



AGENDA REPORT

TO: Jestin Johnson
City Administrator

FROM: Bradley Johnson
Director of Finance

SUBJECT: Fiscal Year (FY) 2025-26 Second Quarter
(Q2) Revenue and Expenditures (R&E)
Report

DATE: March 5, 2026

City Administrator Approval


Jestin Johnson (Mar 12, 2026 21:58:46 PDT)

Date: Mar 12, 2026

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On Fiscal Year (FY) 2025-26 Second Quarter (Q2) Revenues And Expenditures (R&E) Results And Year-End Estimates For The General Purpose Fund (GPF, 1010), And Select Funds.

EXECUTIVE SUMMARY

This report details the City of Oakland's (the City) preliminary FY 2025-26 projected year-end revenues and expenditures based on **Q2** trends. Q2 reflects 19.8% of collected adjusted revenue budget and expenditures reflect 41% of the adopted expenditure budget.

This report has been refined while maintaining all essential information required to present an accurate fiscal snapshot for the second quarter. Key data points and trends remain intact to ensure that the analysis is comprehensive, transparent, and fully informative for all stakeholders.

FY 2025-26 collections of revenue through **Q2** are at \$167.02 million representing 19.8% of the Adjusted Budget of \$844.16 million. The preliminary **Q2** FY 2025-26 GPF revenue forecast projects an overall shortfall of \$59.92 million, or 7.1% resulting in an estimated year-end total of \$784.24 million. GPF expenditures through **Q2** are at \$347.26 million or 41% of the Adjusted Budget, and are forecasted at \$837.62 million by year-end, a decrease of \$6.54 million from the Adjusted Budget. **Table 1** below summarizes the FY 2025-26 GPF revenue and expenditures Adjusted Budget, **Q2** year-to-date actuals, and year-end estimates, with a current estimate of a \$53.38 million year-end operating shortfall.

The Adjusted Budget assumes a one-time use of fund balance in the amount of \$51.93 million to support carryforwards, as well as an additional \$0.56 million in fund balance to support budgeted expenditures. Excluding this one-time use of fund balance, the GPF revenues year-end estimate of \$784.24 million is \$7.43 million or 0.9% below the \$791.67 million estimated in the Adjusted Budget.

Finance And Management Committee
March 24, 2026

These projections in this report are made with pending information due to the seasonality of certain revenue categories such as Business tax, and the volatility and unpredictability of the economy due to the ongoing inflationary trends and effects of federal monetary and trade policies. The purpose of the quarterly R&E report is to guide the City in managing its ongoing budget in comparison to the Adopted Budget as more financial data becomes available. As of the preparation of this report, November and December were yet to be closed for the Q2 in the City's accounting system.

Table 1: Summary of FY 2025-26 Q2 GPF Revenues & Expenditures Budget to Year-End Projections (\$ in millions)

	FY 2025-26 Adopted Budget	FY 2025-26 Adjusted Budget	FY 2025-26 Q2 YTD Actuals	FY 2025-26 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
FY2025-26 Revenues	791.29	844.16	167.02	784.24	(59.92)	(7.1)%
FY 2025-26 Expenditures	791.29	844.16	347.26	849.07	(4.91)	(0.6)%
Operating (Shortfall) / Surplus	—	—	(120.26)	(64.83)	(64.83)	(7.7)%

BACKGROUND / LEGISLATIVE HISTORY

Below is a summary of the Council's actions that have occurred from the beginning of the fiscal year through Q2 that have modified the FY 2025-26 Budget:

Pursuant to the City's Consolidated Fiscal Policy - Part G. Criteria for Project Carryforwards and Encumbrances, the FY 2025-26 Adopted Budget has also been adjusted to include \$51.93 million in prior year carryforwards in the GPF which utilizes available fund balance to cover the cost.

ANALYSIS AND POLICY ALTERNATIVES

This report supports the Citywide priority of a **responsive, trustworthy government** by providing timely and up-to-date financial information and enhancing transparency allowing residents, stakeholders, and decision-makers to be informed of the City's fiscal health, promoting a culture of responsible financial stewardship.

General Purpose Fund (GPF)

FY 2025-26 Q2 Revenues

General Purpose Fund (GPF) revenue is currently projected to end the fiscal year with a net shortfall of \$59.92 million, or 7.1% below the FY 2025-26 Adjusted Budget of \$844.16 million. The Adjusted Budget includes the planned use of \$51.93 million in fund balance to cover prior-

year carryforwards, as well as an additional \$0.40 million in fund balance to support budgeted expenditures. Excluding this one-time use of fund balance, GPF revenues are forecasted at \$784.24 million, which is \$7.43 million, or 0.9%, below the \$791.67 million included in the Adjusted Budget.

