increases based upon growth in the CPI or cost of living adjustments. The growth assumptions in the forecast are based on the expected CPI annual increases for the San Francisco Bay Area based on the California Department of Finance estimates. The initial reduction estimated for service charges in year one of the forecast is due to refuse franchise fees no longer being budgeted due to legal restrictions.

Most of these revenues are considered cost recovery. Each department prepares amendments to the Master Fee Schedule and presents these proposed amendments to the City Council in the Spring; if approved, these changes are incorporated into the budget. Notably, Parking Meter Fees, which make up 33% of Service Charges, absorbed a 50% one-time parking meter rate increase that took effect in FY 2024-25, which increased the hourly rates from $2 to $3. Further improvements to parking meter services are under consideration for the forecast period. Implementing these changes would necessitate legislative approval and additional resources. Proposed enhancements are shown on Table 9 below.

Table 9: Proposed Parking Meter Service Enhancements

Parking Meter Service Enhancement	Annual Estimate in USD
Sunday Metering, Noon to 6 PM. Add 6 Meter Hours to the Existing 60 Hours (Estimated to Increases Revenue by 10%)	$1,300,000
Effective Meter Management. Eliminate Coins (Except in Fruitvale/Chinatown), Improve Meter Maintenance and Enforcement	$335,000
Increase the Number of Parking Meters	$335,000
Total	**$1,970,000**

Parking Citations, Fines and Penalties

Revenues from the City's fines and penalties have been fairly consistent over the past five fiscal years, ranging between the lowest collected amount of $17.79 million in FY 2020-21 to the highest collection of $20.37 million in FY 2021-22. Parking citations are the major revenue source, and corresponding revenue expectations have increased due to a 5% increase in fines implemented in FY 2023-24, followed by another 5% increase in FY 2024-25 to account for retroactive inflation. Additionally, increased parking enforcement efforts, supported by new hires in the Parking Enforcement Unit aiming for full staffing in the field at the start of Q4 in FY 2024-25, have led to a 20% rise in parking fine collections through the second quarter of FY 2024-25 compared to the same period in the previous fiscal year. This upward trend is expected to be sustained but stabilize during the forecast period with an average growth rate of 2.7% over the 5 years.

Further improvements to parking enforcement services are under consideration for the forecast period. Implementing these changes would necessitate legislative approval and additional resources, such as increased staffing for the parking enforcement unit. Proposed enhancements are shown on Table 10 below.

Table 10: Proposed Parking Enforcement Enhancements

Parking Enforcement Service to be Instituted / Expanded	Yearly Estimate in USD
Institute Graveyard Shift Rovers	$900,000
Restore Parking Enforcement Swing Shift	$2,000,000
Add Parking Control Technicians to 8am Street Sweeping Shift	$1,000,000
Add Parking Control Technicians to 7am/9am General Enforcement	$800,000
Total	**$4,700,000**

Interest Income & Miscellaneous Revenue

Miscellaneous revenue is primarily comprised of property sales, bond sales, equipment financing, and litigation recoveries. Most of these revenues are infrequent and considered one-time. The GPF projection assumed throughout the forecast period considers the 10-year median of actual collections through FY 2023-24 adjusted for potential offsetting liabilities, such as restricted legal settlements, which are also categorized as miscellaneous revenues, and cannot be accounted for in the overall balancing of the General Purpose Fund. Large, one-time miscellaneous revenues, like a $5 million property sale that occurred in FY 2024-25, lead to notable year-over-year volatility in miscellaneous revenue collections, such as those expected between FY 2024-25 and FY 2025-26. For GPF Interest, eroded daily cash balances have eliminated any expectations for significant interest accrual. The forecast excludes interest that is adjusted at year-end in the City's ledger to reflect the difference between an investment's book value and its market value, based on changes in yield rates. This adjustment aligns the City's financial reporting with market conditions, but it is not realized revenue.

Internal Service Revenue

Internal service funds (ISF) are used to report and recoup the cost for a department to provide services to other departments. These revenues are estimated to grow as the component costs associated with the services grow, such as labor costs or fuel costs. On the expenditure side, these additional revenues are offset by costs that are allocated to each fund in proportion to its share of those costs in the forecast. Therefore, any increase in revenues associated with internal service revenue activities derive from offsetting corresponding expenditures.

Grants & Subsidies

Grants and subsidies consist of both on-going grants, such as the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG), and miscellaneous, or one-time grants for specific purposes. It is important to note that grant levels may be impacted by various budget-balancing measures at the State and Federal level. With the new Federal Administration and recent moves by the Department of Government Efficiency, local governments face growing risks. The administration has signaled plans to cut federal spending in various areas, which could mean reductions or reallocations of grants—even those considered ongoing. Another risk involves shifts in grant priorities that may not align with local needs potentially leaving local programs underfunded. The City also has several grant funded positions which may lack funding if the grants go away, necessitating additional staff reductions or reprioritizing of available resources. During the forecast period, re-occurring grants are expected to be renewed at the current levels. Competitive grants that are applied for and appropriated during the operating year are not included.

Interfund Transfers

Interfund transfers are transfers between funds to recover costs associated with providing services or paying debt service. This includes transfers into the City's Self Insurance Fund, the Kids First Oakland Children's Fund, the Development Service Fund, the Police and Fire Retirement Services (PFRS) General Obligation Bond Fund, and the Joint Powers Financing Authority (JPFA) Lease Revenue Bond Fund. These revenues are projected to remain constant throughout the forecast period except for the transfer on to the PFRS fund which is anticipated to sunset at the end of FY 2025-26.

Transfers from Fund Balance

Transfers from fund balance are one-time transfers necessary when expenses outpace revenues in any given year. These transfers are implemented on an as-needed basis and are only an option when unallocated fund balance is available. The forecast does not anticipate any transfers from fund balance in the GPF during the forecast period since the fund balance in the GPF has been fully absorbed to cover the recent budgetary shortfalls.

Revenue Forecast Summary

As shown in the tables below, GPF revenues are projected to grow from $779.01 million to $909.13 million between FY 2025-26 and FY 2029-30, increasing at an annual average rate of approximately 3.74% over the forecast period.

Table 11 - GPF Revenues by Category ($ in Millions)

General Purpose Fund (1010)	FY 2023-24 Year-End Actuals	FY 2024-25 Q2 Projections	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	$299.15	$312.91	$322.29	$332.29	$345.58	$362.41	$379.84
Sales Tax	$61.74	$61.04	$62.02	$63.82	$65.86	$68.10	$70.35
Measure A Sales Tax	$0.00	$0.00	$22.13	$30.68	$31.67	$32.74	$33.82
Business Tax	$123.48	$116.11	$123.71	$127.42	$131.24	$135.18	$139.23
Utility Consumption Tax	$66.22	$71.82	$75.62	$79.63	$82.97	$86.46	$90.09
Real Estate Transfer Tax	$57.61	$66.31	$68.30	$70.34	$72.45	$76.08	$79.88
Transient Occupancy Tax	$18.93	$16.07	$15.48	$15.79	$16.26	$16.83	$17.50
Parking Tax	$11.87	$11.76	$11.94	$12.12	$12.48	$12.85	$13.37
Licenses & Permits	$1.44	$1.16	$1.35	$1.35	$1.35	$1.35	$1.35
Fines & Penalties	$19.19	$22.73	$24.20	$24.45	$24.69	$25.18	$25.94
Interest Income	$3.55	$2.50	$0.34	$0.31	$0.30	$0.30	$0.30
Service Charges	$46.98	$56.35	$48.89	$50.26	$51.77	$53.22	$54.71
Grants & Subsidies	$1.77	$0.59	$0.00	$0.00	$0.00	$0.00	$0.00
Miscellaneous Revenue	$9.14	$14.08	$2.75	$2.75	$2.75	$2.75	$2.75
Interfund Transfers	$13.08	$3.08	$0.00	$0.00	$0.00	$0.00	$0.00
Total	**$734.15**	**$756.51**	**$779.01**	**$811.20**	**$839.37**	**$873.45**	**$909.13**
Growth	**N/A**	**3.05%**	**2.97%**	**4.13%**	**3.47%**	**4.06%**	**4.09%**

All Funds (which includes the GPF) are projected to rise from $1.87 billion in the first year of the forecast to $2.03 billion by FY 2029-30, as shown in Table 12 below.

Table 12 – All Funds Revenues by Category ($ in Millions)

All Funds	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	$340.43	$350.60	$365.88	$383.69	$402.15
Sales Tax	$96.79	$99.60	$102.78	$106.28	$109.78
Measure A Sales Tax	$22.13	$30.74	$31.64	$32.51	$33.35
Gas Tax	$23.35	$23.99	$24.65	$25.08	$25.64
Business Tax	$123.71	$127.42	$131.24	$135.18	$139.23
Utility Consumption Tax	$75.62	$79.63	$82.97	$86.46	$90.09
Real Estate Transfer Tax	$68.30	$70.34	$72.45	$76.08	$79.88
Transient Occupancy Tax	$19.70	$20.09	$20.70	$21.42	$22.28
Parking Tax	$23.87	$24.23	$24.96	$25.71	$26.73
Local Tax	$351.53	$357.23	$367.95	$378.25	$388.84
Licenses & Permits	$31.08	$31.08	$31.08	$31.08	$31.08
Fines & Penalties	$26.33	$26.59	$26.85	$27.39	$28.21
Interest Income	$2.44	$2.41	$2.48	$2.55	$2.63
Service Charges	$234.07	$239.79	$248.83	$255.79	$262.96
Internal Service Funds	$143.84	$143.23	$147.53	$151.66	$155.91
Grants & Subsidies	$70.50	$70.50	$70.50	$70.50	$70.50
Miscellaneous Revenue	$39.65	$39.65	$39.65	$39.65	$39.65
Interfund Transfers	$178.34	$123.62	$121.67	$121.67	$121.67
Total	**$1,871.67**	**$1,860.75**	**$1,913.81**	**$1,970.95**	**$2,030.59**
Growth	**N/A**	**-0.58%**	**2.85%**	**2.99%**	**3.03%**

Revenue Growth Rates

On a percentage basis, revenues are forecasted to grow as shown below. The Revenue Forecast Assumptions section beginning on page 28 provides more information on the rates reflected below.

