

Alameda County Taxpayers' Association

Overview of City of Oakland and State of California Taxes

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(See Correction at Slide 8)

March 24, 2021

Where Does the City of Oakland Plan its Finances?

Adopted Policy Budget

CITY OF OAKLAND
FISCAL YEAR 2019-2021



Oaklandca.gov/budget

- The City of Oakland adopts bi-annual budgets
- The most recent is for the two fiscal years ending June 30, 2021
- [FY-2019-21-Adopted-Budget-Policy-Book-FINAL-WEB-VERSION.pdf \(cao-94612.s3.amazonaws.com\)](https://cao-94612.s3.amazonaws.com/FY-2019-21-Adopted-Budget-Policy-Book-FINAL-WEB-VERSION.pdf)
- 542 pages
- Has been amended – chiefly due to the fiscal impacts of COVID-19

What Are the Local Issues That Concern All of Us?

- Accountability in government for use of taxpayer funds:
 - Clear objectives
 - Good, realistic plans to achieve them
 - Proper planning/monitoring of plans for “time, dime, and shine” – programs and projects that come in on schedule, within budget, and meet promised performance
- Housing:
 - High costs of housing, freezing out lower- and middle-income residents and would-be residents
 - Almost the only housing being built is “market-rate,” for higher-income residents, often involving decimating historic lower-income neighborhoods
- Homelessness
- Special interests gaining priority over the greatest good for the greatest number
- Government over-regulation
- Medical care –COVID-19 and beyond
- Public safety – serious crime up as Police being cut back
- Roads – overloaded and deteriorating
- Public transit – most riders literally avoiding BART/AC Transit like a plague
- Dumping and trash
- K-12/Community College districts badly failing pre-COVID-19; many students may **never** recover from shift to remote – or no – learning
- Tax increases as the standard government response to everything
- Loss of faith in science and in government by large segments of the populace
- Shift of power from local decision-making on local issues to State and Federal

How Does Oakland Rank?

The Pun Group, *2020 Survey of California Counties and Cities* (101 cities responded):

- Oakland is the eight largest city by population in California – and 45th largest in the U.S.
- Third highest (best) highest excess of tax revenues over costs of services
- Third highest (worst) long-term debt; \$3.656 billion, \$8,444 *per capita*
- Third highest annual actuarial pension contribution – \$295 million (\$229 excluding Port)

(Former) Sen. John Moorlach, *Financial Soundness Rankings for California's 482 Cities* (January 1, 2020):

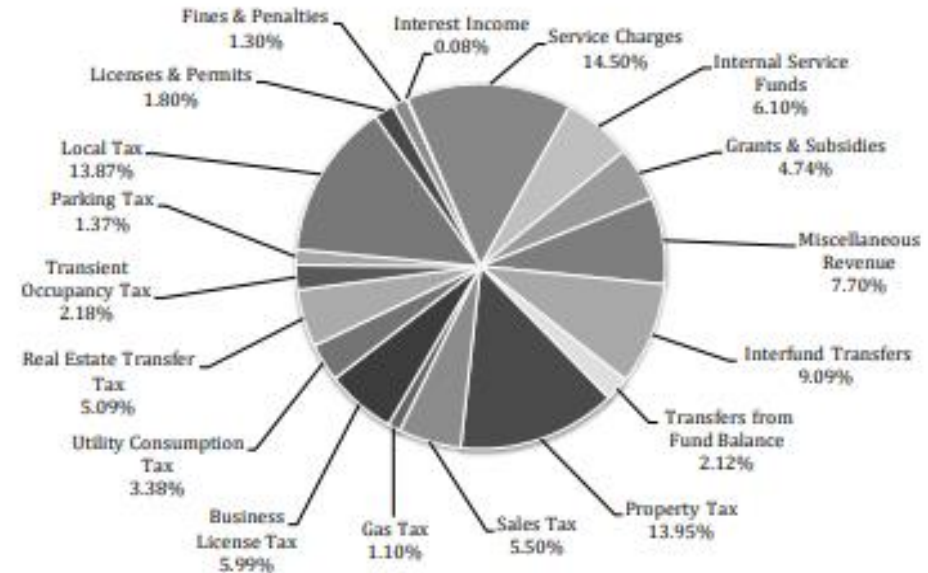
- His key metric is “unrestricted net position” – which is roughly comparable to stockholders equity, or book value, on a private sector company’s balance sheet
- Oakland was the worst, \$5,701 *per capita*
- Other Bay area cities:
 - 2. Richmond \$5,633
 - 3. Berkeley \$4,125
 - 6. San Francisco \$3,338
 - 7. Alameda \$2,537
 - 8. San Jose \$2,537

Where Does Oakland Get Its Money?

- Many different sources – 18 *categories* shown at right
- Property Tax and Real Estate Transfer Tax largest, but only total 19.04%
- New taxes must be approved by the electorate; “fees” for services generally can be imposed by the City Council
- Spending had been constant to slightly down pre-COVID-19; the public health emergency has imposed significant challenges on all local governments, compounded by uncertainty about Federal and State assistance

FINANCIAL SUMMARIES

**BREAKDOWN OF FY 2019-21
ALL FUNDS REVENUE BY TYPE**



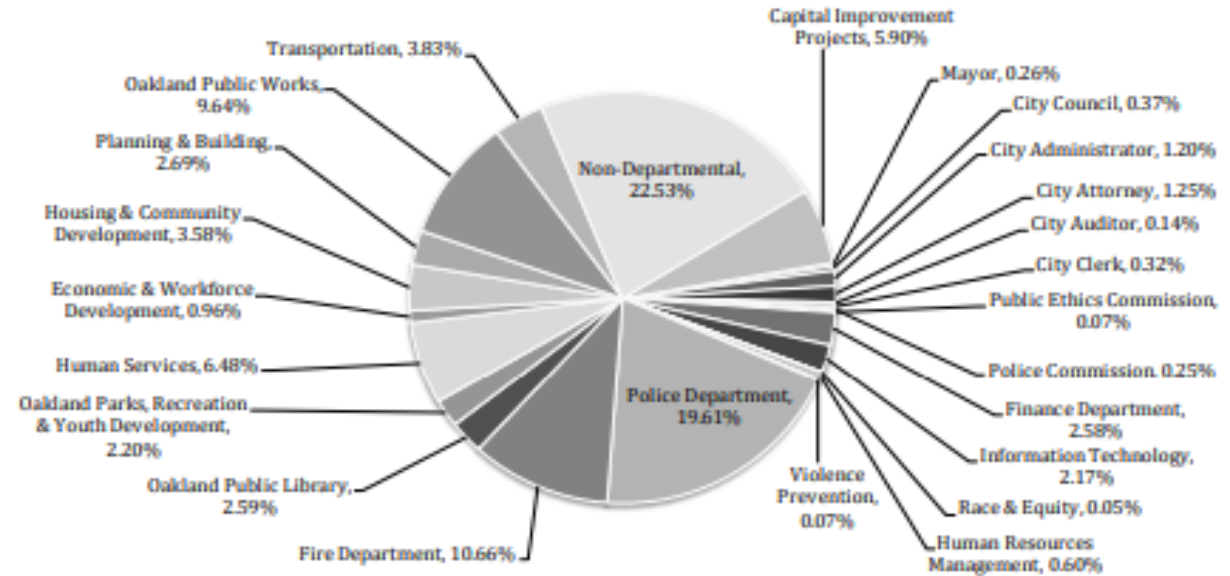
HISTORICAL CHANGES IN ALL FUNDS REVENUE



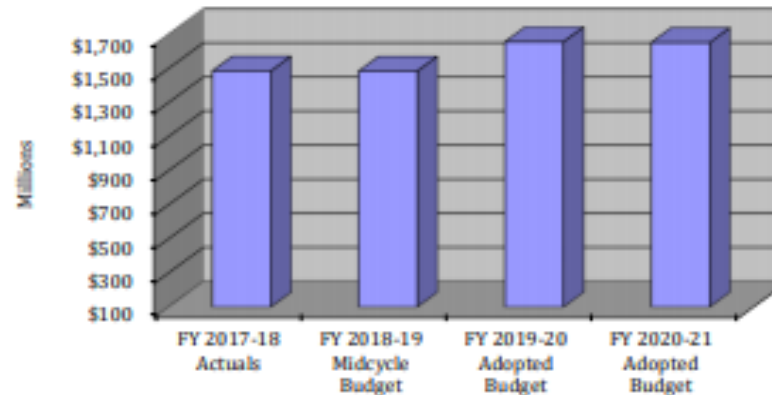
Where is the Money Spent?

