



BUDGET FACTS UPDATE

OFFICE OF THE CITY ADMINISTRATOR • October 7, 2010

Dear Oakland resident and community partner,

The City of Oakland is at a watershed. The local impacts of the global economic recession have left businesses struggling, tens of thousands of Oaklanders unemployed and the City budget devastated, principally because of the massive decline in property and transfer tax revenues resulting from the housing crash and foreclosure crisis.

We are confronted with very real budget realities and choices. With insufficient funds, do we prioritize public safety by protecting sworn officers or our neighborhood parks and libraries? Do we invest in programs to help develop the City's future over the long term or maintain direct services for kids or senior citizens?

In July 2008, when I took over as City Administrator, we discovered that the City had just run up a \$50 million deficit and was on track to lose an additional \$50 million, primarily because of steep declines in property and real estate transfer taxes and increases in police spending to fund additional officers. Continuing on this track would have put the City into instant insolvency because there were insufficient reserves to cover the difference. Even though the City Council had just "balanced" the next year's 2008-09 budget, we brought back a new budget to Council, which included an additional \$50 million in cuts and other budget balancing measures to bridge the gap.

A major priority has been to restructure the City's fiscal system. This has meant fiscal reform measures such as increasing our internal controls on expenditures, making deep budget cuts without decimating vital public services, negotiating major concessions with all City unions including Police and Fire, and prioritizing new revenue-raising opportunities.

For the past two years, the City has made broad and deep budget cuts in all departments, while trying to maintain police and fire services intact. We have closed more than \$50 million each year in budget deficits from the City's general purpose fund, eliminating nearly 600 positions. Even after all that, for fiscal year 2010-11, with debt service and voter-passed initiatives taking up 18 percent of our general fund revenues, police and fire services comprising another 72 percent of spending and the remaining 10 percent grossly insufficient to cover everything else, there was no other way to balance the City's budget but to eliminate positions in the police force. In addition to other cuts, the Council voted to lay off 80 officers in July and voted to lay off an additional 122 officers this December, unless voters approve the November ballot measures.

Our fiscal emergency has greatly affected the City's ability to provide the level of public service Oakland needs and deserves. At the same time, while we are facing many budgetary challenges, City of Oakland employees are committed to providing quality public service. Some recent examples of these efforts are listed below.

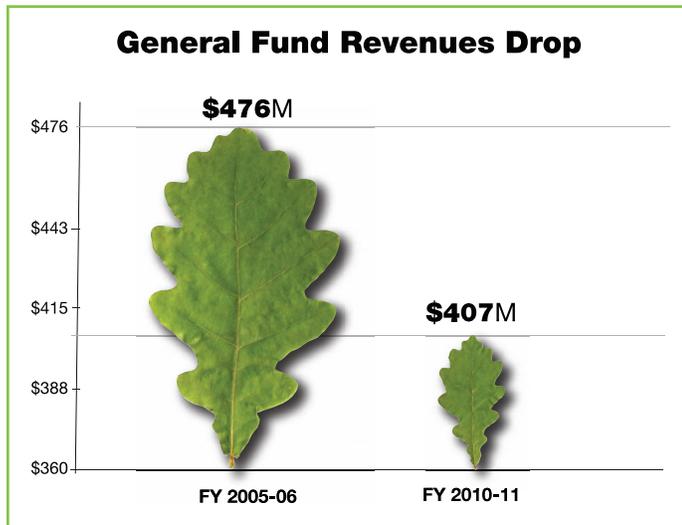
Please know that we are working hard to maintain Oakland's safety and vibrancy during these challenging times.

Thank you for your commitment to Oakland.

Dan Lindheim
City Administrator

MASSIVE DECLINE IN CITY OF OAKLAND REVENUES

Like other cities around the country, Oakland has been heavily impacted by the global economic recession. Declines in real estate transfer, property, sales and business taxes have caused the City's income to fall from \$476 million to \$407 million since 2006. Since the City is required to have a balanced budget, it has had to balance an annual shortfall of over \$50 million



General Fund Revenues Drop

THE CITY HAS MADE MAJOR CUTS FOR THE PAST TWO YEARS

Since July 2008, the City has made broad and deep budget cuts in all departments, while trying to maintain police and fire services intact. The City has closed \$230 million in shortfalls through the following measures:

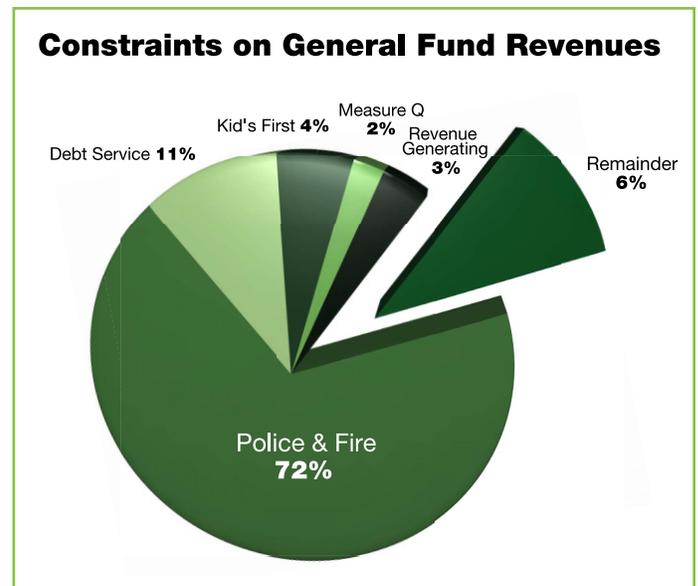
- Eliminated nearly 600 positions (includes the 122 policy lay-offs approved by Council for December 2010 if ballot measures do not pass).
- Secured major salary and benefit concessions from all employee unions (equal to 10% of compensation for most employees and 15% for at-will employees making more than \$100,000).
- Eliminated more than 100 cars in the City fleet.

- Reorganized departments to minimize the impact of cuts on public service.
- Reduced hours at senior centers and libraries.
- Reduced grants and subsidies to community organizations by \$1.7 million annually.
- Made major reductions in budgets for elected officials' offices

NOTHING LEFT TO CUT EXCEPT POLICE AND FIRE

No matter how large the cuts to other departments, Police and Fire make up the vast majority of the General Fund. The revenue shortfalls facing the City cannot be closed without cuts to Police and Fire.

- Authorized Police and Fire spending make up 72% of the General Fund
- Debt service is 10%.
- Voter mandates are 7% (KidsFirst, Libraries) -- and can't be cut without returning to the voters for approval.



Constraints on General Fund Revenues

DESPITE DEEP CUTS, CITY DELIVERS VITAL SERVICES

After two years and eight cycles of budget slashing, many City services have been significantly downsized. Still, across every department, City staff have found ways to increase efficiency and deliver high-quality, even award-winning services. Here are a few examples:

Fiscal Reform

- Achieved voluntary employee concessions in salary and retirement benefits from every employee union, saving the City \$19 million per year.
- Implemented stringent internal controls on spending. As a result, the City has slashed its miscellaneous expenditures (for office supplies, bottled water, duplicating and hospitality) by nearly 80 percent, saving an additional \$500,000 per year.
- Eliminated free parking for City employees, saving \$235,000 per year.

A Safer Community

- Achieved double-digit reduction in crime rate for three consecutive years. Violent crime is down 16 percent and the homicide rate is down 22 percent as a result of a public safety strategy that focuses on prevention and intervention as well as enforcement.
- For the first time in 20 years, OPD successfully eliminated sideshow activities this summer, as well as the deaths and injuries associated with them.
- Oakland neighborhoods hosted more than 450 National Night Out parties—up from just 35 parties 6 years ago—putting the power of community in community policing.

Revitalizing Our Economy

- Working in partnership with other public agencies, secured more than \$200 million in federal economic stimulus dollars for Head Start and Early Head Start programs, senior services, homelessness prevention, street resurfacing, energy retrofits and other vital public services during a time of significant reductions in local and state services.

- Fueled economic development and community revitalization, and leveraged nearly \$100 million in private investment and spending through film production, arts events, public art and special events. Specifically, 30 major festivals leveraged \$12 million in private investment, circulated \$20 million back into the local economy and attracted a combined attendance of nearly five million people.
- Two new community benefit districts are pumping an additional \$2 million annually into downtown to enhance its desirability as a business location.
- Generated hundreds of jobs by attracting new businesses to Oakland, including One Toyota, Cerexa, Sungevity and Blue Bottle Coffee.
- Bucking the recession, Oakland has joined the ranks of the nation's culinary destinations, with 80 major restaurants opening citywide and impressive reviews in the regional, national and industry press.
- Secured a \$1 million grant from the Bay Area Air Quality Management District and additional private funding to establish the Broadway Shuttle, linking employment centers with transit hubs and stimulating commerce along this essential corridor.

National Recognition

- Morcom Rose Garden ranked in Top 10 in nation as a result of increased volunteerism, despite deep cuts to park maintenance.
- Oakland was named one of America's top 10 greenest cities by the Natural Resources Defense Council and Mother Nature Network, and as one of the top 20 places to live by Outside Magazine.
- Oakland's innovative and effective violence prevention recently received federal recognition, leading to nearly \$3 million in new grant funds leveraged by Measure Y violence prevention funds
- The City of Oakland has been named as one of only 18 new Bicycle Friendly Communities in the nation as recognized by the League of American Bicyclists (LAB), the pre-eminent bicycling organization in the United States.



Office of the City Administrator
1 Frank H. Ogawa Plaza, 3rd Floor
Oakland, CA 94612
(510) 238-3301