Table 13 - GPF Revenue Growth Rates by Category

General Purpose Fund (1010)	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	3.00%	3.10%	4.00%	4.87%	4.81%
Sales Tax	1.60%	2.90%	3.20%	3.40%	3.30%
Measure A Sales Tax	N/A	38.68%	3.20%	3.40%	3.30%
Business Tax	6.54%	3.00%	3.00%	3.00%	3.00%
Utility Consumption Tax	5.29%	5.30%	4.20%	4.20%	4.20%
Real Estate Transfer Tax	2.99%	3.00%	3.00%	5.00%	5.00%
Transient Occupancy Tax	-3.68%	2.00%	3.00%	3.50%	4.00%
Parking Tax	1.50%	1.50%	3.00%	3.00%	4.00%
Licenses & Permits	16.12%	0.00%	0.00%	0.00%	0.00%
Fines & Penalties	6.49%	1.00%	1.00%	2.00%	3.00%
Interest Income	-86.40%	-8.82%	-3.23%	0.00%	0.00%
Service Charges	-13.24%	2.80%	3.00%	2.80%	2.80%
Miscellaneous Revenue	-80.48%	0.00%	0.00%	0.00%	0.00%
Interfund Transfers	-100.00%	0.00%	0.00%	0.00%	0.00%
Total	**2.97%**	**4.13%**	**3.47%**	**4.06%**	**4.09%**

Table 14 - All Funds Revenue Growth Rates by Category

All Funds	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	2.99%	4.36%	4.87%	4.81%
Sales Tax	2.90%	3.20%	3.40%	3.30%
Measure A Sales Tax	38.95%	2.90%	2.75%	2.60%
Gas Tax	2.74%	2.75%	1.75%	2.22%
Business Tax	3.00%	3.00%	3.00%	3.00%
Utility Consumption Tax	5.30%	4.20%	4.20%	4.20%
Real Estate Transfer Tax	3.00%	3.00%	5.00%	5.00%
Transient Occupancy Tax	2.00%	3.00%	3.50%	4.00%
Parking Tax	1.50%	3.00%	3.00%	4.00%
Local Tax	1.62%	3.00%	2.80%	2.80%
Licenses & Permits	0.00%	0.00%	0.00%	0.00%
Fines & Penalties	1.00%	1.00%	2.00%	3.00%
Interest Income	-1.23%	3.10%	3.00%	3.00%
Service Charges	2.45%	3.77%	2.80%	2.80%
Internal Service Funds	-0.42%	3.00%	2.80%	2.80%
Grants & Subsidies	0.00%	0.00%	0.00%	0.00%
Miscellaneous Revenue	0.00%	0.00%	0.00%	0.00%
Interfund Transfers	-30.68%	-1.58%	0.00%	0.00%
Total	**-0.58%**	**2.85%**	**2.99%**	**3.03%**

EXPENDITURES

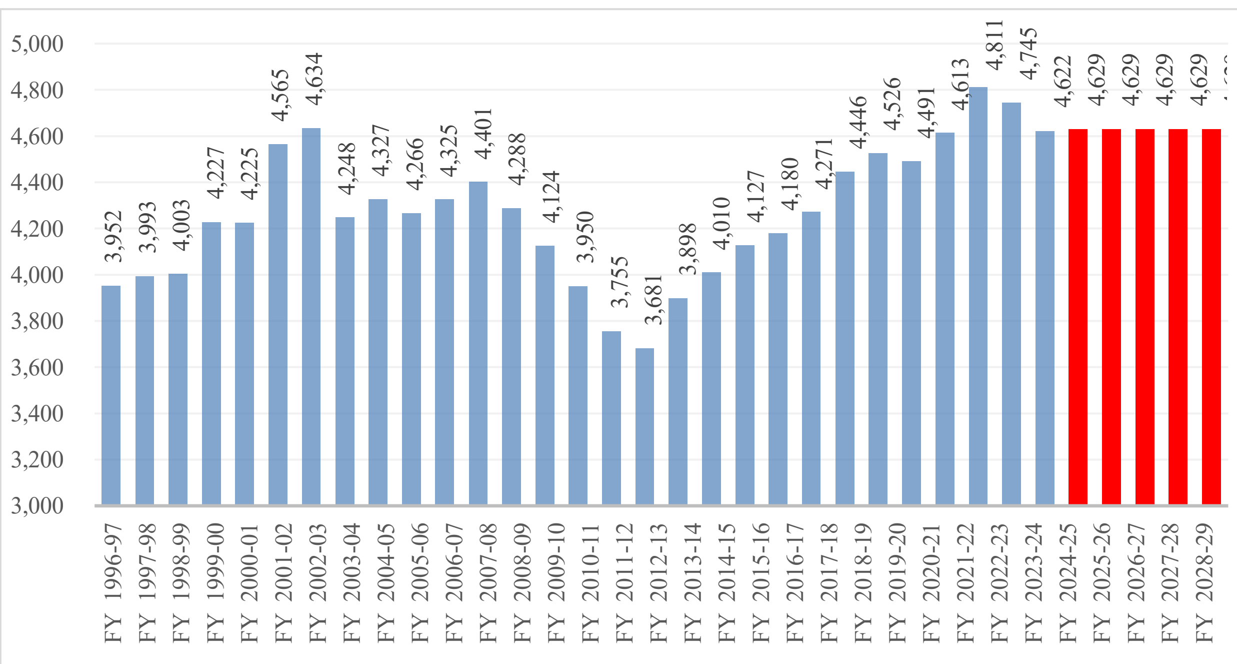
This section presents a summary of the forecast results for each major category of expenditure as well as historical trends, assumptions for projections, and background information. Key expenditure categories include wages, fringe benefits, retirement contributions, operations and maintenance, and the "debt, transfer and other" category.

Background Information and Assumptions

The expenditure forecast follows the guidance of the Government Finance Officers Association (GFOA), which recommends that expenditures be grouped into meaningful units of analysis, such as departments and standard budget categories of expenditures.

The expenditure forecast is based on the expectation that staffing levels will increase from the current level of 4,622 Full Time Equivalent (FTE) personnel counts to 4,629 in FY 2025-26 and then remain constant at 4,629 in subsequent years. Estimated expenditures are adjusted for inflation, previously negotiated salary increases, and anticipated changes due to economic conditions. To the extent that the cost of providing the current service level exceeds the budgetary allocation, the forecast is adjusted to reflect actual anticipated expenditures. Changes in personnel and O&M expenditures beyond FY 2025-26 reflect increases in the costs that drive those expenditures rather than additional positions or services. Figure 14 shows historical budgeted FTE personnel counts across all City Funds and the forecast FTE for the forecast period.

Figure 14 - All Funds Historical FTE Summary



For purposes of estimating future expenditures, the second year (FY 2026-27) of the Budget Baseline was used as the starting point for the additional three years of the forecast. In most cases growth rates were applied based upon the account codes designated for different types of expenditure items. Growth rates were developed for items such as health care cost increases, inflation, and fuel and utility costs. Estimates of retirement costs were developed based on projections developed by CalPERS actuaries. The forecast further assumes that no new debt is issued without dedicated revenue and that CalPERS achieves its expected rate of return in each year of the forecast, and pension rates do not increase from estimates provided in July 2023.

Table 15 presents the historical General Purpose Fund expenditures by category for the period from FY 2020-21 through FY 2024-25.

Table 15 – General Purpose Fund Expenditures FY 2020-21 to 2024-25

Category	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25*
Wages	$284.54	$275.54	$321.62	$372.51	$357.54
Fringe Benefits	$91.44	$62.81	$78.95	$97.17	$91.57
Retirement	$126.33	$100.13	$120.03	$139.37	$138.90
Operations & Maintenance	$100.85	$122.38	$160.77	$147.27	$179.55
Debt, Transfers and Other	$40.93	$111.14	$101.07	$58.49	$76.14
Total	**$644.09**	**$672.00**	**$782.44**	**$814.81**	**$843.69**

*Amounts used in FY 2024-25 are based on the FY 2024-25 Second Quarter Revenue & Expenditure Report

Summary of Assumptions

The following tables summarize the assumptions used in the forecast by category of expenditure. In the subsequent sections, each forecast category is discussed in detail. The forecast assumes a constant level of staffing and services starting with the third year of the forecast; as such, the FTE count for the City remains constant in years three through five of the Forecast.

Table 16 - Expenditure Assumption Summary

Salary and Payroll Expenditure Assumptions % Growth					
Employee Group	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Civilian	0.00%	0.00%	CPI	CPI	CPI
Police	3.00%	0.00%	CPI	CPI	CPI
Fire	3.00%	0.00%	CPI	CPI	CPI
Note: Based on approved MOUs with the IBEW, Local 1245 and CMEA, IAFF, and OPOA. Assumes 2-3% CPI growth for other bargaining groups.					