- Police and Fire total 30.27%, not counting a major portion of the non-departmental spending that supports public safety
- Police and Fire are 69.17% of General Purpose Fund expenditures

**BREAKDOWN OF FY 2019-21
ALL FUNDS EXPENDITURE BY DEPARTMENT**

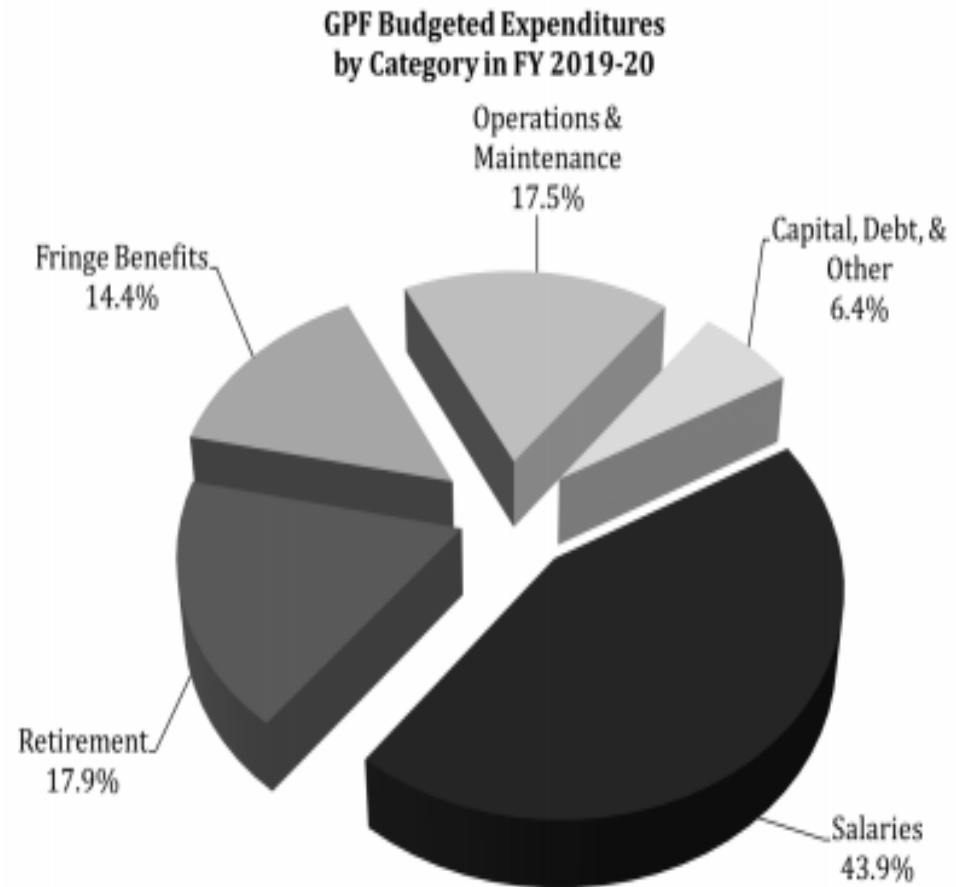


HISTORICAL CHANGES IN ALL FUNDS



What is the Money Spent For?

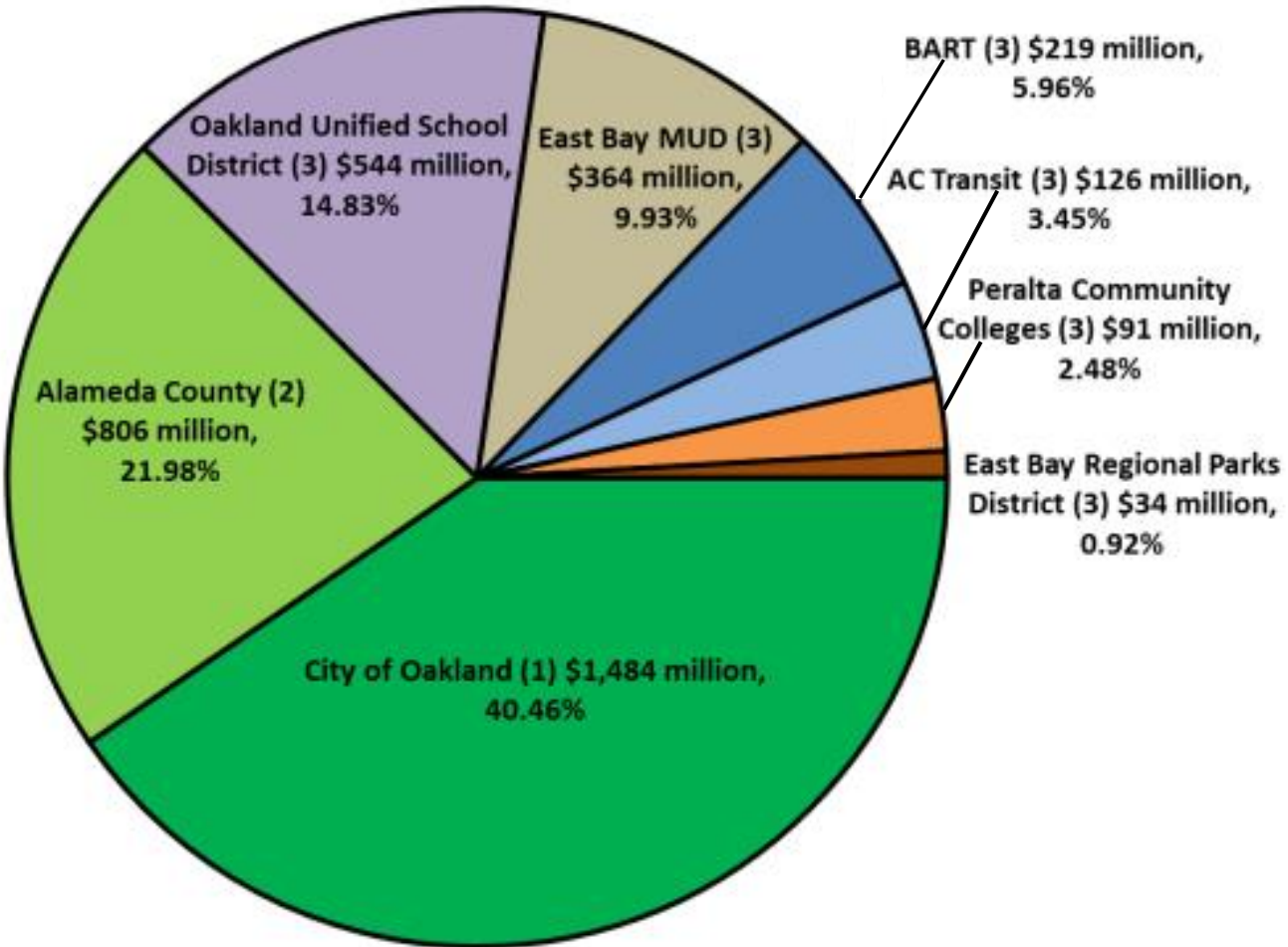
- 76.2% of General Purpose Fund spending is for employment costs
 - Ave. City Salary/Wage \$ 65,098
 - Ave. Total Cost Employment \$115,191
- For all City of Oakland residents:
 - Median Household Income \$ 57,778
 - Median Male Earnings \$ 35,373
 - Median Female Earnings \$ 31,451
- City (excluding Port) has \$2.316 billion unfunded net pension and retiree medical liability – \$5,252 per Oakland resident, \$26,260 for a family of five
- Benefits costs increasing significantly
- Pension payments senior to services to taxpayers – so, fewer police on the street so pension contributions can be made



