

FY2020-21 DEFICIT

Meanwhile, a separate but related process is now underway to address a \$72 million deficit in the current fiscal year for the General Purpose Fund.



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HOW MUCH IS IT?

The COVID-19 pandemic has decimated our national and local economies. In June of 2020 we addressed the deficit in our mid-cycle budget. However, projections now show a growing potential current year deficit of \$72M. This is one of the most serious financial challenges the City of Oakland has ever faced.

The \$72M projection is based on data through December of 2020.



\$72M is equivalent to about 450 Full-time Jobs

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WHAT CAUSED IT?

The economic slowdown associated with the county and state health orders and lockdowns have slashed our first and second quarter tax revenues in four main categories: hotel tax, service fees, fines, and parking tax.

While the exact economic impact remains unknown, it is clear that the current emergency will have an enormous impact on the City finances at a time when a historic number of residents are unemployed and the need for City services has never been greater.



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OTHER FINANCIAL CHALLENGES



Underbudgeted Police Costs

The City has consistently underfunded the actual cost of overtime needed to meet rising costs and demand for police services. In the past, City revenues covered the additional spending, but revenue no longer exists in this economy.



Structural Deficit

Oakland has carried a structural deficit for years, meaning that expenses have chronically grown much faster than revenues, even in good times. This is primarily driven by rising personnel costs like medical benefits and pension contributions mandated by the State.

\$2B+

Unfunded Liabilities

The long-term unfunded liabilities the City has to pay for employee pensions and retiree health benefits and deferred capital maintenance greatly exceed the resources to meet those obligations by more than \$2 billion.

\$50M+

Negative Fund Balances

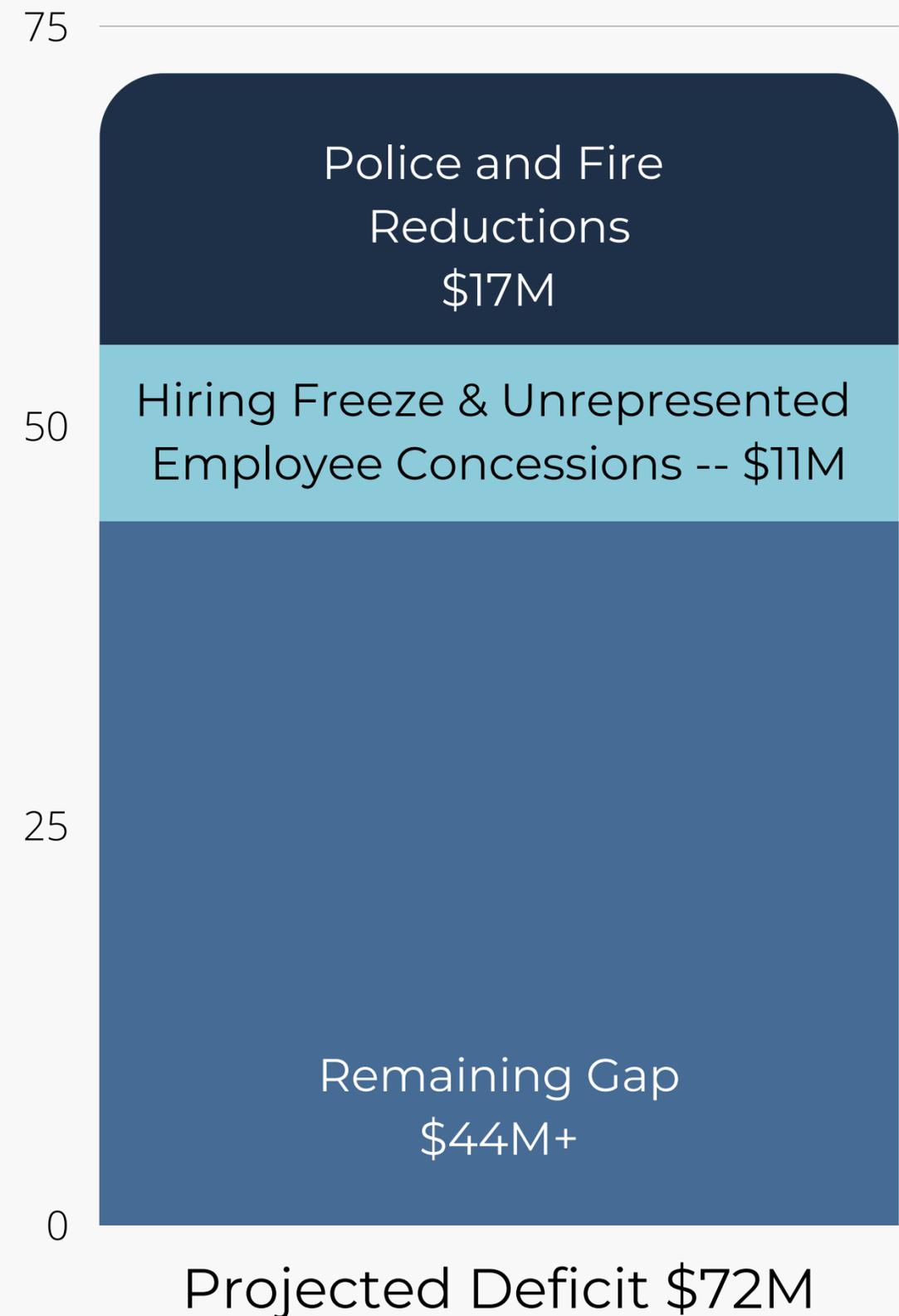
Numerous funds outside the General Purpose Fund have negative balances, totaling more than \$50 million. The City has a policy in place to systematically reduce those negative balances, but that policy has been suspended in the current fiscal year to address the deficit.