Assumed PERS Retirement Rates - Employer Contribution					
Employee Group	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Civilian	38.17%	39.36%	39.90%	42.10%	41.78%
Police and Fire	63.76%	64.85%	65.44%	67.88%	67.20%

Assumed Fringe Benefit Rates					
Employee Group	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Civilian	36.51%	37.31%	38.84%	40.46%	42.18%
Police	30.92%	31.92%	32.67%	33.47%	34.32%
Fire	36.16%	37.16%	37.91%	38.71%	39.56%

Expenditures % Growth					
Category	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Supplies	0.00%	0.00%	CPI	CPI	CPI
Contract Services	0.00%	0.00%	CPI	CPI	CPI
Travel & Education	0.00%	0.00%	CPI	CPI	CPI
Capital Acquisition	0.00%	0.00%	0.00%	0.00%	0.00%
Other Exp. and Dis.	0.00%	0.00%	0.00%	0.00%	0.00%

Utilities Assumed % Growth					
Category	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Fuel	7.27%	0.00%	4.74%	4.53%	4.33%
Natural Gas	10.06%	0.00%	6.52%	6.12%	5.77%
Electricity	-11.57%	0.00%	3.97%	3.82%	3.68%
Water	-15.85%	0.00%	3.70%	3.57%	3.45%
Utility Services	-7.06%	0.00%	3.39%	3.28%	3.18%

Salaries & Payroll Expenditures

The base values of salaries and premiums used in the Forecast reflect actual values from the City's baseline budget as of February 2025. This payroll snapshot captures salaries and premiums paid and is used as the base for FY 2025-26 and onward. The snapshot is then adjusted to incorporate any known changes in benefit rates. The City's established baseline methodology captures negotiated wage increases approved in labor contracts that cover the relevant forecast period. For the OPOA, this includes all the economic provisions covering the duration of the approved agreement through June 30, 2026. These terms included a 3% wage increase in FY 2025-26. For the IAFF, the Forecast reflects the terms of the labor agreement through June 30, 2026 and includes a 3% wage increase in FY 2025-26. For the City's other bargaining units, the forecast assumes no wage increase in the first two years (FY 2025-26 and FY 2026-27). Each year thereafter, for which no agreements exist, the City's forecast assumes wage growth commensurate with mainstream inflation expectations, ranging from 2% to 3%.

Active Retirement & Pension Plans (CalPERS)

Projected future pension rates for active employees are based on estimates provided by the California Public Employees Retirement System (CalPERS). Table below shows the retirement rates by employee group over the five-year forecast window. The projected rates are provided by CalPERS and assume that the expected rate of return is achieved in each year of the forecast. Modest variations in actual returns (including market losses) could result in substantially higher (or lower) pension rates than what is shown in the table.

The rates are expressed as a percentage of payroll to facilitate comparison. However, beginning in FY 2017-18, CalPERS began requiring participating local employers to pay the unfunded actuarial liability (UAL) as a flat dollar amount to "decouple" wage growth (or lack thereof) from proper amortization of the UAL. The flat dollar UAL amounts are also shown in the table for comparison purposes. As shown in Table 17 below, retirement costs as a percent of payroll are expected to decrease for the civilian workforce each year throughout the forecast period. This is due largely to the increasing number of newly hired workers entering a lower cost pension benefit tier and the decline in workers in the more expensive previous benefit tier as current employees retire or employee turnover occurs (see Table - Pension Tiers below).

Table 17 - Assumed CalPERS Retirement Rates & UAL Contributions ($ in Millions)

Assumed PERS Retirement Rates - Employer Contribution					
Employee Group	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Civilian	38.17%	39.36%	39.90%	42.10%	41.78%
Police and Fire	63.76%	64.85%	65.44%	67.88%	67.20%
Combined UAL ($)	$173.47	$186.11	$196.06	$216.27	$221.37
UAL Increase (%)	7.93%	7.29%	5.35%	10.31%	2.36%

The funded ratios of the safety and miscellaneous (civilian) plan with CalPERS are below 100%. Based on the most recent Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024, the Miscellaneous (Civilian) plan is funded at 68.8% with a $1,052 million unfunded liability, and the Safety (Police & Fire) plan is funded at 62.0% with a $1,083 million unfunded liability. The City will continue to improve these funded ratios through increases in CalPERS' required contributions.

Table 18 - City Pension Funded Ratios and Unfunded Amounts

Funded Ratios and Unfunded Amounts for City Pension Plans		
Plan	**Unfunded Amount**	**Funded Ratio**
CalPERS - Miscellaneous	$1,052 million	68.80%
CalPERS - Public Safety	$ 1,083 million	62.00%

The implementation of a multi-tier pension benefit structure has helped to ease the financial condition in the long term. Some of the features are within the State Pension Reform regulation (AB340). Recent pension reform in Oakland is summarized in the table below:

Table 19 - Pension Tiers

Pension Descriptions	Public Safety Employees	Civilian Employees	Effective Dates
1st Tier	3% @ 50	2.7% @ 55	Prior to Feb. 2012
2nd Tier	3% @ 55	2.5% @ 55	Feb. 2012 for Public Safety Employees and June 2012 for Civilian Employees
3rd Tier	2.7% @ 57	2.0% @ 62	January 1, 2013

- Tier 1: 3% of the highest 12 consecutive month salary for each year of service at age 50 for public safety employees and 2.7% of the highest 12 consecutive month salary for civilian employees
- Tier 2: 3% of the 3 year average salary at age 55 for public safety employees and 2.5% highest three consecutive year average at age 55 for civilian employees
- Tier 3: 2.7% of final 3 year average salary and subject to established cap at age 57 for public safety employees; 2.0% of final 3 year average salary and subject to established cap at age 62 for civilian employees. The third tier was added in accordance with the Public Employees' Pension Reform Act of 2013 (PEPRA)

Fringe Benefits

Fringe benefits are paid by using an accrual methodology based upon payroll. Each year a rate is established, and that rate is used to capture income from the City's various funds to pay the fringe benefits that the City owes for its active and retired employees. Fringe benefit rates for the first two years of the Five-Year Forecast are identical to the estimates used in the baseline budget. Civilian fringe benefits are accrued at 36.51% of payroll in the first year and 37.31% in the second year, sworn police fringe benefits are accrued at 30.92% of payroll in the first year and 31.92% in the second year, and sworn fire fringe benefits are accrued at 36.16% of payroll in the first year and 37.16% of payroll in the second year. Civilian and sworn fringe benefit expenditures are comprised of many components, including health insurance, retiree medical benefits, workers' compensation, dental and vision insurance, disability insurance, unemployment insurance, and others. However, health expenses are by far the largest category composing roughly two-thirds of fringe benefit costs.

The City's current labor contracts have a provision that the City will pay the full amount required for an employee's medical coverage up to the amount required to provide a Kaiser Foundation Health Plan.

As medical benefits are by far the largest share of active employee fringe benefits, the growth rate of fringe benefits is assumed to grow at the rate of medical inflation. The forecast relies on the Centers for Medicare & Medicaid Services' (CMS) projected health care cost inflation rates for the years of the forecast period.

Table 20 – Projected Health Care Inflation, Centers for Medicare & Medicaid Services

Projected Health Care Inflation, Centers for Medicare & Medicaid Services					
Fiscal Year	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**
Increase in Per-Capita Health Exp.	4.30%	5.30%	4.90%	5.20%	4.80%

Other Post-Employment Benefits

Fringe benefit accounts are also used to accrue payments for retiree medical, also known as Other Post-Employment Benefits (OPEB). The City pays a portion of health insurance premiums for retirees meeting certain requirements related to age and years of service. The OPEB are extended to retirees pursuant to approved labor agreements.

The City implemented Governmental Accounting Standard Board Statement No. 75 ("GASB 75") in FY 2017-18 for the first time, which addresses how local governments are required to account for and report OPEB costs and liabilities in their financial statements. GASB 75 – which replaced GASB 45 – generally requires that employers recognize the full OPEB liability in their Statement of Net Position. For FY 2023-24 (most recent audited year), the City will report a net OPEB liability of nearly $540 million in the Statement of Net Position.

In recognition of the City's significant unfunded liability for OPEB, in FY 2018-19 the City reached agreement with its sworn public safety (Fire and Police) unions – led by the Oakland Police Officers' Association (OPOA) – to cap retiree medical benefits for existing employees and implement new, lower-cost tiers for employees hired after January 1, 2019. These reforms provide significant – and much needed – long-term relief to the City's retiree medical program. As a result of these retiree medical reforms, in the first full fiscal year following enactment, the City's actuarial accrued liability decreased by more than $175 million, and that savings is forecast to increase substantially over the next 15 years relative to the status quo.

But benefit reforms alone are not enough to address the City's OPEB funding challenge. On February 26, 2019, the City Council approved the City's OPEB Funding Policy that authorized the set aside of 2.5% of payroll (approximately $15 million per year) into the City's OPEB Trust in addition to regularly paying the pay-as-you-go premiums. This multi-pronged approach to OPEB will allow the City to incrementally address its long-term OPEB funding challenges and help to ensure this benefit is available to its workforce into the future. These revised OPEB costs have been included in the City's Forecast.

Operations & Maintenance

Operations & Maintenance (O&M) expenditures in the two-year baseline are expected to decrease significantly from the levels in the FY 2024-25 Midcycle Adopted Budget. Any expenditures designated as one-time are removed from the baseline budget. No increases in O&M are assumed for the two-year baseline budget unless there are legal requirements. O&M for the three years beyond the two-year baseline are adjusted for assumed annual rate of inflation (CPI) for most expenditure categories such as supplies and contract services. Expenditures for energy and utilities, including motor fuel, natural gas, electricity, and water are based on a historical trendline analysis of each utility. In addition, internal service funds are estimated to grow beyond the two-year baseline based on the associated expense categories, such as salaries and wages or fuel costs associated with each activity (e.g., City Vehicle Rentals), and this expenditure growth is allocated proportionately to each fund based on its expected utilization in the second year of the two-year baseline.

Debt, Transfers & Other

Debt service expenditures are based on approved payment schedules included in the baseline. Many of the City's debt obligations are tied to specific dedicated revenue sources and thus do not impose a burden to the City's General Purpose Fund. However, most of the City's master leases are being supported by the General Purpose Fund (e.g., Parking Meters, Oracle, IBM, Vehicle & Equipment, etc.).

Transfers between funds, capital investments, and other expenditures are assumed to continue at baseline budget values unless there are other legal requirements or prescribed schedules. Examples include transfers related to approved debt obligations, the Kid's First! transfer, and transfers to the Self Insurance Liability Fund based upon its negative fund balance repayment schedule.