CORRECTION

- At the March 24th presentation, a question was asked for the prior slide regarding the propriety of comparison of the mean (Oakland employee salary) to the median (Oakland resident earnings).
- I responded that I was unable to find comparable data (mean to mean, median to median) data for the current period and – **incorrectly** – that, in this population, the median would be higher than the median.
- The following data (latest available) is for 2018: “Average annual salary (mean) was \$91,665 and median salary was \$87,492. City of Oakland average salary is 96 percent higher than USA average and median salary is 101 percent higher than USA median.” (Source: California Employers, [City Of Oakland Salary - California \(govsalaries.com\)](https://www.govsalaries.com)).
- It appears that, in the City Budget, Oakland attributes paid time off (vacation, holiday, sick leave, etc.) to employee benefits, not salaries and wages.

Estimated Funds Expended in Oakland by Local Government Service Provider



Notes
(1) FY 2018-19 Midcycle Budget
(2) Estimate is derived by using FY 2018-19 budget expenditures and taking out any services not provided in the City of Oakland multiplied by the ratio of Oakland residents to the County's population.
(3) Estimates are derived by multiplying the most recent budget expenditures by the ratio of Oakland residents to the total population served.

Midcycle Revenue Adjustments to Two-Year Budget		
Category	Dollar Adjustment (Millions)	Percent Adjustment
Property Tax	\$4.8	2.2%
Sales Tax	(9.1)	(15.2)%
Business License Tax	(15.2)	(15.2)%
Utility User Tax	(4.8)	(8.7)%
Real Estate Transfer Tax	3.7	4.4%
Transient Occupancy Tax	(13.0)	(46.8)%
Service Charges	(8.0)	(11.9)%
Other	1.1	
Grand Total	\$(40.5)	(6.2)%

American Rescue Plan Act (ARPA) Funding (Millions)

Category	National	California
States	\$195,300	\$25,627
Cities	\$65,100	\$7,472
Counties	\$65,100	\$7,472
Transit	\$30,500	~\$4,600
00Oakland		\$192
Alameda County		\$324
Bay Area Transit		~\$1,360

State of California

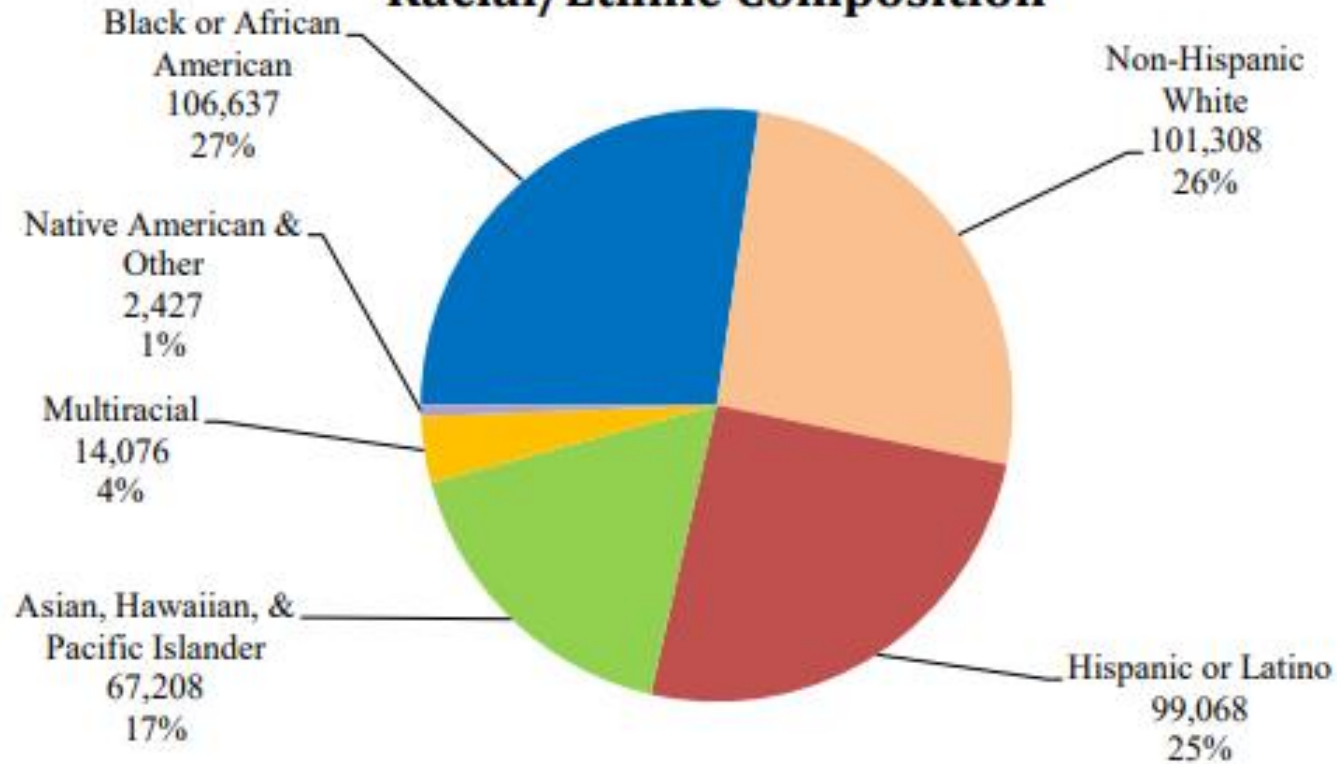
- Due, in large part, to the bull market in stocks, which generates major capital gain tax revenues, California is currently expecting a **surplus** of >\$15 billion in the current fiscal year
- The State **could** use this surplus, plus some portion of \$26+ billion in ARPA funding, to help out cities, counties, and other local governments
- However, the record of the State in “sharing the wealth” has not been strong over the past few decades – in fact, the usual response of the State to fiscal shortfalls has been to take money from local governments to make the State whole
- One of the provisions of the American Rescue Plan Act prohibits tax cuts
- So, the many businesses that have been suffering hugely during the pandemic will not get a tax break – but they **could** get direct payments; but these are more difficult to do politically
- The **VERY** strange politics of this year make it difficult to make forecasts ...

Questions?

