

CITY OF OAKLAND

# AGENDA REPORT

**TO:** Elizabeth Lake  
Acting City Administrator

**FROM:** Bradley Johnson  
Director of Finance

**SUBJECT:** FY 2026-27 Execution of Maintenance of Effort Waivers and Use of One-time Revenues to Balance the Midcycle Budget

**DATE:** June 5, 2026

City Administrator Approval

  
Betsy Lake (Jun 8, 2026 12:20:23 PDT)

Date: Jun 8, 2026

## RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

1. Authorizing The Use Of One-Time Revenues To Balance The Fiscal Year 2026-27 Midcycle Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and
2. Declaring The Existence Of A Severe And Unanticipated Financial Event That Has Adversely Impacted The General Purpose Fund Such That The City Is Unable To Budget At The Required Minimum Number Of 700 Sworn Police Personnel Pursuant To “The Oakland Community Violence And Emergency Response Act Of 2024” (Measure NN); And
3. Declaring A State Of Extreme Fiscal Necessity, To Provide For The Temporary Suspension Of The ‘Park Maintenance’ Maintenance Of Effort Requirements, Pursuant To Section 4 Of “The 2020 Oakland Parks And Recreation Preservation, Litter Reduction, And Homelessness Support Act” (Measure Q); And
4. Declaring A State Of Extreme Fiscal Necessity For The Midcycle Budget, Allowing For The Minimum Budget Set-Aside For Public Campaign Financing To Be Suspended, Pursuant To The Oakland Fair Elections Act, Ballot Measure (Measure W); And
5. Declaring A State Of Extreme Fiscal Necessity For The Midcycle Budget, And Temporarily Suspending 1) The Requirement To Consider Advisory Board Recommendations Prior To Appropriating Funds, And (2) Restrictions On The Use Of Sugar-Sweetened Beverage Tax Revenue; and
6. Declaring A State Of Extreme Fiscal Necessity For The Midcycle Budget, Authorizing The Use Of Funds Deposited Into The Affordable Housing Trust Fund (Fund 1870) To Balance The Fiscal Years 2026-27 Midcycle Budget Pursuant To Oakland Municipal Code Chapter 15.62 “Affordable Housing Trust Fund”; and
7. Establishing The Intention Of The City Council To Prioritize Restoration Of Services To Meet The Maintenance Of Effort (MOE) Requirements

Special City Council  
June 12, 2026

## **EXECUTIVE SUMMARY**

Adoption of the proposed resolution will authorize the execution of maintenance of effort waivers and use of one-time revenues to balance the Fiscal Year (FY) 2026-27 Midcycle Budget.

## **BACKGROUND / LEGISLATIVE HISTORY**

The City is experiencing one of the largest General Purpose Fund (“GPF” or “Fund 1010”) shortfalls in its history prior to the balancing actions contained in the FY 2026-27 Proposed Midcycle Budget (Midcycle Budget). The reductions in revenues available to the City, due to economic circumstances, warrant the declaration of a state of extreme fiscal necessity and constitute a severe and unanticipated financial event. The extreme fiscal necessity the City is facing requires the suspension of provisions in the Consolidated Fiscal Policy ([Ordinance No. 13487 C.M.S.](#)), maintenance of effort funding requirements for several City local measures and various Charter-mandated minimum budget set-asides.

Section 1, Part D of the Consolidated Fiscal Policy provides that any unrestricted one-time revenues shall be used 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. Furthermore, Section 1, Part D of the Consolidated Fiscal Policy provides that the use of unrestricted one-time revenues for any purpose other than those set forth in Part D must be authorized by City Council resolution.

The Oakland Community Violence and Emergency Response Act of 2024 (Measure NN) requires the declaration of the existence of a severe and unanticipated financial event that has adversely impacted the GPF to allow the budgeting and maintaining less than 700 sworn police officers.

The 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Measure Q) passed by the voters in 2020 requires the declaration of a state of extreme fiscal necessity, to provide for the temporary suspension of the ‘Park Maintenance’ maintenance of effort requirements, pursuant to Section 4.