Capital Projects

In addition to the operating expenditures noted above, the City has significant capital expenditures. The City appropriates funding for capital projects alongside the biennial budget. Through the Capital Improvement Process, the City identifies and prioritizes capital projects from eligible funding sources. Most funding sources provide capital for infrastructure projects such as sewers, streets, and sidewalks.

The forecast assumes capital projects over the next five years in the same amount and from the same sources as the capital allocations in FY 2024-25.

Historically, the City has lacked significant dedicated funding streams for capital improvement of buildings, facilities, parks, and open space and as such most funding for these projects is derived from the General Purpose Fund or special one-time grant funds. With the passage of the Infrastructure Bond (Measure KK) in November 2016, an infusion of infrastructure funds will be available over the next decade totaling $600 million - $350 million for streets and sidewalks, $150 million for public facilities, and $100 million for affordable housing projects. In August 2017, the City issued the first tranche, or portion, of general obligation bonds for Measure KK in the amount of $117,855,000. In February 2020, the City issued the second tranche of general obligation bonds for Measure KK in the amount of $184,890,000. In February 2022, the City issued the third tranche of general obligation bonds for Measure KK in the amount of $212,315,000. The latest tranche issuance was in October 2023, when the City issued the fourth tranche of general obligation bonds for Measure KK in the amount of $52,475,000. A fifth and final tranche will be issued in the future. Approximately $397 million of bond proceeds has been spent and $169 million has been committed to the projects and programs for Measure KK. As of June 30, 2024, $32,465,000 of Measure KK general obligation bonds remains authorized but unissued.

With the passage of the Affordable Housing Infrastructure Bond (Measure U) in November 2022, additional infrastructure funds will be available totaling $850 million - $350 million for affordable housing, $290 million for streets and sidewalks safety, and $210 million for city facility improvements and restorations. In October 2023, the City issued the first tranche, or portion, of general obligation bonds for Measure U in the amount of $101,130,000. As of June 30, 2024, $748,870,000 of Measure U general obligation bonds remains authorized but unissued.

While the Infrastructure Bonds will substantially help reduce the City's backlog of unfunded high priority capital projects, the City's capital needs will likely still exceed available funding in certain categories such as storm drains and information technology infrastructure.

Expenditure Forecast Summary

Table 21 and Table 22 below provide Expenditures by Category for the GPF and All Funds, respectively.

Table 21 - GPF Expenditures by Category ($ in Millions)

Category	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Wages	$366.14	$366.14	$377.13	$387.69	$398.54
Fringe Benefits	$96.82	$99.59	$104.57	$109.80	$115.29
Retirement	$158.02	$175.89	$190.05	$204.41	$208.27
Operations and Maintenance	$154.73	$154.73	$160.23	$165.80	$170.64
Debt, Transfers and Other	$133.29	$130.61	$129.35	$135.63	$142.39
Total	**$908.99**	**$926.97**	**$961.33**	**$1,003.33**	**$1,035.12**
Growth	**N/A**	**1.98%**	**3.71%**	**4.37%**	**3.17%**

Table 22 - All Funds Expenditures by Category ($ in Millions)

Category	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Wages	$641.43	$641.43	$660.67	$679.17	$698.19
Fringe Benefits	$189.89	$195.14	$204.90	$215.14	$225.90
Retirement	$239.61	$253.51	$273.92	$294.62	$300.18
Operations and Maintenance	$590.20	$590.20	$609.70	$628.96	$647.20
Debt, Transfers and Other	$466.46	$452.59	$350.29	$359.43	$364.72
Total	**$2,127.59**	**$2,132.87**	**$2,099.49**	**$2,177.32**	**$2,236.19**
Growth	**N/A**	**0.25%**	**-1.57%**	**3.71%**	**2.70%**

Historic Cost Containment & Fiscal Planning

Prior Legislative Action

City leadership has continuously recognized and addressed unfunded needs and planned for future circumstances. The City Council has adopted several policies to improve the City's financial conditions. The table below lists major relevant legislation.

Table 23 - Past Legislative Actions Regarding Fiscal Policies

Policy	Date of Adoption	Resolution/Ordinance #
Policy on Balance Budget	July 15, 2003	Resolution #77922 C.M.S.
Policy on Charges for Services	July 15, 2003	Resolution #77924 C.M.S.
Reserve Policy – General Fund and Capital Improvement Fund	October 2, 2012	Ordinance #13134 C.M.S.
Debt Management Policy and Swap Policy for FY 2012-13	October 16, 2012	Resolution #84063 C.M.S.
Long-Term Financial Planning	April 2, 2013	Resolution #84264 C.M.S.
Consolidated Fiscal Policy	December 9, 2014 May 15, 2018 (amended)	Ordinance #13279 C.M.S. Ordinance #13487 C.M.S.
Investment Policy for FY 2018-19	July 10, 2018	Resolution # 87259 C.M.S.
OPEB Funding Policy	February 26, 2019	Resolution #87551 C.M.S.

Long-Term Structural Measures

The City has taken several key actions to structurally manage the City's long-term financial practices, including:

1. OPEB Funding Policy authorizing the City to pre-fund retiree medical benefits at a rate of 2.5% of payroll in addition to pay-as-you-go funding (Resolution #87551 C.M.S.);
2. Authorizing Staff to pay down historical negative fund balances over a 10-year period (Resolution # 87245 C.M.S.);

3. Maintaining 7.5% General Purpose Fund Emergency Reserve (Ordinance #13487 C.M.S.);
4. Use of one-time revenue for one-time expenditure (Ordinance #13487 C.M.S.);
5. Creating a Vital Services Stabilization Fund to limit reductions in services in the case of a recession. There is no balance in the VSSF Fund as of December 31, 2024.;
6. Approvals of Measure KK and Measure U, the Capital Improvement Bonds that will provide additional funding for capital improvements and help stabilize or reduce the cost of maintaining City infrastructure;
7. Negotiated with Oakland Police Officer's Association to increase contribution toward their pension to 12% beginning January 2017; Local 55, International Association of Firefighters members contribute 13% and Civilian employees contribute 8%;
8. Negotiated with all labor unions establishing the third tier of the pension benefit level, which further modified for public safety employees from 3% @ 50 formula to 2.7% @ 57 and for civilian employees from 2.5% @ 55 to 2.00% @ 62 effective January 2013;
9. Repayment of negative fund balances and pay down long-term debt and liabilities (Ordinance #13487 C.M.S.);
10. Pay down the negative fund balance with a repayment plan and one-time revenues (Ordinance #13134 C.M.S. and FY 2013-15 Budget, Resolution #86644 C.M.S.);

Administrative Actions

The City has also undertaken a series of actions to ensure rigorous expenditure controls and proactive revenue collection. Examples include:

1. Implementation of the City Council's direction on financial policies and adopted budget items;
2. Closely monitor departmental expenditures and schedule regular meetings with departments to strengthen internal controls and communication;
3. Closely monitor hiring processes and ensure vacancies are only filled when positions are authorized and funded;
4. Closely review fund balance to avoid potential increase of negative fund balance;
5. Actively pursue revenue audits and collection;
6. Monitor revenue realization and use of one-time vs. on-going revenue;
7. Review and modify service fee charges to cover costs, where feasible; and
8. Review and modify internal service rate calculation.

The City will continue to address its fiscal challenges by growing its sustainable revenue base, reducing costs, improving its operational efficiency, and finding innovative ways to operate.

Priorities Beyond Baseline Expenditures/Future Fiscal Considerations

The Forecast does not include the projected costs for new facilities or other planned commitments that will potentially occur during the five years of the outlook. This section outlines key areas that could potentially increase the projected baseline shortfall.

New Facilities

There are several City facilities that are currently either under construction or undergoing renovations. Once these facilities are open, additional funding will need to be identified to become operational. The following list of facilities below are scheduled to come onboard in the next five years.

FY 2025-26 - Mosswood Recreation Center

FY 2027-28 - Lincoln Recreation Center

FY 2028-29 - Fire Station 29

FY 2029-30 - Fire Station 4

Recreation Center operating costs include personnel to staff the new recreation centers, new vehicles, equipment, and other miscellaneous costs. Fire Station operating costs include the personnel to staff the new Fire stations, fire station supplies, personal protective equipment (PPE), self-contained breathing apparatus (SCBA) maintenance and replacement, and radio/communication equipment.

Deferred Maintenance/Equipment Replacement

Deferred maintenance is the practice of putting off repairs, upgrades, replacements, or other maintenance work for equipment and infrastructure. The City has an ever-growing backlog of deferred maintenance and repairs at various facilities and structures across the City. The exact total cost is unknown at this time as the list of deferred maintenance needs is constantly changing and may not reflect the most current assessed needs. Deferring maintenance typically leads to greater maintenance costs down the road, which the City will have to plan and prioritize for to mitigate any potential safety risks and hazards. While not in this forecast, the Public Works Department in the City has proposed adding $20 million for the first year of the forecast to begin addressing these issues.

Vehicles/Fleet Replacement

The City has an ever-growing backlog of aging fleet units across the City. The exact total cost is unknown at this time as the list of outdated vehicles past their useful life is constantly changing and may not reflect the most current assessed needs. According to the American Public Works Association (APWA), a local municipality should have a reserve set aside for fleet replacement equal to 15 percent of the total fleet replacement value. Deferring fleet replacement typically leads to greater vehicle costs down the road, which the City will have to plan and prioritize for to mitigate any potential safety risks and hazards. While not in this forecast, the Public Works Department in the City has proposed adding $24 million each year for the first two years of the forecast to begin addressing these issues.