HOLDBACK SLIDES

City of Oakland Demographics

**2010 Census - City of Oakland
Racial/Ethnic Composition**



City of Oakland Population by Age

Age Range	2000 Census		2010 Census	
	Count	%	Count	%
0 to 4 Years	28,292	7%	26,099	7%
5 to 17 Years	71,467	18%	57,021	14%
18 to 64 Years	257,937	65%	264,045	68%
65+ Years	41,788	10%	43,559	11%
Total	399,484	100%	390,724	100%

All Funds and General Purpose Fund Revenue Sources

ALL FUNDS REVENUE

Revenue Type	FY 2017-18 Actuals	FY 2018-19 Adopted Midcycle	Percentage change to 2019-20	FY 2019-20 Adopted Budget	Percentage change to 2020-21	FY 2020-21 Adopted Budget
Property Tax	\$191,984,092	\$202,978,494	10.2%	\$223,769,855	6.2%	\$237,728,868
Sales Tax	85,499,810	84,946,790	5.6%	89,667,701	2.9%	92,245,648
Vehicle License Fee	224,279	-	0.00%	-	0.00%	-
Gas Tax	9,207,389	16,295,864	10.9%	18,068,716	1.2%	18,278,463
Business License Tax	86,107,189	86,622,000	15.1%	99,673,792	3.6%	103,221,291
Utility Consumption Tax	52,047,385	54,207,390	1.8%	55,161,000	3.0%	56,815,600
Real Estate Transfer Tax	77,663,378	74,181,417	11.7%	82,873,970	3.0%	85,376,169
Transient Occupancy Tax	30,038,746	30,494,260	16.0%	35,377,072	4.1%	36,812,233
Parking Tax	21,136,657	22,135,799	0.8%	22,321,012	3.0%	22,995,842
Local Tax	199,984,233	214,856,924	3.7%	222,731,416	6.0%	236,089,125
Licenses & Permits	47,807,006	28,461,428	4.3%	29,693,967	0.1%	29,720,536
Fines & Penalties	21,462,821	23,515,246	-8.6%	21,490,692	0.2%	21,526,145
Interest Income	6,448,296	1,284,105	-0.4%	1,279,569	0.0%	1,279,569
Service Charges	234,754,091	213,681,136	12.2%	239,768,154	0.1%	240,049,449
Internal Service Funds	83,902,914	84,431,661	19.9%	101,263,924	-0.6%	100,637,052
Grants & Subsidies	123,668,514	79,156,074	2.9%	81,463,903	-7.6%	75,291,297
Miscellaneous Revenue	332,630,247	77,898,441	78.5%	139,052,588	-16.9%	115,620,765
Interfund Transfers	138,292,685	140,191,958	7.9%	151,198,057	-1.1%	149,557,882
Subtotal Revenue	\$1,742,859,732	\$1,435,338,987	12.5%	\$1,614,855,388	0.5%	\$1,623,245,934
Transfers from Fund Balance	-	48,809,810	-	41,367,263	-30.4%	28,806,166
Grand Total	\$1,742,859,732	\$1,484,148,797	11.6%	\$1,656,222,651	-0.3%	\$1,652,052,100

GENERAL PURPOSE FUND REVENUE

Revenue Type	FY 2017-18 Actuals	FY 2018-19 Adopted Midcycle	Percentage change to 2019-20	FY 2019-20 Adopted Budget	Percentage change to 2020-21	FY 2020-21 Adopted Budget
Property Tax	\$187,172,191	\$196,467,669	9.4%	\$215,020,345	6.2%	\$228,358,716
Sales Tax	57,465,177	57,678,493	3.9%	59,950,990	2.8%	61,637,435
Vehicle License Fee	224,279	-	0.00%	-	0.00%	-
Business License Tax	86,107,189	86,622,000	15.1%	99,673,792	3.6%	103,221,291
Utility Consumption Tax	52,047,385	54,207,390	1.8%	55,161,000	3.0%	56,815,600
Real Estate Transfer Tax	77,663,378	74,181,417	11.7%	82,873,970	3.0%	85,376,169
Transient Occupancy Tax	23,583,086	23,673,242	17.4%	27,796,271	4.1%	28,923,900
Parking Tax	10,803,104	11,436,700	0.2%	11,461,012	3.0%	11,804,842
Local Tax	(99)	-	0.00%	-	0.00%	-
Licenses & Permits	2,383,571	2,104,974	40.0%	2,947,904	0.9%	2,974,473
Fines & Penalties	18,473,844	21,231,083	-6.8%	19,788,846	0.2%	19,824,299
Interest Income	974,292	1,210,069	0.0%	1,210,069	0.0%	1,210,069
Service Charges	60,571,766	62,083,803	8.3%	67,234,926	3.3%	69,476,398
Grants & Subsidies	2,480,161	119,435	0.0%	119,435	0.0%	119,435
Miscellaneous Revenue	6,763,443	5,487,531	-82.4%	968,064	0.0%	968,064
Interfund Transfers	3,964,207	4,768,924	42.7%	6,806,233	-25.1%	5,100,000
Subtotal Revenue	\$590,676,974	\$601,272,730	8.3%	\$651,012,857	3.8%	\$675,810,691
Transfers from Fund Balance	-	1,179,877	-	4,114,375	-	8,735,428
Grand Total	\$590,676,974	\$602,452,607	8.7%	\$655,127,232	4.5%	\$684,546,119