The projected shortfall of \$7.43 million, or 0.9% for GPF revenues is attributed to the underperformance of Property Tax, Sales Tax, Utility User Tax, and Parking Tax. (Details can be found in **Attachment A**.)

The **Table 2** below summarizes revenue categories with projected year-end variances compared to the FY 2025–26 Adjusted Budget.

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Table 2: FY 2025-26 Q2 GPF Revenues Budget to Actuals (\$ in millions) Summary

Revenue Category	FY 2025-26 Adopted Budget	FY 2025-26 Adjusted Budget	FY 2025-26 Q2 YTD Actuals	FY 2025-26 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Property Tax	322.29	322.29	13.85	312.26	(10.04)	(3.1)%
Business License Tax	129.53	129.53	10.42	129.53	—	— %
Sales Tax	84.14	84.14	22.20	81.15	(3.00)	(3.6)%
Utility Consumption Tax	75.62	75.62	34.59	70.26	(5.36)	(7.1)%
Real Estate Transfer Tax	68.30	68.30	35.01	70.03	1.73	2.5%
Service Charges	51.90	51.99	17.85	53.46	1.47	2.8%
Fines & Penalties	24.57	24.57	12.81	26.07	1.50	6.1%
Transient Occupancy Tax	15.48	15.48	8.67	16.97	1.49	9.7%
Parking Tax	11.94	11.94	5.48	11.06	(0.87)	(7.3)%
Miscellaneous Revenue	3.10	3.10	2.72	4.27	1.17	37.8%
Interfund Transfers	2.16	2.16	—	2.16	—	— %
Licenses & Permits	1.35	1.35	0.73	1.35	—	— %
Grants & Subsidies	—	0.85	2.08	2.51	1.65	— %
Interest Income	0.34	0.34	(0.05)	2.50	2.16	635.1%
Subtotal	790.72	791.67	167.02	784.24	(7.43)	(0.9)%
Transfers from Fund Balance	0.56	0.56	—	—	(0.56)	(100.0)%
Project Offsets & Carryforwards	—	51.93	—	—	(51.93)	(100.0)%
Total Revenue	791.29	844.16	167.02	784.24	(59.92)	(7.1)%

The adopted FY 2025-26 labor agreements between the City and Miscellaneous Unions include a potential triggered salary increase if FY 2025-26 GPF unrestricted revenues as forecast in the Third Quarter Revenue & Expenditure Report, exceed the FY 2025-26 Adopted Budget. For the purposes of calculating the potential triggered salary increase, revenues from Real Property Sales, Legal Settlements, and Insurance Proceeds are excluded. If eligible revenues exceed the adopted budget, a salary increase of 0.05% for every \$150,000 in excess revenues, capped at a maximum of 3%, effective May 23, 2026. A subsequent true-up based on audited actuals may result an additional increase, less any amount already granted, with the total increase not to exceed 3%.

Through the second quarter, excluded revenue categories total \$2.08 million, consisting entirely of legal settlements. Real property sales and insurance proceeds have not generated any revenue to date. These amounts are excluded from the trigger calculation.

Through Q2, total GPF unrestricted revenues, inclusive of all categories, even those excluded for trigger purposes, are projected to end the fiscal year approximately \$7.53 million below the FY 2025–26 Adopted Budget. Based on current projections, revenues are not expected to reach the threshold to activate the triggered salary increase. The formal determination will be made as part of the Third Quarter (Q3) Revenue & Expenditure Report and later confirmed through audited year-end actuals.

Table 3: Calculated Eligible Revenues for FY2025-26 Potential COLA Trigger

Category	FY 2025-26 Adopted Budget	FY 2025-26 Q2 Year-End Estimate	Variance
Total GPF	\$791,668,450	\$784,239,290	(\$7,429,160)
Less Excluded			
<i>Real Property Sales</i>	-	\$360,366	\$360,366
<i>Settlements</i>	-	\$2,103,322	\$2,103,322
<i>Insurance Proceeds</i>	-	\$15,722	\$15,722
Total Included Revenues	\$791,668,450	\$781,759,880	(\$9,908,570)

FY 2025-26 Q2 Expenditures

At the end of Q2 for FY 2025-26, expenditures are projected to end the fiscal year at \$849.07 million, or \$4.91 million over the Adjusted Budget of \$844.16 million. Most of the City's departments are projected to underspend by the end of FY 2025-26.

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Table 4 below breaks down the FY 2025-26 Expenditures by Department.