Homelessness

Homelessness remains a top priority for the City to address, fueled by the housing crisis and ongoing economic inequality that disproportionately affects Oakland's most vulnerable. Homelessness strategies and solutions provided by the City include homeless shelters, outreach and affordable housing efforts, safe parking, community cabins, and various other homeless prevention programs. Existing programs are primarily funded with grant funding from local, state, and federal grantees. The City is expecting these grant funds to be completely exhausted at some point during the forecast. Without additional grant funding or other alternative funding sources, the City would need to utilize City resources to maintain the existing homelessness programs. The total annual estimated cost to maintain existing homelessness programs could range from $50-60 million.

Maintenance of Effort

Over the past several budget cycles, the City has declared various fiscal emergencies and exercised provisions in the City Charter and municipal code to waive Maintenance of Effort (MOE) requirements tied to several voter-approved measures. These include funding requirement for the Oakland Public Library Measures (Measures C and D), park maintenance (Measure Q), public campaign financing (Measure W), the Office of the City Auditor (Measure X), and minimum police staffing levels (Measure Z). Should the City fully fund these MOE obligations in future fiscal years, the projected budget shortfalls would increase substantially.

Public Safety Overtime

Over the last few fiscal years, both the Fire and Police Departments have consistently exceeded their respective budgeted overtime allotments. While the City has taken steps in recent years to mitigate the excessive overage, it is expected that the public safety departments in the City will continue this trend during the forecast period.

Fire Memorandum of Understanding (MOU)

The City's current Fire Department MOU is set to expire on June 30, 2026. These agreements typically include provisions such as scheduled wage increases, benefit adjustments, minimum staffing requirements, and overtime policies—all of which directly influence labor costs and staffing needs. Additionally, expanded service responsibilities outlined in an MOU may necessitate new equipment or training, further impacting expenditures. As a result, any changes in the next Fire MOU could significantly affect the City's five-year forecast and potentially widen the projected budget shortfall.

Potential Mitigation Actions

The Forecast has identified the need for additional resources in order to mitigate the projected baseline shortfalls in all five years of the outlook. The following section identifies potential mitigation actions that could be utilized to address the projected baseline shortfalls. In addition, the City plans to collaborate with labor unions to ensure that future MOUs are aligned with the long-term best interests of both the City and its employees. Departments also plan to conduct a strategic review of their programs and services to identify potential savings by implementing operational efficiencies. This section outlines key areas and efforts that could potentially reduce the projected baseline shortfall.

Ballot Measures

Since the most recent Five-Year Financial Forecast for the City, three new revenue generating Measures were approved by Oakland voters in November 2024.

Measure MM was passed for 20 years on parcels within the wildfire prevention zone for the purposes of reducing wildfire risk by funding vegetation management, evacuation route protection, and other wildfire prevention measures in Oakland's high risk fire areas.

Measure NN was passed to maintain and increase a parcel tax and a parking tax surcharge for a period of nine years to fund police and fire services related to reducing homicides, robberies, car-jackings and break-ins, domestic violence, and gun-related violence; improving emergency 911 response times and quality of response; reducing the incidence of human trafficking including the sexual exploitation of minors; and administrative expenses.

Measure A, a half cent Transactions and Use Tax increase was approved by the voters on the April 15, 2025 special election. This measure is intended to generate necessary revenues to support essential city services that have been impacted by recent budget reductions. This increase adjusts Oakland's sales tax rate from 10.25% to 10.75% and is anticipated to generate approximately $29.82 million per year.

Another ballot measure recently presented to Council for consideration was a special parcel tax to maintain the City's independent oversight agencies. The revenues received from the measure would be expended exclusively for the benefit of funding the essential operations of the City's independent agencies which include the Public Ethics Commission (PEC), which encompasses the Democracy Dollars Program, the City Auditor's Office, the Office of the Inspector General (OIG), the Police Commission, the Community Police Review Agency (CPRA) and related administrative expenses. This measure did not move forward as presented but may be reconsidered by the City's new legislative body.

New Practices & Service Delivery Models

The continued review of our internal processes will help the City identify potential cost savings and the implementation of efficiencies. Critical City resources should be allocated to initiatives that prove to be effective, and disinvestment should be encouraged in initiatives that are failing and/or underperforming. Pilot projects are an effective tool to test and gauge the level of effectiveness and assess results before citywide implementation. The implementations of large projects contain several variables that sometimes cannot be defined until they are implemented. Pilot projects allow one or multiple ideas to be tested and the effectiveness can be closely monitored to ensure effectiveness. Since these are often small-scale projects, they require less financial and staff resources to implement.

Risks & Uncertainties

The Forecast presents the most likely result (absent any changes to City spending or revenues), however, the Forecast results are nevertheless subject to uncertainty. This section outlines key areas of risks and uncertainty that could impact this forecast.

National Economic Uncertainty

U.S. economic policy has changed radically with the new administration in Washington. Tariffs may bring higher inflation or maintain it at high levels for longer, directly impacting consumer based tax bases including RETT. The logistics industry, including the Port of Oakland, will experience some disruption due to the new tariffs as they will induce lower consumption. Direct impacts of new Federal policies are also anticipated for local municipalities as Federal funding may no longer be available in the form of grants for certain local programs that rely upon it. Additional impacts will also be felt by external local industries such as the construction industry, which needs to expand to meet critical shortages of housing but will likely contract with the higher costs of materials. There is also still a possibility that the economy enters a recession. To the extent a recession occurs, the revenue estimates presented in the forecast would likely be too high and the deficit projections too low.

Oakland Economic Uncertainty

Before the pandemic, Oakland's economy thrived on strong employment in restaurants, retail, food services, and tourism, but these sectors are now experiencing a downturn. Similarly, Oakland previously outpaced the state in issuing development permits but has fallen behind post pandemic. Moving forward, housing permits may face challenges from higher tariffs on materials adding pressure to development efforts. Job growth in general has stalled in recent years. Passenger traffic at Oakland International Airport remains well below pre-pandemic levels, dragging down hotel room rates and occupancy. Taxable sales are the lowest among California's largest cities, lacking major retailers like Costco, for example. The City's affordability edge over other Bay Area cities is shrinking. As a result, lower-income residents are increasingly leaving the City. Concerns about safety have hurt tourism and local businesses, keeping in-person activities like dining from fully recovering. Incentives are needed to keep and draw businesses, and to revive tourism and hospitality which would help improve hotel tax revenue, and the dining, entertainment, and retail industries. Updating regulations could help retain and attract companies.

CalPERS Valuation

An additional fallout from a potential recession in the U.S. is the impact to the City's CalPERS valuations. Tariffs were announced on April 2, 2025, affecting several countries around the globe. In response, the stock market has dropped significantly, with the S&P 500 declining by nearly 20% from recent highs. With the full impact of the tariffs still unknown, the market is bracing for an economic downturn, which could potentially lead to CalPERS receiving a lower-than-anticipated return on investment. Conversely, this could result in the City's CalPERS allocations growing significantly more than expected.

Real Estate & Economic Development

Historically, real estate developments—both residential and commercial—have been key drivers of state and local economic growth. High interest rates and elevated construction costs threaten to lower construction activity in Oakland. In the short to medium term, development activity is expected to be sustained in part by existing funding sources like the $350 million from Measure U approved in 2022 which included funding for affordable housing, and in the long term by anticipated declines in interest rates in the outer years of the forecast. Still, the pace and scale of real estate development remain uncertain due to ongoing economic volatility and policy shifts. The Bay Area's regional significant shortfall of housing units intensifies these challenges, placing significant strain on Oakland to prevent displacement and provide shelter and housing assistance to vulnerable populations. Population growth, though tempered by California's recent net migration losses, continues to drive the demand for housing, as well as for community services such as parks, recreation, after-school programs, animal services, homelessness and housing support, family assistance, and public safety.

Oakland's latest General Plan outlines its housing strategy, addressing California's 2 million-unit housing shortage identified in 2023, when the state aimed for 180,000 new units to be built yearly through 2025. Over the eight years leading to 2023, Oakland produced sufficient housing units to meet its share of the overall state-mandated housing production goals, but it built mostly market-rate homes, falling short on affordable options. The 2023-2031 Housing Element confirms enough properly zoned land exists to support 26,251 new units and aims for 6,511 new units for households earning below 50% of AMI, 3,750 for 50-80% AMI, 4,457 for 80-120% AMI, and 11,533 for over 120% AMI, ensuring units for diverse income levels.

Baby Boomer Retirements

Government employees are eligible to retire as early as age 50 As the population of employees increasingly reaches or surpasses this age, many individuals will retire and start collecting retirement benefits. Currently, the largest demographic age group able to retire is the "Baby Boomers," those born during 1946-1964. The Baby Boomers represent the largest one period population increase of the country. As such, this impacts the ability of CalPERS to finance this age group's retirement, since there is such a large volume in the retirement pool. To balance this financing requirement, CalPERS has increased contribution rates from both the City of Oakland

and employees. As the City pays the largest share, this requires large portions of the General Purpose Fund as retirement rates increase over time.

Pre-Funding Unfunded Liabilities

As detailed earlier in this report, unfunded liabilities, specifically pension obligations, represent a significant financial liability. New CalPERS regulations require that cities contribute larger amounts towards pension obligations to account for increased medical costs and longer life expectancy rates. In general, allocating additional funds for paying down pension obligations will reduce the City's long-term liabilities.

Unfunded Capital Needs and Liabilities

The backlog of maintenance and limited financial resources results in a growing list of capital needs throughout the City. The latest budget estimates show a total unfunded capital need of almost $1.7 billion on projects throughout the City. This figure will continue to grow as several projects are still in the process of developing their budgets.

Negative Fund Balances

Many non-GPF City funds have negative fund balances. These negative fund balances are the result of historical overspending and/or under-recovery, as well as operational deficits (cost increases outpacing revenue growth). The City has historically identified three categories of negative funds:

1. Negative Funds on Repayment Plan

2. Reimbursable Negative Funds

3. Non-Reimbursable Negative Funds

Compliance with the CFP is required to address the negative fund balances in the City. For non-reimbursable expenses (or unrecoverable amounts for reimbursable grants), the City's only option may be to write off longstanding negative balances.