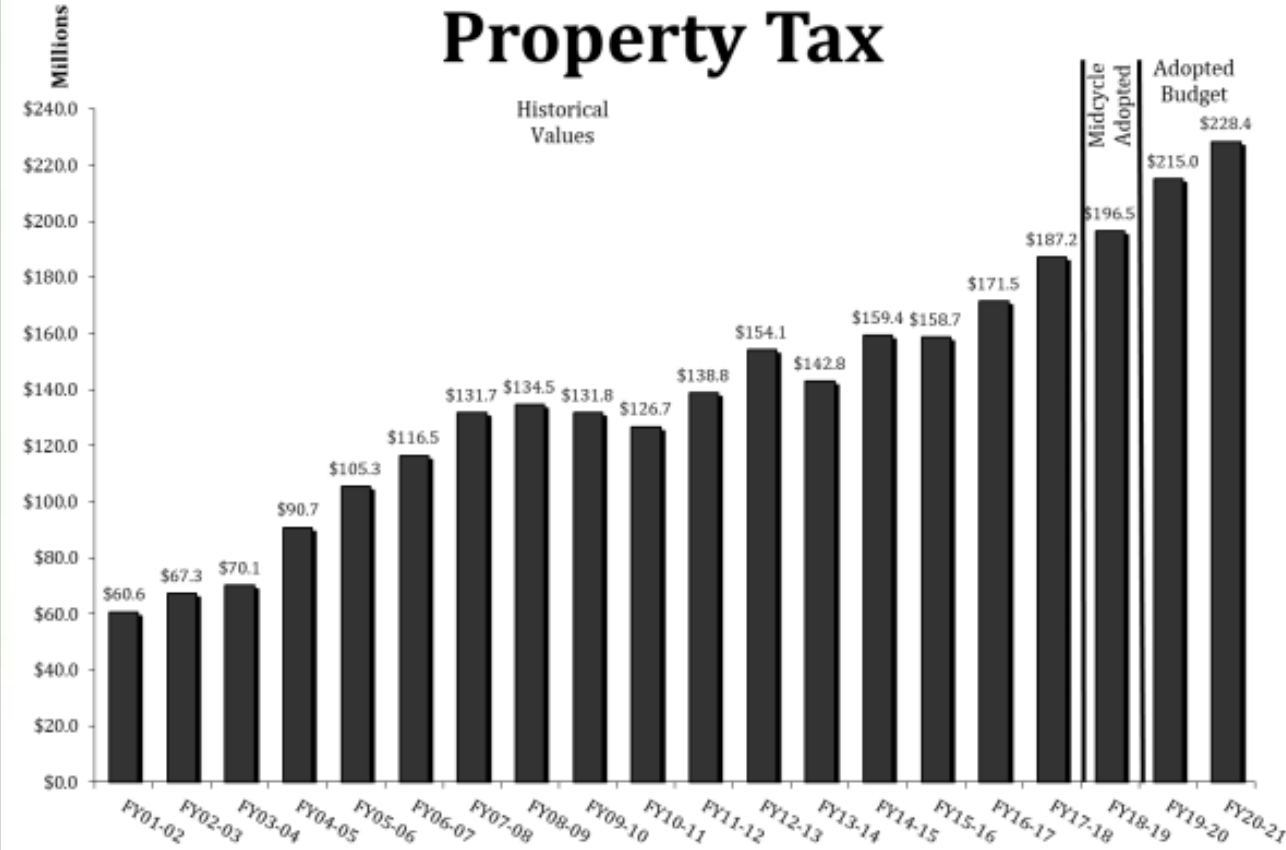
Property Taxes

26%
City of Oakland



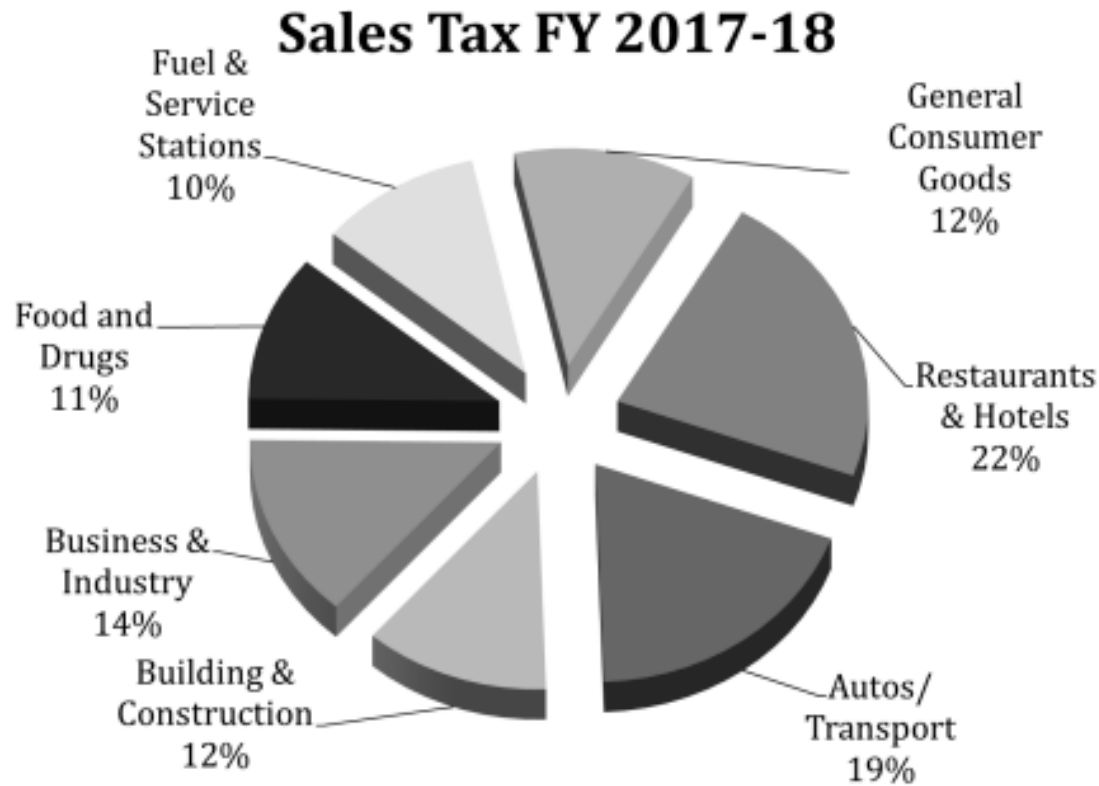
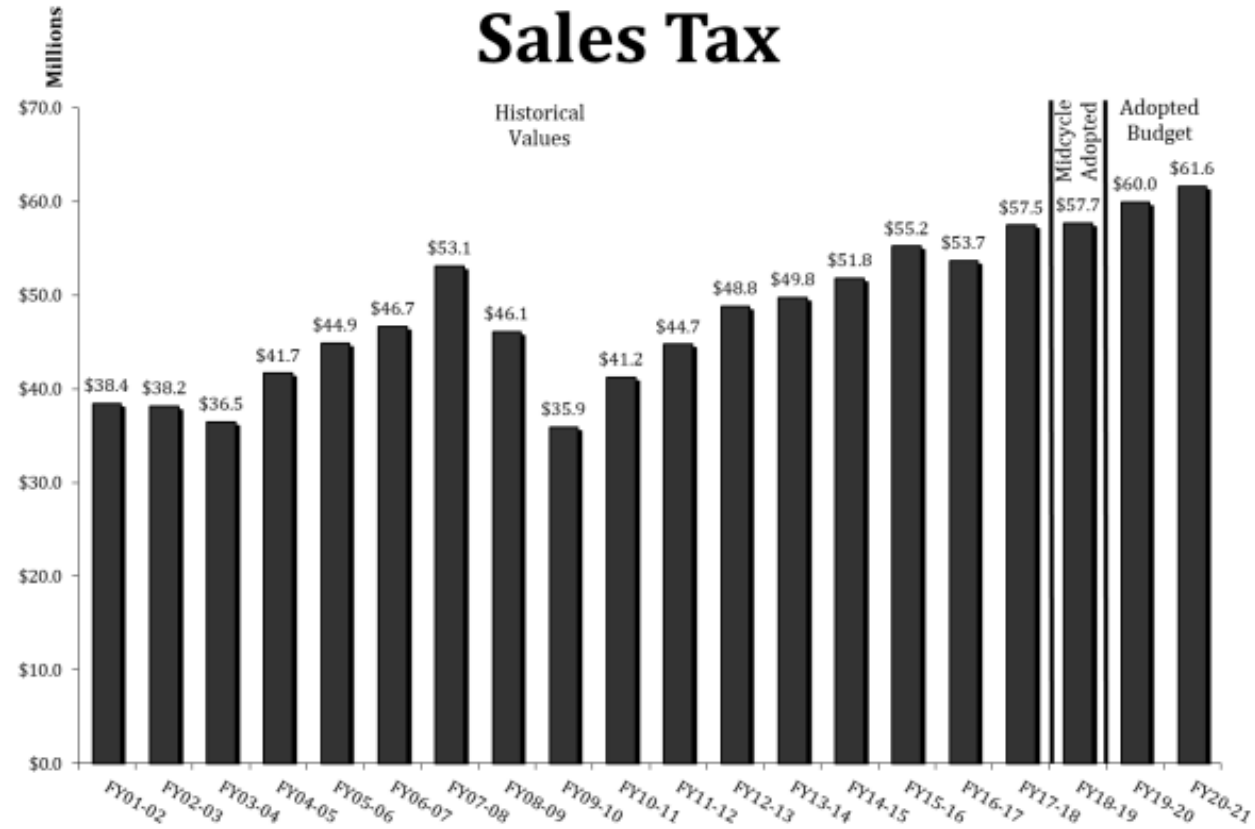
74%
other government
entities

