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IMMEDIATE RELEASE

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Mayor Schaaf and City Administrator Release Proposed Two-Year Budget for 2017-19

Oakland, CA – Today, Oakland Mayor Libby Schaaf and City Administrator Sabrina Landreth released their proposed 2017-19 City budget [read it here: <https://beta.oaklandca.gov/issues/budget>].

Media Contacts:

Erica Terry Derryck
Office of the Mayor
(510) 238-7072
ederryck@oaklandnet.com

Karen Boyd
City of Oakland
City Administrator's Office
(510) 449-4401
kboyd@oaklandnet.com

In a transmittal letter to the City Council, Mayor Schaaf and City Administrator Landreth stated the following:

“We’re pleased to present the FY 2017-19 Budget for the City of Oakland. This budget represents a realistic approach that tackles costs head on while investing in the future.

“Oaklanders might ask: how is it that our city seems to be booming – companies moving in, construction cranes in the air – yet at the same time, potholes are getting deeper and trash piles are getting higher?

“While Oakland’s economy is growing, so are many of our challenges, including our housing affordability crisis, homelessness, illegal dumping and our pothole epidemic. And while our economic boom is helping City revenues grow, costs are growing even faster. For example, we project our CalPERS employee health care and pension costs will grow by 6 percent and 14 percent respectively.

“Driven by these increased costs, our financial projection for the next two years showed a \$32.5 million gap in the General Purpose Fund (GPF) between expected revenues and expenses – meaning that if we wanted to simply maintain what we are doing now over the next two years, we had to start by finding \$32.5 million of cuts and/or new revenues.

“Additionally, we must continue to pay for past financial bets that went wrong – including CalPERS earning assumptions and Coliseum renovation bonds that turned out to not be cost-covering – as well as ensure our decisions today don’t put future generations in even more financial risk.

“The Mayor and City Administrator’s Proposed 2017-19 Budget responds to these challenges responsibly.

Budget Priorities

“Our priorities in the developing the 2017-19 Budget were:

- Prevent cuts in current service levels for Oakland residents (polling shows Oaklanders aren’t sufficiently satisfied even with existing service levels);

- Preserve staffing levels for City workers who are stretched thin under increasing demands as well as address large unfilled vacancies in the police and fire departments;
- Do not add ANY new unrestricted General Purpose Fund (GPF) funded positions, unless they are cost covered by new revenues, including increased fees;
- Make continued progress on financial stability by reducing the use of one-time revenues for on-going expenses, paying down negative fund balances and contributing \$20 million towards future unfunded medical retirement benefits;
- Add cost-covered positions and leverage new or outside funds to address urgent challenges responsibly, including more fire and code inspectors, rental services, affordable housing development and preservation, police accountability, homelessness, illegal dumping, education, building permits, and road repairs;
- Set aside modest, one-time compensation and employee training funds, recognizing that retaining and attracting talent in City government is critical to serving Oakland’s residents.

Significant Expenditures & Service Impacts (see attached)

“We started by closing the \$32.5 million funding gap in the GPF, so we could maintain existing service levels and staffing. We did this, as well as added new cost-covered services, by making the following adjustments:

	One-Time		One-Time	
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19
	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Projected Shortfall				
March (based on FY16-17 2nd Quarter)		(\$13.52)		(\$18.98)
Changes/Solutions:				
Savings Measures	\$17.42	\$4.52	\$12.27	\$3.11
Revenue Enhancements	\$7.49	\$4.75	\$11.76	\$12.70
Additional Services	(\$7.31)	(\$13.35)	(\$9.38)	(\$11.48)
TOTAL	\$4.08	(\$4.08)	(\$4.33)	\$4.33
Net FY 2017-19 surplus/(deficit)	\$0.00		\$0.00	

“Some significant new savings and revenues included (across both years):

- Pre-pay the negative balance in our Facilities Fund (4400) to reduce our required on-going installment payments (\$5.73 million);
- Propose revised fees and improved revenue collections including commercial landlord and other minor audits and fire code inspections, plus projected Army Base leasing revenue and off-street parking revenue (\$10.44 million);
- Transfer general fund costs to eligible restricted funds (\$5.04 million);
- Reduce unemployment costs (\$3 million); and
- Suspend the deposit of 25 percent of excess real estate transfer tax (RETT) into the Vital Services Stabilization (aka Rainy Day) Fund in order to preserve critical services, primarily Park Maintenance and ASSETS-funded Senior Center workers (\$4.3 million).

“The decision to suspend contributions to our rainy day fund was particularly difficult. But changes in the federal government’s ASSETS program and flat or reduced revenues from our Comprehensive Cleanup and Landscape and Lighting Assessment District (LLAD) funds would have otherwise required we cut 45% of all Parks Maintenance staff and 100% of our ASSETS-funded senior workers. Using Vital Services Stabilization funds preserves these services with one-time funds for the next two years, while we identify a permanent structural solution.