Medical Cost Inflation

The cost of providing health care to employees remains a large portion of General Purpose Fund expenditures. If medical costs increase at a faster rate than revenues, health care costs will require an increased share of the General Purpose Fund. Furthermore, non-general funds that cannot bear the cost increase may put pressure on the General Purpose Fund for a subsidy such as the Head Start program.

Reserves

Reserves help cities weather multi-year economic downturns, provide essential funding during natural disasters, provide for the support of essential City services, and reduce the financing costs through better credit ratings. As evidenced by the current state of the City, the City should continue to invest in reserves since economic downturns are inevitable.

SUMMARY & CONCLUSIONS

The City's fiscal landscape continues to face challenges stemming from the lingering effects of the COVID-19 pandemic and subsequent economic pressures, such as the consequential inflationary period and the corresponding high interest rates to attempt to battle it. Some of the major revenue sources demonstrate resilience. Property Tax is expected to see growth, although modest due to reduced increases in assessed property values, and Utility Consumption Tax offers a bright spot, aided by recent increases in utility rates. But other key revenues—such as Business Tax, Real Estate Transfer Tax, and Sales Tax—are projected to recover at a slower pace during the five-year forecast, reflecting business closures, a slow recovery in real estate activity, and broader economic softening. Rising costs, particularly for insurance, medical benefits, and pension obligations, further exacerbate budget pressures, contributing to significant shortfalls across the five-year forecast period.

Despite these challenges, the forecast anticipates a gradual improvement as revenue growth is projected to continue over time. As shown on Table 24 below, the annual shortfall in the GPF is projected to decrease from $129.98 million in FY 2025-26 to $126.00 million in FY 2029-30. However, achieving structural balance will require sustainable strategies such as large-scale economic development, revenue enhancement, and operational efficiencies to address escalating costs and historical fiscal practices. As the City approaches the FY 2025-27 biennial budget cycle, long-term solutions, including expenditure reforms, new revenue streams, and improved service delivery, must be prioritized to ensure financial stability. These efforts will demand tough choices on service levels and resource allocation, but they are essential to securing the City's fiscal future.

Table 24 - GPF and All Funds Shortfall ($ in Millions)

GPF	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues	$779.01	$811.20	$839.37	$873.45	$909.13
Expenditures	$908.99	$926.97	$961.33	$1,003.33	$1,035.12
Surplus/(Gap)	**($129.98)**	**($115.77)**	**($121.96)**	**($129.88)**	**($126.00)**

All Funds	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues	$1,871.67	$1,860.75	$1,913.81	$1,970.95	$2,030.59
Expenditures	$2,127.59	$2,132.87	$2,099.49	$2,177.32	$2,236.19
Surplus/(Gap)	**($255.92)**	**($272.12)**	**($185.67)**	**($206.36)**	**($205.60)**

APPENDIX A-
Consolidated Fiscal Policy

CITY OF OAKLAND

CONSOLIDATED FISCAL POLICY

Section 1. Budgeting Practices

Part A. General Provisions

The City's Fiscal Year shall begin on July 1st of each year and end on June 30th of the subsequent year. The City shall adopt a two-year biennial policy budget by June 30th of odd-numbered calendar years. The City shall amend its biennial policy budget (midcycle) by June 30th of even-numbered years. The budget and midcycle amendments shall be adopted by resolution of the City Council as required by the City Charter.

Part B. Policy on Balanced Budgets

The City shall adopt a balanced budget that limits appropriations to the total of estimated revenues and unallocated fund balances projected to be available at the close of the current fiscal year. The City Administrator shall be responsible for ensuring that the budget proposed to the City Council by the Mayor, adheres to the balanced budget policy.

This policy entails the following additional definitions and qualifications:

1. The budget must be balanced at an individual fund level.

2. City policies on reserve requirements for individual funds must be taken into account. The appropriated expenditures included in the balanced budget equation must include the appropriations necessary to achieve or maintain reserve targets.

3. Appropriated revenues can include transfers from unallocated fund balance where such fund balance is reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. Transfers from fund balance are not to be counted as revenue if the fund balance is not reasonably expected to exist by the end of the fiscal year preceding the year of the adopted budget. (Note: The precise definition of 'fund balance' will vary from fund to fund, depending on the fund's characteristics and accounting treatment.)

4. Appropriated expenditures can include transfers to fund balance or to reserves.

From time to time the City Council may present changes in policy and consider additional appropriations that were not anticipated in the most recently adopted budget. Amendments by the City Council shall maintain a balanced budget.

Each fiscal year the City Administrator shall report to the City Council on actual revenues and expenditures in the General Purpose Fund and other funds as deemed necessary.

Part C. Use of Excess Real Estate Transfer Tax (RETT) Revenues

To ensure adequate levels of the General Purpose Fund reserves and to provide necessary funding for municipal capital improvement projects and one-time expenses, the City shall require that excess Real Estate Transfer Tax revenues be defined and used as follows:

1. The excess Real Estate Transfer Tax (RETT) revenue is hereby defined as any amount of projected RETT revenues that exceed 15% of General Purpose Fund Tax Revenues (inclusive of RETT).

2. The excess Real Estate Transfer Tax, as described in this section, shall be used in the following manner and appropriated through the budget process:

    a. At least 25% shall be allocated to the Vital Services Stabilization Fund, until the value in such fund is projected to equal to 15% of total General Purpose Fund revenues over the coming fiscal year; and

    b. At least 25% shall be used 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; and

    c. The remainder shall be used to fund one-time expenses or to augment reserves.

3. Use of the excess RETT revenues for purposes other than those established in this section must be authorized by City Council resolution. The resolution shall explain the need for using excess RETT revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using excess RETT revenues pursuant to this section.

4. Following the completion of the annual audit, excess RETT revenues will be analyzed to determine whether the transfers to the Vital Services Stabilization Fund or expenditures to fund debt retirement and unfunded long-term obligations were sufficient. If insufficient funds were transferred, a true-up payment shall be made in the next fiscal year. If the transfers exceed the actual requirement, the amounts in excess may be credited against allocations in the next fiscal year.

Part D. Use of One-Time Revenues

1. One-time revenues are defined as resources that the City cannot reasonably expect to receive on an ongoing basis, such as proceeds from asset sales and debt refinancing. This part shall not apply to the use of excess RETT revenues pursuant to Section 1. Part C.

2. Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses. Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes: 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.

3. Use of one-time revenues for purposes other than those established in in this section must be authorized by City Council resolution. The resolution shall explain the need for using one-time revenues for purposes other than those established in this section. The resolution shall also include steps the City will take to return to using one-time revenues pursuant to this section.

Part E. Use of Unassigned General Purpose Fund Balance

Any unassigned General Purpose Fund balance, as projected in the 3rd Quarter Revenue and Expenditure Report, and not budgeted for other purposes, shall be used in accordance with Section 1, Part D.

Part F. Analysis of Funding for Debt or Unfunded Long-Term Obligations From Certain Revenues

When excess RETT or other one-time revenues are used to fund accelerated debt retirement or unfunded long-term obligations, the City Administrator shall present his or her analysis and recommendations to the Council based on the best long-term financial interest of the City.

Part G. Criteria for Project Carryforwards and Encumbrances

Previously approved but unspent project appropriations ("carryforwards") and contingent liability reserves for current purchases or contracts that are paid in the following fiscal year ("encumbrances") are financial obligations against reserves. Fiscal prudence requires that such obligations be limited.

Each fiscal year, the Finance Department will submit a list of eligible carryforwards and encumbrances to all departments for evaluation for all funds, including the General Purpose Fund. Departments may request to retain some or all carryforwards and encumbrances when such balances are:

1. Deemed essential to the delivery of active city projects, programs and services; or

2. If the liquidation of such balances would be in violation of legislative or legal requirements.

A departmental request to retain project carryforwards and/or encumbrances must be submitted to the Finance Department. Departments shall provide specific reasons for requested project carryforwards and encumbrance carryforwards, including, but not limited to, those reasons outlined above. Carryforward of project appropriations in funds with negative balances will only be allowed on an exception basis.

The Finance Department will recommend to the City Administrator an action on the departmental requests. The City Administrator shall make a final determination on project carryforward and encumbrances and will direct the Finance Department to make carryforwards available to the appropriate department.

Part H. Grant Retention Clauses

Prior to the appropriation of revenues from any grant outside of the budget process, the City Council shall be informed of any retention clauses that require the City to retain grant-funded staff, services, programs, or operations beyond the term of the grant. The fiscal impacts of such retention clauses shall be disclosed. During the biennial budget process staff shall report to the Council the ongoing projected fiscal impacts of such retention clauses.

Part I. Alterations to the Budget

Substantial or material alterations to the adopted budget including shifting the allocation of funds between departments and substantial or material changes to funded service levels, shall be made by resolution of the City Council.

The Finance Department will include departmental expenditure projections for the General Purpose Fund in the Second Quarter Revenue & Expenditure Report. In the event that a department is projected to overspend in the General Purpose Fund by more than one percent (1%), the City Administrator shall bring an informational report to the City Council within 60 days following acceptance of the Revenue & Expenditure report by the City Council. The report shall list the actions the Administration is taking to bring the expenditures into alignment with the budget.

Part J. Transfers of Funds between accounts.

The City Administrator shall have the authority to transfer funds between personnel accounts, and between non-personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts within a department provided that cumulative transfers within one fiscal year do not exceed 5% of the original personnel account allocation of that department. The City Administrator shall have the authority to transfer funds from non-personnel accounts to personnel accounts within a department. The City Administrator shall have the authority to transfer funds allocated to personnel accounts to non-personnel accounts if the transfer is required to meet the conditions of or maximize the funding derived from a grant that has been approved by the City Council. For the purposes of this section accounts for the provision of temporary personnel services shall be considered personnel accounts.