The Oakland Fair Elections Act, ballot measure (Measure W), passed by the voters in 2022 requires the declaration of a state of extreme fiscal necessity to allow for the minimum budget set-aside for Public Campaign Financing to be suspended.

Section 3.15.060(E) of the Oakland Fair Elections Act (codified as Oakland Municipal Code Chapter 3.15) which the voters passed in the November 2022 election, mandates a minimum budget set aside for the Oakland Democracy Dollars Fund and for non-staff costs for the Public Ethics Commission to administer the Fund, and allows the Council to suspend the aforesaid minimum budget set-asides for a fiscal year or two-year budget cycle, upon a finding in the budget resolution that the City is facing an extreme fiscal necessity, provided that the suspension is part of general reduction in expenditures across multiple departments.

The Sugar-Sweetened Beverage Distribution Tax (Measure HH) requires the declaration of a state of extreme fiscal necessity, to temporarily suspend both the requirement to consider advisory board recommendations and the restrictions on the use of Measure HH tax revenues as authorized by [Resolution No. 90586 C.M.S.](#)

[Oakland Municipal Code Chapter 15.62.040](#) (E.) provides that “upon a declaration of Extreme Fiscal Necessity by the City Council, the City Council may appropriate funds deposited into the Affordable Housing Trust Fund from the set-aside of funds distributed to the City as a taxing entity under the laws dissolving redevelopment agencies for any lawful purpose. In any given fiscal year, the amount the Council may appropriate shall not exceed fifty (50) percent of the estimated revenue budgeted from said funds.”

### **ANALYSIS AND POLICY ALTERNATIVES**

The resources to support City services in the Midcycle Budget are substantially below the resources available in prior years. This is largely due to the reduction of revenues from the real estate market due to the high inflation and interest rates, and permanent reductions in revenues due to changes in post-pandemic economic activity.

The Midcycle Budget allocates in one-time revenues to fund ongoing expenses in both the GPF and many other City funds. It also waives many of the maintenance of effort and minimum staffing requirements present in the City Charter and various voter approved ballot measures.

The Oakland Community Violence and Emergency Response Act of 2024 (Measure NN) requires the City to budget for at least 700 sworn police officers. The Midcycle Budget includes funding for 678 and would need an additional 22 sworn police officers to meet the minimum staffing required by the measure. To adhere to Measure NN, Oakland must ensure funding for a minimum of 700 sworn police officers by July 1, 2026, to fully collect the parcel tax. If the City does not meet this threshold, the tax will be suspended for that fiscal year, unless exemptions for significant funding losses or extreme financial hardship are applicable. The City has taken efforts to achieve this required Measure NN staffing by aggressively planning for and budgeting police academies to increase the count of sworn police officers and is developing proposals to reduce the rate of sworn police officer attrition. Staff are developing a comprehensive roadmap to restore compliance with MOE requirements of this measure.

To achieve compliance with Measure NN’s 700 sworn police officers mandate by July 1, 2026, the City must fund additional police academies through the GPF to address attrition (currently projected at 72 officers annually) and increase staffing. Specifically, the City will need to run an additional three police academies in addition to what is currently in the Midcycle Budget and add an additional 22 sworn police officers. The costs for FY 2026-27 would be comprised of three additional academies (which would not feasibly be possible) at \$11.8 million and the cost to add 22 sworn police officers at an ongoing cost \$7.0 million, which would result in a total cost of \$18.8 million.

The Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Measure Q) requires the City to allocate no more than 55% of the revenue intended for parks, landscape maintenance, and recreational services to be used to preserve current parks

operational services. The Midcycle Budget includes \$9.4 million (37.4% of the \$25.1 million for parks funding) for enhanced services beyond preservation of the park maintenance operational services. While the proposed budget satisfies the overall 64% allocation requirement, it exceeds the 55% threshold for existing costs in this category. To achieve compliance, additional appropriations of \$1.9 million over the Midcycle Budget would be required for parks, landscape maintenance, and recreational services. These funds would need to come from alternative funding sources, such as the Comprehensive Cleanup Fund, Lighting and Landscape Assessment District Fund, Facilities Services Fund, or the GPF.