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CLOSING THE GAP

The City has taken swift action to begin to close the initial budget shortfall and projected gap: used 100% of our Rainy Day reserve, reduced police and fire services, released most temporary and part-time workers, implemented a hiring freeze, reduced wages of unrepresented (non-union) employees and suspended payment to the long-term retiree healthcare fund. These actions have helped close about \$27M+ of the projected \$72M deficit. A deficit of \$44M+ remains.

Absent immediate and significant solutions, the General Purpose Fund could become insolvent -- meaning we couldn't pay our obligations.

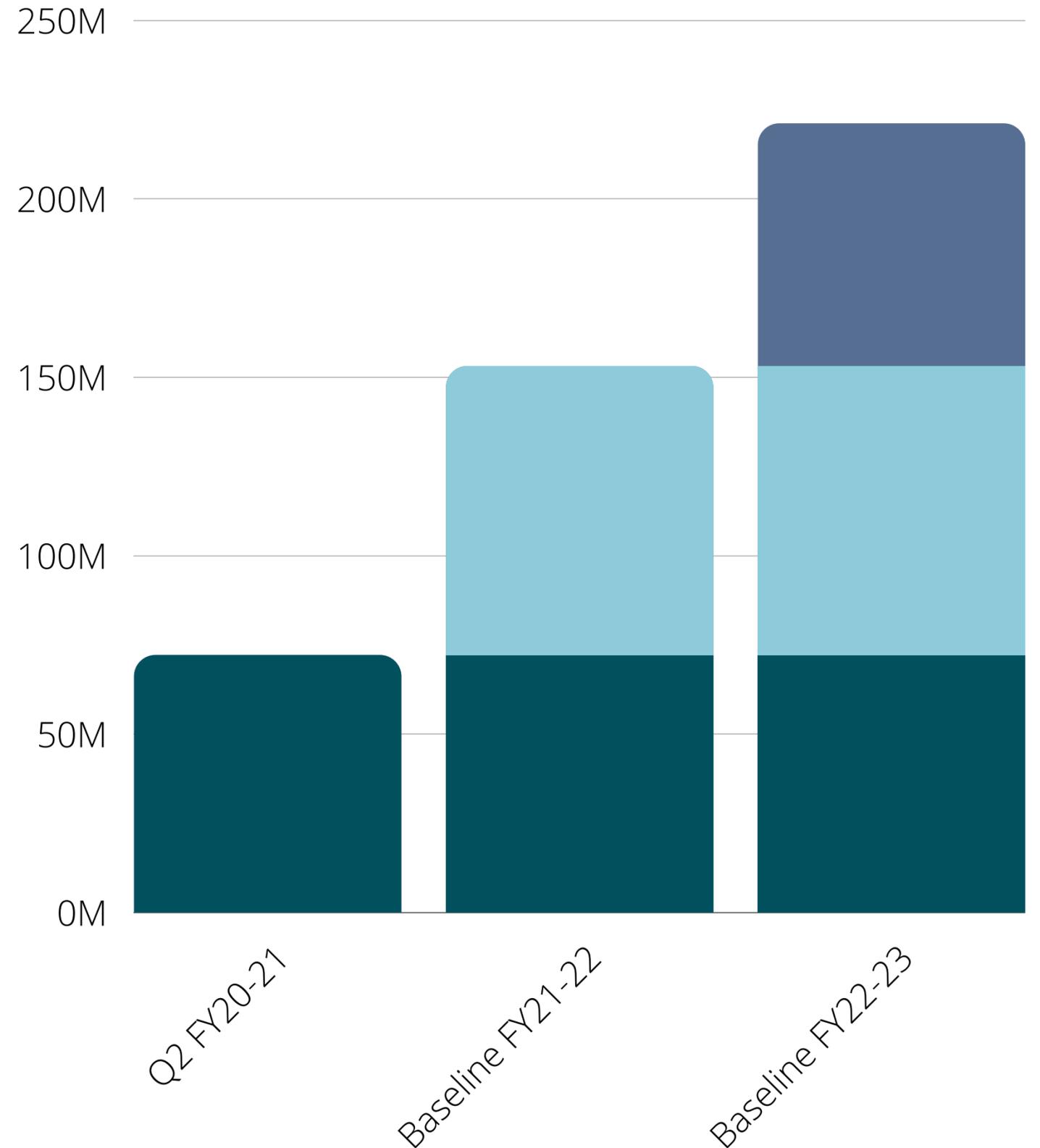


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NEXT FISCAL YEAR LOOKS WORSE

As dire as the deficit is this year, next year looks worse. If we don't act now, the deficit will be compounded over time. We must make the hard decisions now to avoid having to make heartbreaking decisions later.

The City's preliminary estimate for the FY 2021-23 budget cycle indicates a \$274 million deficit for the next two fiscal years across all funds.



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WHAT HAPPENS IF WE DON'T BALANCE OUR BUDGET?

If our deficits continue to grow, Oakland could be extremely vulnerable to insolvency. The services we provide would be devastated and we would be unable to respond to an emergency.

To address the financial crisis, the City is doing everything that it can to prevent long-term devastating cuts to our budget. We have already exhausted our Rainy Day Fund and are now trying to avoid draining our Emergency Reserves.

Services



Layoffs



Rainy Day
Fund



Emergency
Reserves



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HELP IS ON THE WAY

The Federal American Rescue Plan will certainly provide relief. The \$1.9 trillion package recently signed by President Biden is the first to include direct aid to local governments specifically to address our revenue losses, while continuing to send more direct aid to our most vulnerable residents and small businesses.

The City of Oakland will receive an estimated \$192 million in American Rescue Plan one-time funds to help address our massive revenue losses. While it's not the full amount we'd need to completely address our projected shortfalls over the next two fiscal years or solve our structural deficits, it will get us much closer to closing the gap, and take us from considering catastrophic reductions to only difficult ones.

Allowable uses for this funding presently include backfilling loss of City revenues due to COVID-19, and other COVID-19 related services.



GET INVOLVED

Learn more about the budget, attend upcoming budget town halls, ask budget questions, and share your ideas.

[OAKLANDCA.GOV/BUDGET](https://oaklandca.gov/budget)