Part K. Pay-Go Account Expenditures, Priority Project Fund Expenditures, and Grants

The City Council hereby finds and determines that it is in the public interest to spend Pay-go account fund to facilitate and support programs & services of the City of Oakland, capital improvement projects of the City of Oakland, and programs & capital improvement projects of the public schools and other public entities within the City of Oakland. The Council authorizes Pay-Go account funds to be used for the following purposes:

Capital Improvements:

1. To pay for or augment funding for a City of Oakland capital improvement project including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and

2. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or other public entity for use on capital improvement project within the City of Oakland, including planning and pre-construction services for projects such as, but not limited to, feasibility studies and design, landscaping, architectural and engineering services and all services and materials needed to construct a capital improvements such as, but not limited to, contractor services, lumber, concrete, gravel, plants and other landscape materials, fountains, benches, banners, signs, affixed artwork and any other design and decorative elements of the project; and

Furniture & Equipment:

3. To pay for or augment funding for purchase of furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the City of Oakland; and

4. To provide a grant to a public school, including a school chartered by the State of California or Oakland Unified School District, or another public entity to be used for furniture and equipment, including computer equipment and software, to be used by participants in a program operated by the public school or public entity.

Pay-go purposes stated above shall operate as restrictions on Pay-go expenditures or Pay-go grants, regardless of the Pay-go account funding source.

Pay-go purposes stated above shall apply to any and all Pay-go expenditures or grants made by the Mayor and each City Councilmember. All Pay-go expenditures and grants shall be administered by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

In accord with the City Council's motion approving the initial allocation of Councilmember Priority Project funds on June 8, 2006, the City Councilmembers must obtain City Council approval for all Priority Project expenditures.

All Priority Project fund grants approved by the City Council and shall be administered and executed by the City Administrator on behalf of the city, and grant agreements shall be required for all such grants.

Section 2. Reserve Funds

Part A. General Purpose Fund Emergency Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland maintain in each fiscal year a reserve equal to seven and one-half (7.5%) of the General Purpose Fund (Fund 1010) appropriations as adopted in the biennial or midcycle budget, and not including prior year carryforwards, encumbrances, or appropriations to Fund Balance for, such fiscal year (the "General Purpose Fund Emergency Reserve Policy"),

2. Each year, upon completion of the City's financial audited statements, the City Administrator shall report the status of the General Purpose Funds Emergency Reserve to the City Council and on the adequacy of the of the 7.5% reserve level. If in any fiscal year the General Purpose Fund Reserve Policy is not met, the City Administrator shall present to Council a strategy to meet the General Purpose Funds Emergency Reserve Policy. Each year, the City Administrator shall determine whether the 7.5% reserve level requires adjustment and recommend any changes to the City Council.

3. The amounts identified as the General Purpose Funds Emergency Reserve may be appropriated by Council only to fund unusual, unanticipated and seemingly insurmountable events of hardship of the City, and only upon declaration of fiscal emergency. For the purposes of this Ordinance, "fiscal emergency" may be declared (1) by the Mayor and approved by the majority of the City Council, or (2) by a majority vote of the City Council.

4. Prior to appropriating monies from the General Purpose Funds Emergency Reserve, the City Administrator shall prepare and present such analysis to the City Council. Upon review and approval of the proposed expenditure by the City Council, and appropriate fiscal emergency declaration necessary for the use of GPF reserve, the City Administrator will have the authority to allocate from the reserves.

Part B. Vital Services Stabilization Fund Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Vital Services Stabilization Fund (VSSF) with a target funding level of 15% of General Purpose Fund Revenues. The funding of the Vital Services Stabilization Fund shall be made pursuant to Section 1, Part C concerning excess Real Estate Transfer Tax.

2. In years when the City forecasts that total General Purpose Fund revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services.

3. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years.

Part C. Capital Improvements Reserve Fund

1. Council hereby declares that it shall be the policy of the City of Oakland to maintain a Capital Improvements Reserve Fund.

2. Revenue received from one time activities, including the sale of Real Property, shall be deposited into the Capital Improvements Reserve Fund, unless otherwise directed by a majority vote of the City Council. Interest earnings on monies on deposit in the Capital Improvements Reserve Fund shall accrue to said fund and be maintained therein.

3. Monies on deposit in the Capital Improvements Reserve Fund may be appropriated by Council to fund unexpected emergencies, major capital maintenance, repair costs to City-owned facilities and to fund capital improvement projects through the Five-Year Capital Improvement Program.

Section 3. Budget Process, Fiscal Planning, Transparency, and Public Participation

Unless otherwise noted all timelines apply only to budget development years, normally odd numbered years and not to mid-cycle revisions to an adopted two-year budget.

1. Assessment of Stakeholder Needs, Concerns and Priorities

Timeline: Budget Advisory Committee review prior to survey release. Survey completion by December 5th of even-numbered years. Results publicly available within three weeks of survey's close.

Requirements: The City Administrator should develop or secure a statistically valid survey for assessing the public's concerns, needs and priorities prior to the development of the biennial budget. Whenever feasible, the City should conduct a professional poll administered to a statistically relevant and valid sample of residents that is representative of Oakland's population in terms of race, income, neighborhood, age, profession, family size, homeownership/renter-ship, etc. If that's not possible, then demographic information should be collected and reported out with the survey results.

Prior to release, the survey questions shall be submitted to the Budget Advisory Committee by September 1st of even numbered years for review of bias, relevance, consistency in administration, inclusion of benchmark questions, and ability to assess concerns, needs and priorities. The survey instrument, method of dissemination, and any instructions for administration shall be publicly available. The survey should be conducted following the November election and before December 5th.

If the City cannot afford a professional survey, an informal survey shall be made available for broad dissemination by the Mayor and Councilmembers through community list serves and other communication channels. Furthermore, the City Administrator shall take steps to promote participation, such as issuing a Flyer promoting participation in the survey and methods of participation (survey internet link, email, phone number) and posting such Fliers near publicly available computers in all City libraries, Recreation Centers, and Senior Centers. A list of those dissemination channels should be publicly available along with survey results.

Survey results should be publicly available within three weeks of the completion and analysis of the survey. Survey results should be made widely available, shared on social media, and published on the City’s Budget website. In the event that City's statistically valid survey has been completed, the Mayor and City Administrator shall include in their proposed budget a summary of the survey data and a statement regarding how the data was or was not incorporated into the final proposed budget. Informal surveys and their results shall be made public but not included in their proposed budget document.

The City Administrator shall development a standardized and diverse means of collecting resident input via other means prior to budget development.

2. Council Initial Budget Briefing and Priorities Discussion

Timeline: February

Requirements: The Mayor and City Council will hold a bi-annual budget workshop soon after the commencement of the Council term. The workshop will include briefings on estimated baseline expenditures, revenue projections and an overview of the City's budgeting process. The workshop will provide the Mayor and Council with the opportunity to begin discussing priorities for the next budget year based on the Assessment of Stakeholder Needs, Concerns and Priorities.

3. Five-Year Forecast

Timeline: Produced and heard by the Council's Finance & Management Committee or the full City Council in February or March. Forecast Fact Sheets should be distributed to City community centers and Forecast data should be available on Open Data Portal within two weeks of the Council hearing.

Requirements: Each Budget Cycle, the City Administrator must prepare a Five-Year Forecast.

The Five-Year Financial Forecast ("Forecast") is a planning tool that estimates the City's likely revenues and expenditures over five-years, based on appropriate financial, economic, and demographic data. The purpose of the Forecast is to surface all major financial issues and estimate future financial conditions to support informed long-term decision making. Such planning provides for greater financial stability, signals a prudent approach to financial management, and is consistent with best practices.

The Forecast shall contain the two-year baseline budget for the forthcoming budget period, clearly reflecting projected expenditures to maintain existing service levels and obligations, plus an additional three-year forecast of revenues and expenditures. The Baseline Budget shall consist of projected expenditures necessary to maintain existing staffing and service levels, plus an estimate of anticipated revenues for the two-year period.

The Forecast shall also contain information on the variance between prior forecasts and actual amounts, including the factors that influenced these variances. Revenue estimates shall be based on the most current data available; minimally revenue projections shall take into account projected revenue for the current fiscal year, as reflected in the 2nd quarter Revenue and Expenditure Report, with appropriate trending into future years and an explanation as to how such revenue projections were derived.

The report shall include a Five-Year Forecast "Fact Sheet" document, which summarizes the Forecast's key findings with simplified text and graphics to make this important budgetary information more accessible to the general public. Within two weeks after the Forecast is heard by the City Council, the City Administrator shall print and distribute the Forecast Fact Sheet to all City libraries, recreation centers and senior centers, including in languages required by Oakland's Equal Access Ordinance. The full Forecast shall also be posted on the City of Oakland's website. Forecast data shall be available in open data format on Oakland's data portal.

4. Statement of Councilmember Priorities

Timeline: Written submission due by March 15th.

Requirements: City Council Members will have the opportunity to advise the Mayor and City Administrator publicly of their priorities. Each Councilmember shall be invited to submit up to seven expenditure priorities in ranked and/or weighted order for changes to the baseline budget as presented in the Five-Year Forecast. Councilmember priority statements must be submitted as part of a report to be heard by the City Council and/or in a publicly available writing to the Mayor and City Administrator by March 15. In addition to the priorities, Councilmembers may also submit other suggestions, including revenue suggestions.

5. Administrator's Budget Outlook Message & Calendar Report

Timeline: Heard by City Council before April 15th.

Requirements: The City Administrator shall bring as a report to the City Council a Budget Outlook Message & Calendar no later than April 15th that provides an overview of the budget development process and lists all key dates and estimated dates of key budget events, including, but not limited to the release of the Mayor and Administrator's Proposed Budget, Community Budget Forums, Council meetings, and formal budget passage dates. This publication shall be posted on the City's website and by other means determined by the City Administrator.

6. Release of Mayor & Administrator's Proposed Budget & Fact Sheet

Timeline: Published and publicly available by May 1st. Heard by City Council and Fact Sheet distributed by May 15th.