The Oakland Fair Elections Act (Measure W) requires a dedicated annual allocation to support the Democracy Dollars Fund, related administrative expenses, and one-time startup costs. The Midcycle Budget does not fully meet these obligations. It includes \$252,210 in carryforward funding from the prior fiscal year for software development and adds one Public Ethics Analyst II position for the second half of FY 2026–27. To fully comply with Measure W by July 1, 2026, the City would need to appropriate \$4.0 million from Fund 1010 for the Democracy Dollars Fund, \$350,000 annually for administrative costs, \$226,637 for an additional Public Ethics Analyst III position, and \$259,294 in startup costs to implement and administer the program. In total, the estimated cost of full compliance in FY 2026–27 is \$4.8 million.

The Midcycle Budget appropriates revenues from Measure HH, the Sugar-Sweetened Beverage Tax (Fund 1030) in a manner that is consistent with the historically allowable use of funds. Approval of the Resolution temporarily suspends the requirement to consult with the Sugar-Sweetened Beverage Community Advisory Board prior to the appropriation of these funds, upon the declaration of a state of extreme fiscal necessity, as authorized per [Resolution 90586 C.M.S.](#) This is a temporary measure and is not intended to represent a permanent policy shift. However, compliance with the SSBT Advisory Board's May 1, 2023 recommended allocations, presented to the Life Enrichment Committee, would require alternative funding or elimination of City services in the amount of \$7.5 million in FY 2026-27.

To address the City's budget shortfall and to preserve City operations, the Midcycle Budget includes the temporary use of revenues deposited into the Affordable Housing Trust Fund (AHTF Fund 1870). Approval of the Resolution, pursuant to a declared state of extreme fiscal necessity, authorizes these funds to support budget balancing needs. Revenues are proposed to be budgeted in an 80% GPF, 20% AHTF Fund 1870 ratio, rather than the non-waived policy split of 75% GPF, 25% AHTF Fund 1870. Return to the 75%-25% ratio would require alternative funding or elimination of City services in the amounts of \$4.37 million. Additionally, there is a transfer to the GPF of approximately \$2.17 million. The Oakland Roadmap to Fiscal Health prepared by the City Administrator's Office during the FY 2025-27 Biennial Budget included a Maintenance of Effort initiative to bring the City into compliance with voter-mandated staffing and service levels. As part of the first year of the phased plan, a total of \$1.3 million was returned to AHTF Fund 1870 from the GPF, reducing the transfer to \$858,880.

The Resolution accompanying this report makes the required findings and declarations to suspend the relevant provisions and provide flexibility to preserve essential City services.

### ***Severe & Unanticipated Financial Event***

The City is facing the continuing impact from severe an unanticipated financial events stemming from prior budget cycles. These circumstances include reduced revenues, notably a precipitous drop in resources from the City's Real Estate Transfer Taxes which fell from \$138.4 million in FY 2021-22 and are expected to reach a little over half of that value in FY 2026-27 (\$72.0 million).

This is an ongoing sever fiscal pressure on the City's finances not anticipated at the time of the passage of Measure C. The City is also facing significant cost pressures including growth in pension and medical costs which have heightened the severity of this current event. The City is continuing to endure the effects of the absence of more than \$100 million from the Sale of the Coliseum site. This unanticipated and severe reduction to City resources against approved spending plans has and will continue to have significant impacts on the City's finances. The value of these lost resources constitutes roughly 1/8th of the annual expenditures from the GPF and was not known at the time Measure NN legislation was drafted for signature collection. The absences of this sale revenues required the employment of all existing reserves and contingencies, other than the dedicated emergency reserve, to maintain solvency in the GPF. In the past year the City has been forced to make significant reductions to expenditures and the severity of these unanticipated financial events will require cost containment for minimally the next two fiscal years. The triad of declining base revenues, expenditure cost inflation, and the absences of coliseum revenue jointly constitute the greatest pressure the City has faced on its resources since minimally the 2008 financial crisis. This financial event is severe, unanticipated, and ongoing.

