

Balancing Oakland's Budget



Nine recommendations for closing the city's structural deficit
to move toward fiscal solvency and economic growth



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Executive Summary

Over the past several decades, and increasingly in the post-pandemic years, public trust in Oakland's government has declined. A combination of factors, including a shortage of labor, funding deficits, and an unwieldy governance structure, have reduced the city's ability to adequately plan for and respond to pressing issues, resulting in frustration for constituents. A recent survey conducted by the Oakland Budget Advisory Commission found that 78% of respondents disapprove of Oakland's government, citing increased distrust in the city's management of the budget. Eroding trust — along with significant internal strife and leadership gaps after the former mayor's recall in November 2024, followed by a federal indictment — further complicates decision-making within Oakland's government.

Oakland's budget crisis is part of a broader trend affecting many U.S. cities in the wake of the COVID-19 pandemic. San Francisco and San José are also reporting substantial budget shortfalls due to sluggish real estate markets, decreased foot traffic in downtown districts, and declines in tourism and retail sales tax. These factors have significantly lowered local tax revenues in Oakland.

But Oakland's budget challenges go back decades. Even before the pandemic, revenue growth was not meeting the rising costs of pensions, health care, insurance, and other operational needs. Although the city was able to eliminate its deficit in the three years before the pandemic, that momentum was reversed in 2020. The city relied on American Rescue Plan Act funds to close its budget gap during the pandemic, but those funds have been depleted while taxes continue to bring in lower-than-anticipated revenue.

By law, Oakland must create a balanced budget every two years. Given that expenses are higher than revenues, the only way to get to a balanced budget is through raising revenues or reducing expenditures. However, the many constraints on Oakland's budget make this task very challenging. Currently, about 61% of Oakland's revenue is legally restricted to specific programs, limiting the city's flexibility in addressing budgetary shortfalls. Expenses are primarily driven by rising personnel costs that have outpaced revenue growth. Moreover, the city faces unfunded pension liabilities of approximately \$1.8 billion, and while some reforms have been implemented, without more substantial changes, costs will continue to escalate.

Given the many revenue constraints on the city's General Fund, coupled with rising costs and significant long-term liabilities, Oakland's policymakers have no easy choices when it comes to balancing the budget this year. It will require the political will to make hard decisions and a collective effort to make short-term sacrifices for long-term financial stability. While the structural budget

deficit cannot be closed in this budget cycle, the foundation can be laid. As Oakland navigates this fiscal crisis, there's an urgent need for a collaborative and creative approach among policymakers, administrators, unions, and the community to reduce spending and grow revenues, ultimately ensuring that the city maintains critical services for residents and positions itself for long-term financial stability and growth.

How Did Oakland's Budget Deficit Arise?

SPUR's research into the evolution of Oakland's fiscal crisis yielded six key findings:

FINDING 1

Oakland's structural deficit was created decades ago. In 1978, Proposition 13 capped property taxes and reduced local government revenues by 60%. To compensate, Oakland has relied on voter-approved special taxes, but these taxes have not sufficiently covered rising personnel and operational costs, leading to persistent budget shortfalls.

FINDING 2

Oakland adopted strong financial policies in the wake of the Great Recession. Oakland adopted the Consolidated Fiscal Policy, implementing best practices in budgeting and public participation. A good economy plus stabilized finances led to surpluses from 2016 to 2019.

FINDING 3

COVID reversed Oakland's fiscal recovery momentum. The COVID-19 pandemic created a \$121 million budget shortfall, the largest in Oakland's history. The city depleted its Rainy Day Fund, suspended financial policies, and used one-time revenues to respond to the urgency of the moment.

FINDING 4

Pension costs are the most significant constraint on the city's budget. Oakland faces severe budget constraints due to unfunded pension liabilities. Pension payments have risen but not enough to offset rises in pension liabilities.

FINDING 5

Oakland staffing costs have grown exponentially, but the number of staff has not. Despite increases in expenditures related to growing medical and retirement costs, staffing levels have not grown over the last 20 years. There are about the same number of full-time positions within the city in 2024 as there were in 2004. As a result, staff are spread very thin.