“The 2017-19 Proposed Budget can be summarized:

Category	FY 2017-18	FY 2018-19
Unrestricted General Purpose Fund (43%)	\$570,529,035	\$592,915,016
Restricted Special Funds (57%)	\$761,034,692	\$770,356,724
TOTAL - All Funds	\$1,331,563,727	\$1,363,271,740

Full-Time Equivalent Positions – GPF	2,455.26	2,509.99
Full-Time Equivalent Positions – All Funds	4,247.50	4,299.90

“This budget makes many significant investments to preserve existing service levels, as well as enhance services responsibly in areas of great need as well as City Council consensus, including:

- Nearly triple the number of Fire Prevention Inspectors from 8 to 20 by the end of two years;
- Expand enforcement of renter protections and affordable housing preservation and development;
- Expand Code Enforcement and Building Permit capacity with more than 20 additional positions;
- Provide ongoing funds to continue employing various strategies to provide shelter and services to the homeless population and compassionately mitigate health and safety impacts;
- Start up the Cannabis equity loan program using projected cannabis revenue;
- Identify healthy children programs consistent with the spirit of Measure HH and reserves an additional \$1 million fund for the yet-to-be-formed Community Advisory Board to advise Council how to spend in the second year;
- Prepare 15,000 more Oakland children for college with early scholarship awards for kindergartners, savings accounts, Future Center support services, college scholarships and persistence supports through the Oakland Promise initiative;
- Expand capacity of Oakland Public Works Call Center/”Oak 311”;
- Nearly double the Capital Improvement Program (CIP) budget thanks to new i-Bond funds, as well millions of grant funds secured by the Department of Transportation. Expand capacity to pave over 1,100 blocks – triple past years – and invest \$21.5 million in improving City facilities; and
- Enhance community policing with grant-funded walking officers in commercial districts, the PRIME police early warning data system and Oakland’s first Police Commission.

The Service Impact section of the [budget document](#) (see attached) presents a more detailed list of anticipated service level changes.

Challenges and Uncertainties

“While the City is making progress to meet its financial obligations, there continue to be major challenges that squeeze City finances and create structural imbalance every

budget cycle. The City needs new strategies to more aggressively address these long-term challenges before they become unmanageable in the future. They include:

- **Growing medical and pension costs:** As of July 1, 2016, total unfunded liability is close to \$2.5 billion for CalPERS, OPEB and PFRS for both active employees and retirees, which reduces funding for other GPF priorities. This budget proposes to deposit \$10 million annually (total of \$20 million over two years) to the OPEB trust in addition to the estimated \$25 million pay-as-you-go amount each year; however, it still falls dramatically short of the \$74 million Actuarially Required Contribution (“ARC”). We must find an ongoing funding solution to meet our ARC payments, so future required contributions do not paralyze the City’s operations.
- **Possibility of Economic Contraction:** Historically, periods of expansion are followed by economic contraction. Since World War II, the average expansion period lasts for approximately 5-6 years. This current economic expansion has exceeded 5 years. This budget assumes slower overall growth in revenues, but not an economic contraction.
- **Federal Cuts & Uncertainty:** President Trump’s budget threatens key sources of the City’s federal funding, not even taking into account his threats against Sanctuary Cities. His proposed budget eliminates the Community Development Block Program, the HOME Investment Partnerships Program; the Economic Development Administration, which gives out grants in struggling communities; and cuts \$667 million from FEMA grant programs to state and local agencies, including pre-disaster mitigation grants and counterterrorism funding.

“Oakland is enjoying incredible growth and vitality. This budget finds responsible ways to increase key services and strengthen our overall fiscal health. Rating agencies recognized our steady efforts by upgrading Oakland’s credit rating last year.

“Our structurally constrained resources require that we invest carefully in what we know works and what the organization can reasonably absorb. If there’s one thing we’ve learned over the last year, we must be prepared for unexpected challenges. We do this with strong finances and an even stronger organization. We are proud every day to work alongside some of the most talented, committed and courageous public servants. And we are proud to continue attracting considerable new talent into this incredible organization and equally incredible community.

“We owe it to them to keep focused on the core responsibilities of City government, work within our organizational and financial capabilities, all while laying a foundation for the long-term future health of our city.

“We look forward to providing a brief overview of the FY 2017-19 Proposed Policy Budget to the City Council on May 2, 2017, with a more in-depth presentation to the City Council on May 16, 2017, and a robust schedule of community forums.”

Today, the City of Oakland also introduced a new visualization of the City budget: <https://beta.oaklandca.gov/issues/budget>. The Budget Explorer site offers interactive charts, graphs and tables to better illustrate how the City will use its resources.

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