Property Tax



Sales Taxes

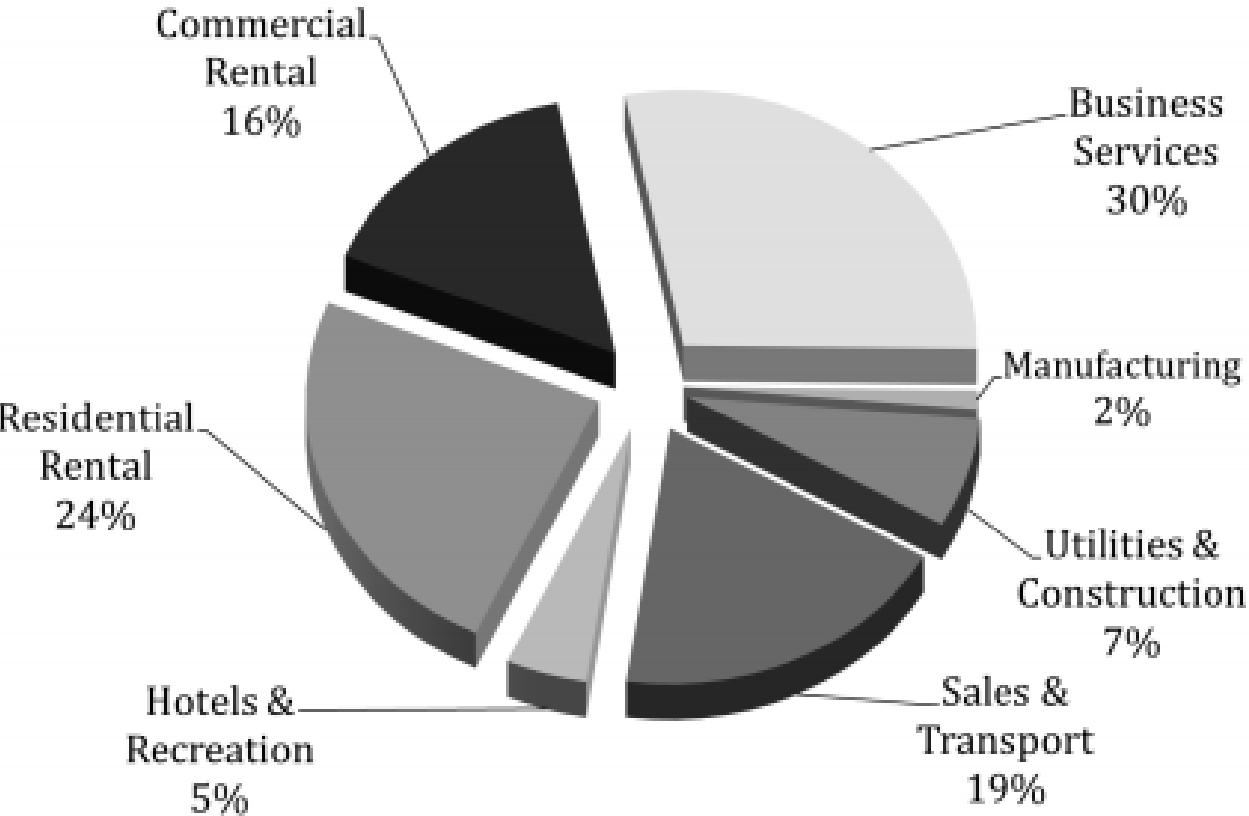
Receiving Agency	Rate
The State of California	6.25%
The City of Oakland	1.00%
The Bay Area Rapid Transit District	0.50%
Alameda County Transportation Improvement Authority	1.00%
Alameda County Essential Health Care Services	0.50%
Total Sales Tax	9.25%



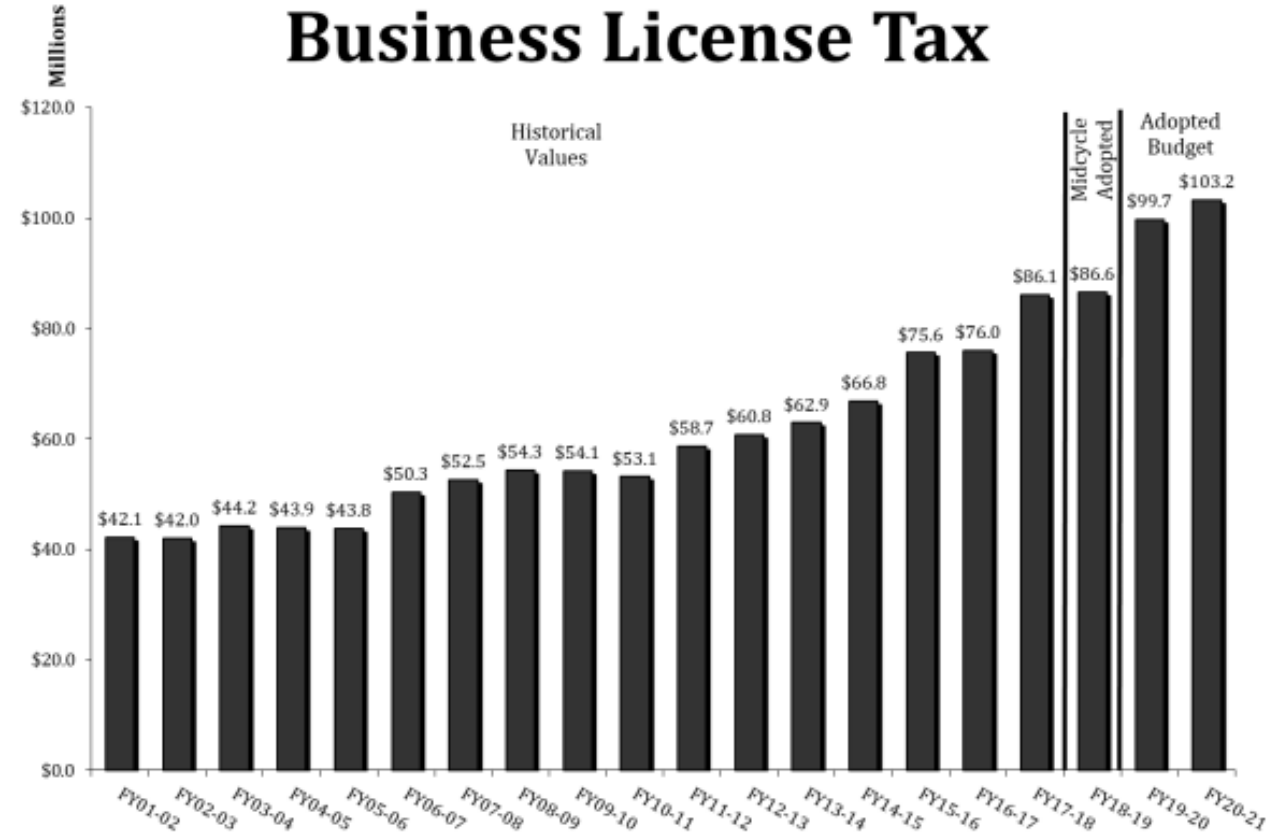
- Sales tax revenues took a major hit due to COVID-19 – down \$9.1 million, 15.2%