Table 4: FY 2025-26 Q2 GPF Expenditures Budget to Actuals (\$ in millions)

Department	FY 2025-26 Adopted Budget	FY 2025-26 Adjusted Budget	FY 2025-26 Q2 YTD Actuals	FY 2025-26 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	0.32	3.10	1.07	3.10	—	— %
City Administrator	4.17	4.74	2.40	4.74	—	— %
City Attorney	22.25	25.49	9.20	25.40	0.08	0.3%
City Auditor	3.49	3.83	1.53	3.64	0.19	5.0%
City Clerk	3.97	7.21	1.56	6.66	0.55	7.7%
City Council	7.28	7.32	3.49	6.91	0.40	5.5%
Department of Transportation	26.20	27.23	10.05	27.08	0.15	0.6%
Department of Violence Prevention	5.72	6.00	2.19	5.59	0.41	6.9%
Department of Workplace and Employment Standard	1.33	1.49	0.43	1.37	0.13	8.6%
Economic and Workforce Development Department	10.38	12.72	2.65	11.81	0.91	7.2%
Finance Department	23.35	27.02	9.38	25.77	1.25	4.6%
Fire Department	210.49	221.85	99.87	220.81	1.04	0.5%
Human Resources Management Department	0.44	0.57	0.19	0.64	(0.08)	(13.3)%
Human Services Department	36.36	38.84	4.63	43.29	(4.45)	(11.5)%
Information Technology Department	6.06	7.31	2.45	7.85	(0.54)	(7.4)%
Mayor	5.70	5.87	2.79	5.34	0.53	9.1%
Non Departmental and Port	32.35	39.34	7.77	50.20	(10.87)	(27.6)%
Oakland Animal Services	5.27	5.45	2.39	5.01	0.44	8.1%

Department	FY 2025-26 Adopted Budget	FY 2025-26 Adjusted Budget	FY 2025-26 Q2 YTD Actuals	FY 2025-26 Q2 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Oakland Parks and Recreation Department	12.69	12.98	5.23	12.11	0.88	6.8%
Oakland Public Library Department	11.75	12.24	7.58	12.91	(0.67)	(5.5)%
Oakland Public Works Department	0.79	1.55	0.76	3.60	(2.04)	(131.5)%
Police Commission	7.13	7.71	2.17	5.70	2.01	26.1%
Police Department	349.96	360.04	166.17	355.40	4.64	1.3%
Public Ethics Commission	2.82	3.17	0.89	2.51	0.65	20.7%
Race and Equity Department	1.01	1.09	0.43	0.99	0.10	9.1%
Total	791.29	844.16	347.26	849.07	(4.91)	(0.6)%

FY 2025-26 Fund Balance

The City's GPF Fund Balance, net obligations, is projected to end FY 2025-26 at \$20.67 million. Obligations may include reserves required by City Ordinances or the City Charter (mandated emergency reserves). **Table 5** below deducts restricted set-asides for legal settlements in the amount of \$1.92 million to decrease the estimated FY 2025-26 year-end available fund balance from \$22.59 million to \$20.67 million. The estimated FY 2025-26 available Fund Balance is the amount of unobligated funding available to the City in the GPF.

It's important to note that the ending fund balance across all funds are not funds that are available to spend in FY 2025-26.

Table 5: Summary of FY 2025-26 Fiscal Situation with GPF Fund Balance (\$ in millions)

GENERAL PURPOSE FUND (1010)	FY 2025-26 Q2 Year-End Estimate
Beginning Fund Balance - Audited	87.43
Revenue	784.24
Expenditures	849.07
Estimated Current Year Surplus/(Shortfall)	(64.84)
Estimated Ending Fund Balance	22.59
Use of Fund Balance in FY 2025-26	
Restricted Legal Settlements	(1.92)
Estimated Ending Fund Balance	20.67

FY 2025-26 **Q2** projections indicate that GPF revenues will come in below budget and GPF expenditures will come in above budget, with the combination of the two culminating in an approximately \$64.84 million operating deficit. The deficit accounts for the use of fund balance in the amount of \$51.93 million to support prior year carryforwards.

Conclusion

The GPF fund balance began the fiscal year in a positive position after a better than anticipated collection of revenues combined with expenditure reduction efforts in the prior fiscal year.

Despite these efforts, financial challenges remain. Fundamental structural issues continue to exist in the City's budget. Long-term solutions, including expenditure reforms and efficiency improvements must be explored to ensure financial stability in the upcoming FY2026-27 budget and beyond.

The City's short-term and long-term fiscal outlook will depend on decisive management in the current and coming years.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

COORDINATION

This report was prepared in coordination between the Finance Department, the City Administrator's Office and various departments.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No direct environmental impacts have been identified.

Race & Equity: No direct Race & Equity opportunities have been identified in this informational report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that City Council receive an informational report on FY 2025-26 Second Quarter year-end estimates for the General Purpose Fund (GPF, 1010), and select funds, and an update on current year balancing efforts

For questions regarding this report, please contact Bradley Johnson, Finance Director, at (510) 238-6119.

Respectfully submitted,


[Bradley Johnson \(Mar 12, 2026 14:09:40 PDT\)](#)

BRADLEY JOHNSON
Director of Finance
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Attachments: (1)

A: FY 2025-26 **Q2 Detailed Report**