Requirements: The Proposed Budget must be released by May 1st and shall clearly indicate any substantive changes from the current baseline budget, including all changes to service levels from the current budget. The Proposed Budget shall indicate staffing by listing the number of positions in each classification for each Department, including a listing of each position proposed for addition or deletion. The Council shall hold a public meeting to present the Proposed Budget no later than May 15th in budget adoption years. The full proposed budget document shall be made available online from the City's website, and printed copies shall be available in all City libraries. Additionally, the proposed budget data shall be available in open data format on the City's open data portal by May 1st. Every effort should be made to thoroughly respond to any public request for departmental budget details, such as line item budgets. The requested information shall also be made available on the City's website and open data portal within a reasonable time following the request.

The Proposed Budget must include a Budget Fact Sheet with easy-to-understand graphics and text explaining the City's overall finances, the Proposed Budget and that year's Budget Calendar. The Fact Sheet shall be published in languages required by Oakland's Equal Access Ordinance. The Fact Sheet shall be printed and made available in all City Recreation Centers and Senior Centers as well as all City libraries by May 15th or the presentation to the Council, whichever is sooner.

7. Community Budget Forums

Timeline: During the months of May and June of odd-numbered years

Requirements: The Administration and Council shall hold at least one (1) Community Budget Forum in each council district. These forums, organized by the City Administrator's Office in partnership with Councilmembers, shall be scheduled to maximize residents' access. The forums should include sufficient time for a question and answer period in a format that maximizes community participation, as well as a presentation of budget facts by City staff. One or more of the forums must be scheduled in the evening. Another must be scheduled on the weekend. These meetings shall also be scheduled so that Councilmembers have sufficient opportunity to attend a meeting close to their council district. Every member of the City Council shall make their best effort to attend the Community Budget Forum in their council district. Sufficient Fact Sheets in all available languages shall be available at all Forums.

These forums should be publicized in social media and via other means in a manner that is linguistically and culturally appropriate. City Council staff shall work with community-based, faith-based, identity based, and district specific organizations to ensure that a representative and broad group of residents is aware and encouraged to attend each forum.

8. Ongoing Public Education

Timeline: During the months of May and June of even-numbered years

Requirements: Beginning with the first even-numbered year following adoption of this ordinance, the Administration and City Council shall hold at least three (3) Community Budget Education Presentations in different neighborhoods throughout the City and outside of City Hall. These presentations shall seek to increase Oakland residents understanding and awareness of the City Budget and Budget process.

9. Budget Advisory Commission's Report

Timeline: June 1st

Requirements: The Budget Advisory Committee (BAC) shall be requested to submit published, written report to the full City Council regarding the proposed budget with any suggested amendments no later than June 1 in budget adoption years. If submitted, the statement shall be published as part of the next budget report to the City Council. The BAC is encouraged to provide similar statements during the mid-cycle budget revise and any other significant budget actions.

10. Council President's Proposed Budget

Timeline: June 17th

Requirements: The City Council President, on behalf of the City Council, shall prepare a proposed budget for Council consideration to be heard at a Special City Council Budget Hearing occurring on or before June 17th. The Council President may delegate the duty to prepare a budget proposal to another member of the Council. The Finance Department will provide a costing analysis for proposed amendments. The City Council may schedule additional Special City Council Budget Hearings or Workshops as needed.

11. Council Budget Amendments

Timeline: No later than up to three (3) days prior to final budget adoption for public noticing

Requirements: In addition to the Council President's proposed budget, any Councilmember or group of Councilmembers may submit proposed budget amendments at any time during the budget process. However, the adopted budget shall not contain substantive amendments made on the floor by Councilmembers at the final meeting when the budget is adopted. All substantive amendments must have been published in the City Council agenda packet for at least three days prior to the budget's final adoption and posted on the City's budget website. This shall not preclude Council members from combining elements from various proposals, provided each element considered has been published in the City Council agenda packet as a component of one proposal. This three-day noticing requirement may be waived by a vote of Council upon a finding that (1) new information impacting the budget by at least $1 million dollars came to the attention of the body after the publication deadline making it not reasonably possible to meet the additional notice requirement and (2) the need to take immediate action on the item is required to avoid a substantial adverse impact that would occur if the action were deferred to a subsequent special or regular meeting, such as employee layoffs.

Councilmembers will present their proposed amendments in an easy to understand, standardized format provided by the City Administrator. The format should allow the proposals to be easily compared to the Mayor's Proposed Budget and to one another. Additions and reductions shall be clearly noted in separate sections.

In order to provide sufficient time to evaluate the cost of proposals, Councilmembers should request costing analyses for proposed budget amendments or line-items within a budget amendment to the City Administrator at least six (6) working days prior to the City Council meeting where that amendment will be considered.

12. Process Feedback & Continual Improvement

Timeline: September 30th following budget adoption

Requirements: The Budget Advisory Commission (BAC) shall be requested to submit an Informational Report to the Council's Finance and Management Committee and City Council containing their analysis of the budget adoption process including, but not limited to: 1) the informational quality of the Proposed Budget; 2) the City Administration's and City Council's attention to engaging the public and its impacts on the budget process and product; 3) the level of transparency and open dialogue in all public meetings dedicated to the budget; and 4) opportunities for improving the process in future years. In assessing opportunities for continually improving public participation in the budget process, the Administration, City Council and BAC shall be requested to consider the following guiding principles:

- Inclusive Design: The design of a public participation process includes input from appropriate local officials as well as from members of intended participant communities. Public participation is an early and integral part of issue and opportunity identification, concept development, design, and implementation of city policies, programs, and projects.
- Authentic Intent: A primary purpose of the public participation process is to generate public views and ideas to help shape local government action or policy.
- Transparency: Public participation processes are open, honest, and understandable. There is clarity and transparency about public participation process sponsorship, purpose, design, and how decision makers will use the process results.
- Inclusiveness and Equity: Public participation processes identify, reach out to, and encourage participation of the community in its full diversity. Processes respect a range of values and interests and the knowledge of those involved. Historically excluded individuals and groups are included authentically in processes, activities, and decision and policymaking. Impacts, including costs and benefits, are identified and distributed fairly.
- Informed Participation: Participants in the process have information and/or access to expertise consistent with the work that sponsors and conveners ask them to do. Members of the public receive the information they need, and with enough lead time, to participate effectively.
- Accessible Participation: Public participation processes are broadly accessible in terms of location, time, and language, and support the engagement of community members with disabilities.
- Appropriate Process: The public participation process uses one or more engagement formats that are responsive to the needs of identified participant groups; and encourage full, authentic, effective and equitable participation consistent with process purposes. Participation processes and techniques are well- designed to appropriately fit the scope, character, and impact of a policy or project. Processes adapt to changing needs and issues as they move forward.
- Use of Information: The ideas, preferences, and/or recommendations contributed by community members are documented and given consideration by decision-makers. Local officials communicate decisions back to process participants and the broader public, with a description of how the public input was considered and used.
- Building Relationships and Community Capacity: Public participation processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders. This may include relationships with other temporary or ongoing community participation venues.
- Evaluation: Sponsors and participants evaluate each public participation process with the collected feedback and learning shared broadly and applied to future public participation efforts.

APPENDIX B-Background on California Legal Revenue Limitations

Public funds are highly regulated and as such, some of the major regulations that impact local revenue generation will be discussed in this section. This information serves as the background to gain understanding of how tax revenue is generated and restricted.

Propositions 13

Proposition 13, approved by voters in 1978, amended the state constitution and imposed restrictions on the collection of revenue by California's local governments. Proposition 13 declared that the maximum amount of any ad valorem tax on real property shall not exceed 1% of the full cash value of such property. That 1% tax is collected by the counties and apportioned to the cities special districts, and schools within each county.

The only exception to the 1% limitation for cities is for bonded indebtedness for the acquisition or improvement of real property, which must be approved by a two-thirds vote of the electorate. This exception is most commonly used when voters approve a General Obligation Bond to pay for capital improvements to infrastructure such as streets, parks, and buildings. The 2016 Oakland Measure KK Infrastructure Bond was an example of the use of this exception.

Proposition 13 also requires a two-thirds vote of the qualified electors for a City to impose special taxes. Special taxes are restricted for a specific purpose rather than a general purpose, such as a tax designated for public safety or libraries. Parcel taxes are also considered special taxes regardless of the use.

Proposition 8

Proposition 8, approved by voters in 1978, strengthened Proposition 13 and established that when property values decline due to the real estate market, property tax assessors are obliged to conduct "decline in value reviews" so that the tax assessed is set at a lower rate if the value of the property has declined. A lower assigned value resulting from such a review is known as a "Proposition 8 reduction."

Proposition 218

Proposition 218, approved by voters in 1996, further restricted local government's abilities to raise revenue. It requires a majority vote of the public to raise general purpose taxes in Charter cities such as Oakland.

The law requires that any new or increased property assessments may only be levied on properties that receive a special benefit from the project rather than a general benefit to the public, and that an engineer's report is required to ascertain the value of the special benefit. A weighted majority of property owners must approve such assessment.

Proposition 218 restricts the use of property related fees such that they cannot be used to pay for a general governmental service, or a service not immediately available to the property owner.

Proposition 26

Proposition 26, approved by voters in 2010, defined and restricted governments' abilities to raise revenues through fees and charges for service by defining revenues as taxes unless they met one of the criteria listed below.

- A charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- A charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
- A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
- A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
- A charge imposed as a condition of property development.
- Assessments and property-related fees imposed in accordance with the provisions of Article XIII D of the California Constitution (see Proposition 218).

Under Proposition 26, the local government bears the burden of showing that the amount charged is no more than necessary to cover the reasonable costs of the activity, and allocation of the costs to the payer bears a reasonable relationship to the payer's burdens on, or benefits received from, the activity.

Website

[City of Oakland | Budget Bureau]