Business Taxes

Business Tax in FY 2017-18



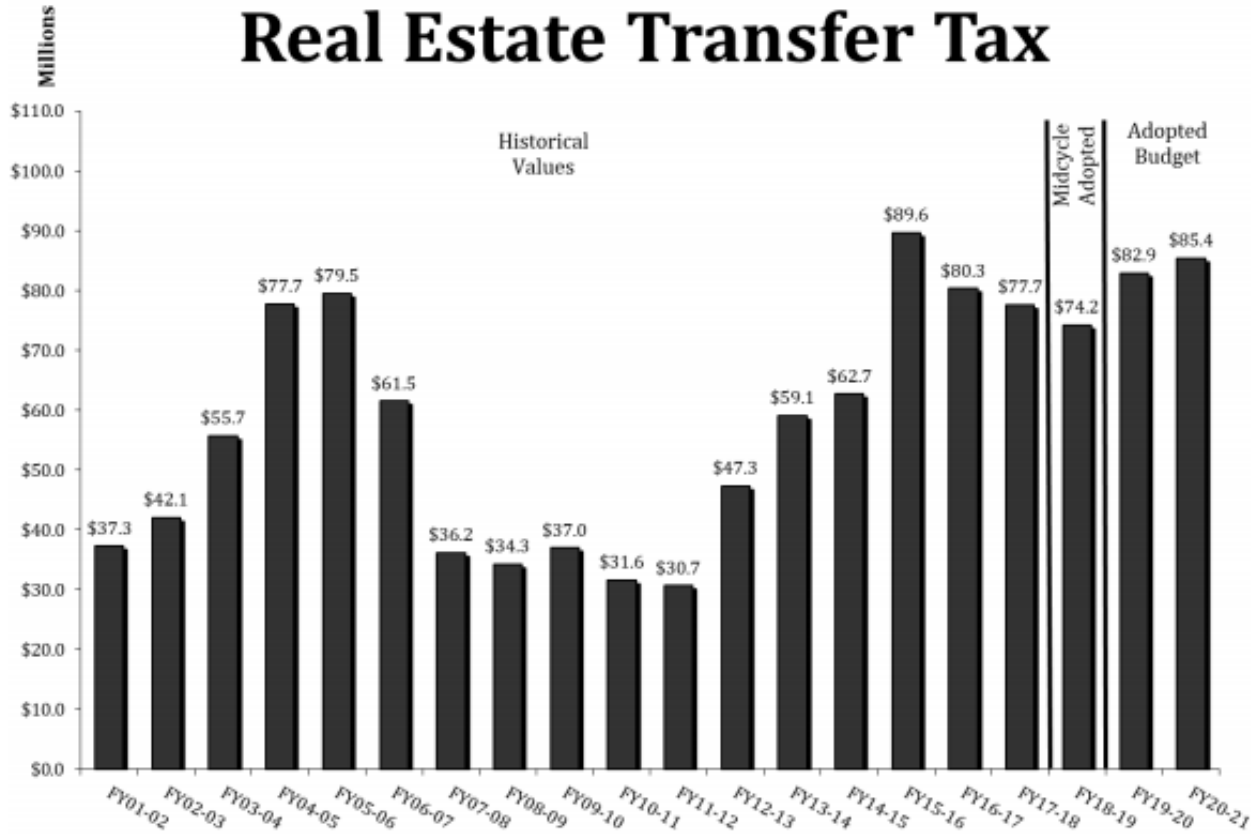
Business License Tax



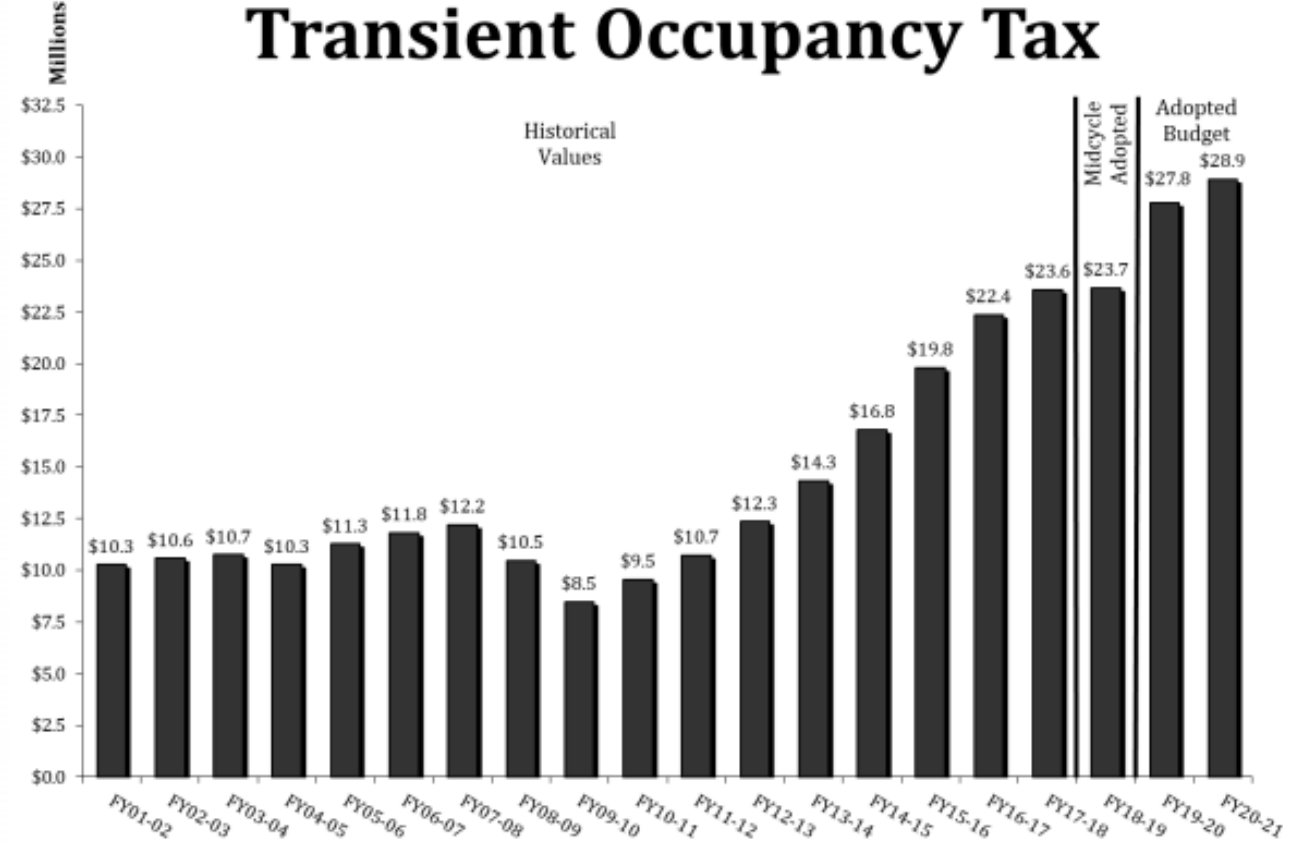
- Business Taxes, which are primarily based on revenues, such as sales and rents, have also taken a major hit due to COVID-19 – \$15.2 million, 15.2%

Real Estate Transfer and Hotel Taxes

Real Estate Transfer Tax



Transient Occupancy Tax



- Home prices are up, volume of sales is way down, but commercial property activity is up – overall, up \$3.7 million, 4.4%

