



CITY HALL • 1 FRANK H. OGAWA PLAZA, 3rd FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Fred Blackwell
City Administrator

(510) 238-3301
Fax (510) 238-2223

Rumors of Oakland's demise are greatly exaggerated by Fred Blackwell, City Administrator, City of Oakland

In response to recent articles related to Oakland's financial position in the Oakland Tribune and other media, I felt it important to highlight some of the City's efforts and correct some misleading assertions.

Most of these articles focus on major projected increases to the costs of employee health care and pension systems, and those are important issues we will collectively tackle on an ongoing basis. But these articles also paint a misleading picture of our fiscal outlook and overlook important steps that the Mayor and City Council have taken to address the challenges facing the City:

- While the City carries \$1.5 billion in unfunded pension and Other Post-Employment Benefits (OPEB) liabilities, our CalPERS pensions are funded at 77.3% for the Police and Fire CalPERS plan and at 79.6% for the civilian employees Cal PERS plan. These numbers were provided by CalPERS and reviewed by an independent auditor. These numbers are just short of 80 percent funded, the level considered healthy by the federal Government Accountability Office.
- We set aside funds for unfunded liabilities, negotiated two-tier pension reform to significantly reduce long-term costs, implemented the state's third-tier reform after that, and negotiated pension contributions from our police officers for the first time in Oakland history.
- The City secured approximately \$41.7 million in connection with former Redevelopment Agency employees' unfunded OPEB obligations and CalPERS pension obligations to be paid through the Recognized Obligation Payment Schedule (ROPS): \$27.7 million to pay pension liabilities and approximately \$14 million to pay unfunded OPEB liabilities through 2022.
- We issued bonds to better manage our closed Police and Fire Retirement System (PFRS) debt at a lower interest rate, with a steady revenue stream already dedicated to paying them off.
- The City's reserve was restored to a healthy 7.5 percent of General Fund revenues.
- The Mayor, City Council, and our employee unions worked together to close \$318 million in budget shortfalls since 2008, which required painful cuts to public services. We eliminated 720 positions, implemented furloughs, and deferred maintenance of streets and equipment.
- We set aside \$534,500 in excess Real Estate Transfer Tax revenue to pay down the unfunded liabilities in the FY 2013-15 Policy Budget.

In addition to the steps taken above, in late 2012 we released a five-year financial forecast, which has been updated in late 2013, as a planning tool to let City leaders look forward and make strategic decisions looking beyond our normal two-year budget cycle. The forecast shows growing costs of \$168 million in fiscal year 2016-17 and \$208 million the following year from the current projected expenditures of \$466 million. These are numbers to be taken seriously by policy makers, but they are being misinterpreted as budget figures rather than forecasts, and proposals to fix them through cuts without regard for actual revenues or the flexibility regarding expenditures, particularly on capital costs, is premature. Furthermore, cuts of that magnitude would amount to cutting half the General Fund – losing libraries, housing staff, police officers and more. These growing costs will require strong collaboration among our elected leaders, voters and employees, but they are not expected deficits: they don't account for projected growth in our revenues (current projection is 2% - 3% annual growth), which have been steadily building as Oakland emerges from the recession.

Finally, Oakland is holding itself to high standards of transparency and accountability from a fiscal point of view, and the nation's biggest crediting agencies have recognized Oakland's stability by maintaining our strong credit ratings to this day. These are agencies that specialize in deep, serious examination of complex finances and their positive assessments should be a part of any analysis of the City's financial standing. Just like many other cities in this nation, Oakland is impacted by rising pension and health cost and constrained in terms of the resources available to address a myriad of service needs. We have been able to address these problems in the past and I am confident that we will be able to collectively address them in the future. Rumors of Oakland's demise are greatly exaggerated.