



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: 2024 Emergency Declaration

DATE: December 5, 2024

City Administrator Approval


Jestin Johnson (Dec 6, 2024 09:19 PST)

Date: Dec 6, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Declaring An Emergency Pursuant To Article XIIC, Section 2(B) Of The California Constitution Necessitating Submission Of General Tax Measures To The Voters Before The Next Regular Election For The City Council

EXECUTIVE SUMMARY

The City Council seeks to place one or more proposed ordinances before voters at the next special municipal election to increase general tax revenues. Under Article XIIC, Section 2(b) of the California Constitution, a unanimous declaration of emergency by the governing body is required to place a general tax measure on a special election ballot that is not consolidated with a regular election for members of the governing body. Adoption of the proposed resolution enables the City to proceed with placing these measures on the ballot, aiming to generate additional revenue needed to mitigate the severity of service and program reductions caused by the ongoing budget deficit.

BACKGROUND / LEGISLATIVE HISTORY

On November 5, 1996, [Article XIIC, Section 2\(b\) of the California Constitution](#) was added by Proposition 218.

On June 28, 2024, the City Council adopted [Resolution No. 90327 C.M.S.](#) authorizing the waiver of certain ballot measures maintenance of effort due to the declared extreme fiscal necessity and the existence of a severe and unanticipated financial event.

On July 2, 2024, the City Council adopted [Resolution No. 90326 C.M.S.](#), which adopted the FY 2024-25 Midcycle Budget Legislation inclusive of the Contingency Budget, a temporary measure to reduce expenditures in FY 2024-25.

City Council
December 17, 2024

ANALYSIS AND POLICY ALTERNATIVES

Oakland is facing an unprecedented fiscal crisis in Fiscal Year 2024-25, with a projected General Purpose Fund deficit exceeding \$93 million. This shortfall is driven by escalating expenditures of \$851.6 million, surpassing the adjusted budget of \$758.2 million, and compounded by revenue losses from delayed transactions, declining real estate activity, and reduced tax revenues across multiple sources. The City's emergency reserve is \$38.2 million below the minimum requirement set by the City's Consolidated Fiscal Policy, leaving Oakland with limited financial flexibility. Despite significant cost-cutting measures, including hiring freezes, delayed training academies, and operational reductions, the City remains unable to balance its budget without jeopardizing essential services. This dire fiscal reality necessitates urgent action to generate new revenue and stabilize the City's financial position.

The City Council will consider placing general tax measures on the special election ballot on April 15, 2024, such as a "Transactions and Use Tax Ordinance. A proposed Transactions and Use Tax Ordinance would increase the local sales tax, capturing additional revenue from residents and visitors who shop within Oakland. This increase would provide a significant boost to the City's general fund, helping to stabilize finances and maintain critical services during the ongoing fiscal crisis.

A general tax measure aims to provide immediate financial relief and lay the groundwork for long-term fiscal stability while minimizing service disruptions to Oakland residents.

Adoption of the proposed resolution is necessary for the City Council to place the general tax measures on the ballot for the special municipal election and aligns with the citywide priorities of ensuring holistic community safety, and **responsive, trustworthy government**. This would enable the City to present essential revenue-generating measures to voters at the special election. These measures are vital for addressing the current budget deficit and preserving critical municipal services.

FISCAL IMPACT

Failure to identify and implement alternative revenue-generating solutions to address the City's ongoing budget deficit will result in severe fiscal consequences. Without additional funding, the City will be compelled to implement extreme reductions in essential services, including public safety, infrastructure maintenance, and community programs. These reductions may necessitate significant workforce layoffs, employee concessions, and the suspension or elimination of critical municipal operations. Such measures would have far-reaching impacts on the health, safety, and welfare of Oakland residents and could undermine the City's ability to sustain long-term fiscal stability.

PUBLIC OUTREACH / INTEREST

No outreach was required for this report beyond the standard City Council agenda noticing procedures.

COORDINATION

Staff in the Finance Department compiled this report with the assistance of the City Administrator's office. The report and resolution were submitted to the City Attorney's Office and City Administrator's Office for review and approval.

SUSTAINABLE OPPORTUNITIES

Economic: Adoption of the proposed resolution to place general tax measures on the ballot provides a critical economic opportunity for Oakland. By generating additional revenue, the City can stabilize its finances and prevent further cuts to essential services, which are crucial for economic recovery and growth. Maintaining public services like law enforcement, fire protection, street maintenance, and human services programs ensures a stable and safe environment for businesses to operate and thrive. Ultimately, the proposed tax measures will help strengthen Oakland's economy, provide a foundation for long-term growth, and ensure the City remains competitive in attracting investment and talent.

Environmental: The proposed resolution presents an opportunity to integrate environmental sustainability into Oakland's fiscal recovery efforts. By securing stable revenue through these measures, the City can ensure continued investment in green initiatives such as the maintenance of urban parks and green spaces. This funding would support immediate budgetary needs and long-term environmental goals, aligning fiscal stability with Oakland's commitment to a sustainable, green future for its residents.

Race & Equity: A race and equity analysis was not conducted. However, by ensuring the City has the revenue to preserve and enhance essential services, the measures can directly support communities most impacted by historic inequities. The City can continue investments in equitable hiring practices within municipal departments, ensuring that resources are allocated to the neighborhoods that need them most. This resolution offers an opportunity to create a more just and inclusive Oakland by reinforcing the City's commitment to racial equity while addressing immediate fiscal challenges.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Declaring An Emergency Pursuant To Article XIII C, Section 2(B) Of The California Constitution Necessitating Submission Of General Tax Measures To The Voters Before The Next Regular Election For The City Council

For questions regarding this report, please contact Bradley Johnson, Budget Administrator, at 510-238-6119.

Respectfully submitted,



Erin Roseman (Dec 5, 2024 17:26 PST)

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