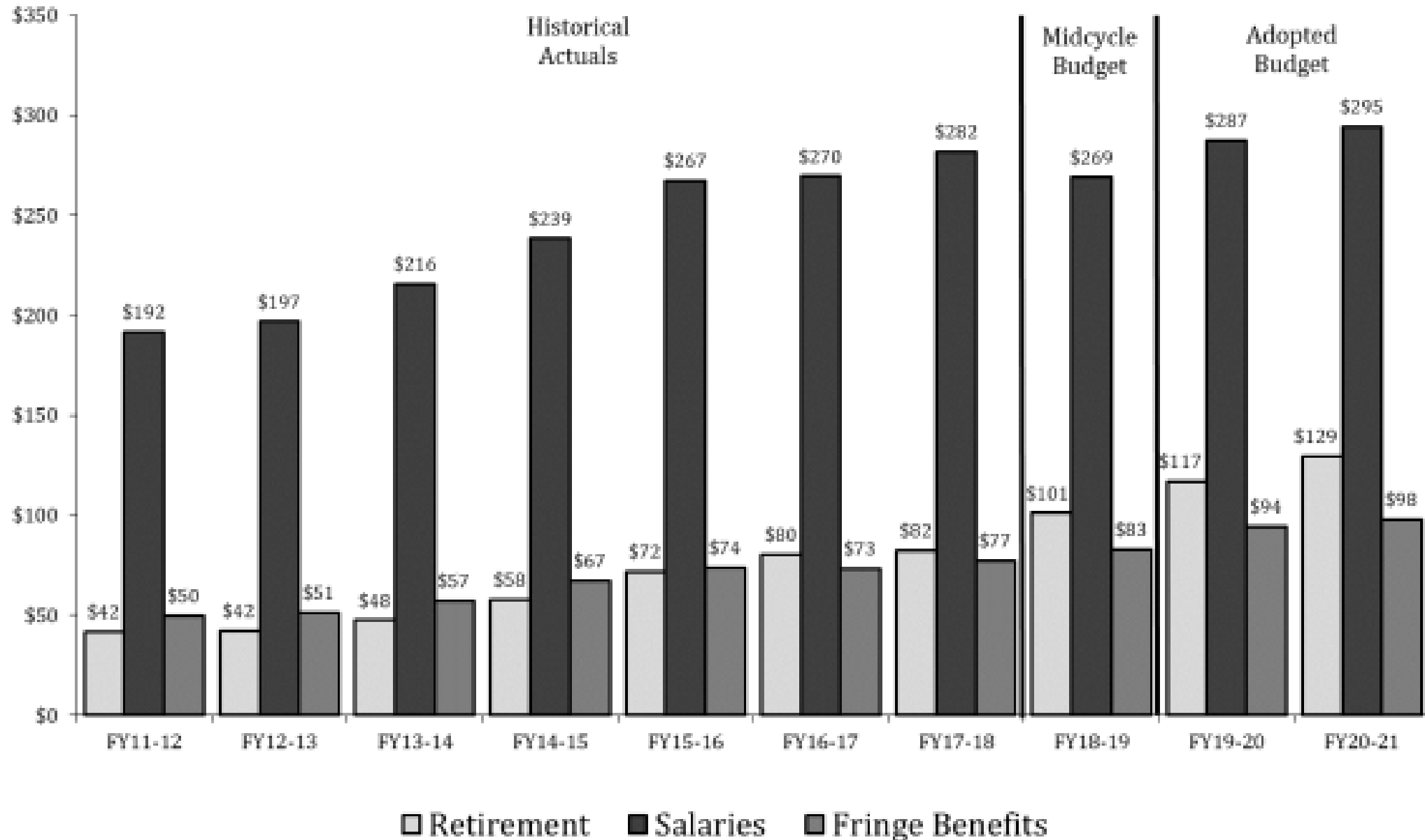
- Hotel Occupancy has disappeared – tax revenues down \$13.0 million, 46.8%

ALL FUNDS EXPENDITURES

Department	FY 2017-18 Actuals	FY 2018-19 Midcycle Budget	Percentage change to 2019-20	FY 2019-20 Adopted Budget	Percentage change to 2020-21	FY 2020-21 Adopted Budget
Mayor	\$3,851,227	\$3,647,220	16.2%	\$4,239,274	3.2%	\$4,374,719
City Council	4,699,999	5,522,030	8.4%	5,987,149	2.2%	6,121,027
City Administrator	15,036,030	15,418,350	24.7%	19,227,107	5.8%	20,337,994
City Attorney	17,686,634	18,531,314	9.1%	20,216,139	4.7%	21,157,209
City Auditor	2,031,639	2,064,905	11.9%	2,309,876	5.0%	2,426,363
City Clerk	3,637,703	5,080,551	7.1%	5,443,395	-3.4%	5,256,344
Police Commission	2,173,724	2,963,773	38.4%	4,101,998	5.3%	4,320,062
Public Ethics Commission	1,057,839	1,031,110	12.6%	1,160,831	12.0%	1,300,237
Finance Department	36,787,693	39,768,204	4.4%	41,534,380	5.5%	43,802,909
Information Technology	32,715,618	33,004,405	9.9%	36,263,332	-2.2%	35,448,873
Race & Equity	467,566	562,175	31.3%	737,915	2.9%	759,313
Human Resources Management Department	8,153,002	9,062,938	7.3%	9,725,407	3.1%	10,025,904
Department of Violence Prevention	246,195	1,129,204	1.9%	1,150,190	2.4%	1,177,495
Police Department	289,459,598	288,322,985	10.5%	318,707,837	3.6%	330,118,936
Fire Department	150,231,242	150,162,297	15.7%	173,776,390	3.0%	179,030,779
Oakland Public Library	30,554,064	40,869,305	3.2%	42,163,604	3.5%	43,634,106
Oakland Parks, Recreation & Youth Development	28,371,743	30,354,070	18.5%	35,974,659	2.0%	36,700,457
Human Services	77,807,884	98,356,927	6.8%	105,003,112	4.1%	109,332,984
Economic & Workforce Development	30,541,579	18,851,328	-14.4%	16,134,916	-3.6%	15,547,339
Housing & Community Development	40,901,690	45,440,027	52.5%	69,287,347	-28.9%	49,248,072
Planning & Building	30,735,389	36,438,847	21.9%	44,420,485	0.0%	44,408,063
Oakland Public Works	144,175,713	149,179,748	6.1%	158,336,772	1.4%	160,488,655
Transportation	52,765,563	60,225,341	7.3%	64,599,173	-4.0%	61,994,737
Non-Departmental	382,447,955	361,960,219	3.1%	373,281,863	-0.3%	372,178,597
Subtotal Expenditures	\$1,386,537,289	\$1,417,947,273	9.6%	\$1,553,783,151	0.3%	\$1,559,191,174
Capital Improvement Projects	98,420,220	66,201,524	54.7%	102,439,500	-9.4%	92,860,926
Grand Total	\$1,484,957,509	\$1,484,148,797	11.6%	\$1,656,222,651	-0.3%	\$1,652,052,100

GPF Personnel Costs

Millions



Unfunded Liability	Descriptions
\$1,547M ¹	The City's California Public Employees' Retirement System (CalPERS) unfunded balance as of June 30, 2017, exceeds \$1.5 billion. The Public Safety Plan has a \$714M unfunded liability (64.2% funded ratio); the Miscellaneous Plan has a \$833M unfunded liability (68.2% funded ratio). The City's estimated pension cost for FY 2019-20 is \$178 million.
\$849M ²	The City's Other Post-Employment Benefit programs (OPEB) have an unfunded actuarial liability (UAL) of \$849M as of July 1, 2017. This unfunded liability does not include the recently negotiated benefit reforms that will take effect in January 1, 2020 for public safety employees and the recently City Council approved OPEB funding policy. Additional details on these recent actions are provided on the following page.
\$300M ³	The City's closed Police and Fire Retirement System (PFRS) retirement system has an unfunded balance of nearly \$300M as of July 1, 2018. The actuarially determined contribution for FY 2019-20 is \$43.4M. PFRS is funded by a separate tax override.
\$60M	Negative Funds – \$32.3 million of the negative funds have a repayment plan, \$27.7 million are reimbursement funds and \$0.2 million are funds with no repayment plan.
\$49M ⁴	The City's long-term liabilities for accrued vacation and sick leave are more than \$49M as of June 30, 2018.