Given the City's current fiscal constraints, the Midcycle Budget does not fully meet several maintenance of effort and minimum funding requirements established by voter-approved measures and Charter provisions. **To fully comply with these requirements, the City would need to invest approximately \$33.9 million in FY 2026-27, with the GPF likely serving as the primary funding source to meet most of the obligations discussed above.**

While the recommended waivers are necessary to maintain core City operations and balance the budget, they are not intended to be permanent. In order to return to using one-time funds in accordance with the uses proscribed by the Consolidated Fiscal Policy and comply with the maintenance of effort and minimum staffing requirements, the City will need to engage in extensive medium term financial planning. The City must develop a multi-departmental strategy to increase discretionary revenues particularly in the GPF. The City must also prioritize services such that we can identify costs that can be reduced or eliminated. The adoption of this proposed legislation will help to continue with the Citywide priority of providing a **responsive and trustworthy government.**

### ***MOE Prioritization***

Approval of the resolution also affirms the City Council's priority to restore funding and services needed to meet the maintenance of effort (MOE) requirements associated with the voter-approved measures that are temporarily waived in the Midcycle Budget. For any new ongoing GPF resources that become available during the Midcycle Budget, the City Council shall

prioritize restoration of these services, unless the resources are required to address a projected deficit, maintain the planned level of service and staffing in the adopted budget, are legally restricted, or their use would conflict with existing laws, or ordinances, or labor agreements. Similarly, for any new one-time resources that become available during the Midcycle Budget, the City Council shall also prioritize these funds to support services impacted by the temporary MOE waivers, subject to the same exceptions stated for new ongoing GPF resources. In short, this provision is designed to provide that any new resources that are not needed to maintain fiscal stability and operations of the current budget plan are to be used to better meet one of the various MOEs, unless they are restricted or doing so would in some way be contrary to law.

### **RELATED PLANNING EFFORTS**

During the FY 2025-27 Biennial Budget, the City Administrator prepared the Oakland Roadmap to Fiscal Health, a report that outlined actions required to meet significant challenges the City faces and restore the financial and operational health.

This agenda item supports the initiative to meet the voter-mandated staffing and service levels by incorporating the phased, multiyear plans to move the City toward compliance.

### **FISCAL IMPACT**

Approval of this resolution will allow the City to comply with the Consolidated Fiscal Policy ([Ordinance No. 13487 C.M.S.](#)) Section 1, Part D. and the provisions of the City Charter and various ballot measures. Absent this resolution, the Mayor's proposed budget and various amendments submitted by the City Council would not be legal to adopt.

### **PUBLIC OUTREACH / INTEREST**

There has been public outreach including several City Council meetings and community budget education presentations during the FY 2026-27 Biennial Budget Process.

### **COORDINATION**

This report and legislation were prepared by the Finance Department and has been reviewed by the Office of the City Attorney.

### **RACE AND EQUITY**

The FY 2026-27 Midcycle Budget is a significant tool for improving race and equity. Budgetary decisions made with equity as a focus can help to mitigate the inequitable circumstances of Oakland residents. The Midcycle Budget specifically addresses areas of affordable housing and homelessness, jobs and economy, public safety and violence prevention, and clean, healthy, and sustainable neighborhoods, all of which have equity considerations.


**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution:

1. Authorizing The Use Of One-Time Revenues To Balance The Fiscal Year 2026-27 Midcycle Budget Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.); and
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7. Establishing The Intention Of The City Council To Prioritize Restoration Of Services To Meet The Maintenance Of Effort (MOE) Requirements

For questions regarding this report, please contact Rina Stabler, Interim Budget Administrator, at 510-238-4758.

Respectfully submitted,

  
[Bradley Johnson \(Jun 8, 2026 12:04:03 PDT\)](#)

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BRADLEY JOHNSON  
Finance Director

Reviewed by:  
Rina Stabler, Interim Budget Administrator

Special City Council  
June 12, 2026

Elizabeth Lake, Acting City Administrator

Subject: FY 2026-27 Execution of Maintenance of Effort Waivers and Use of One-time Revenues to Balance the Midcycle Budget

Date: June 5, 2026

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