FINDING 6

Oakland's budget deficit is compounded by a deficit in trust. This lack of trust among Oakland leaders, city staff, county and regional partners, and the public has made aligning on a long-term plan to fix the structural deficit challenging and has resulted in short-term decision-making.

What Can Oakland Do to Close Its Budget Deficit?

To close its structural deficit, Oakland must (1) commit to following its own sound financial policies and align on a budget stabilization plan, (2) make structural changes to municipal operations, and (3) promote long-term thinking to grow Oakland's economy inclusively.

Goal 1:

Prioritize sound fiscal policies and systems and align on a budget stabilization plan.

Fiscal solvency must be the first goal. And it is achievable. The strategies Oakland employed to emerge from the Great Recession demonstrate a viable path toward meeting the city's immediate challenges. These strategies include collaboration between decision-makers and labor unions, adherence to sound financial practices, a willingness to implement cost-cutting measures, and avoiding the use of one-time revenue to pay for ongoing expenditures. An independent Controller's Office responsible for enforcing spending policies should be created that can deny spending proposals if the funds aren't available to pay for them. Most importantly, staff and the community need to see leadership working together to land on a clear process to meet Oakland's immediate challenges and, in the long term, close its structural deficit.

RECOMMENDATION 1

Adhere to the city's Consolidated Fiscal Policy and break the habit of using one-time revenues to pay for ongoing expenses.

RECOMMENDATION 2

Create an independent city controller with the authority to enforce the city's financial policies.

RECOMMENDATION 3

Be clear about Oakland's priorities and accountable for progress made in addressing them.

Goal 2:

Reform Oakland's governance structure to support more effective decision-making.

Oakland's current governance structure — a hybrid of strong-mayor and council-manager forms of government — contributes to the city's budget challenges. An update to the city charter should clarify the role of the mayor. The city should also look at how operations are funded across the organization and should identify opportunities for structural improvements, including cross-departmental collaboration or the merging of functions where duplication exists. In addition, policymakers should get the support they need to make budget decisions.

RECOMMENDATION 4

Update the City Charter to create clear lines of authority and promote better decision-making.

RECOMMENDATION 5

Allocate staff and resources more effectively to deliver core services.

RECOMMENDATION 6

Support the council's ability to analyze the budget and legislation for fiscal impacts.

Goal 3:**Strengthen collaboration and promote long-term thinking to grow economic prosperity for all.**

Resolving Oakland's structural deficit and stabilizing the budget will require collaboration across the city and with Alameda County to develop a fiscal road map that can allocate resources for the city's needs. It will also require proactively engaging the public in understanding the budget and in crafting an economic development strategy that facilitates outside investment and promotes inclusive economic growth.

RECOMMENDATION 7

Proactively educate staff and the community in advance of decision-making to promote more effective participation in the budgeting process.

RECOMMENDATION 8

Strengthen collaboration and resource sharing between the city and county and with other regional partners.

RECOMMENDATION 9

Develop an economic development strategy that facilitates outside investment and promotes economic prosperity for all Oaklanders.

Introduction

Oakland city leaders are facing a daunting task. They must close a \$266 million deficit projected over the next two years. Oakland's leadership transitions complicate that challenge. The mayor was recalled in November, and the city is now on its second interim mayor; a special election took place in mid-April, just two weeks before the deadline to present the next two-year budget to the Oakland City Council. While the incoming mayor won't have the opportunity to help shape the budget, they will be responsible for implementing it and getting Oakland on a path toward fiscal stability.

Underlying the city's fiscal distress are some deeply rooted structural issues that will take strong and creative leadership to fix. Doing so will require a collaborative effort that unites policymakers, administrators, employee unions, and the community in creating strategies to reduce spending and grow revenues.

Many Cities Are in the Same Boat

Although Oakland's budget crisis is severe, many U.S. cities are facing similar challenges, in part because of the lingering effects of the COVID-19 pandemic. Sluggish real estate markets, the shift to hybrid work that has reduced foot traffic and increased office vacancies in downtown centers, and declines in business travel, tourism, and retail sales taxes, among other economic factors, have dragged down local tax revenues. San Francisco is projecting a budget shortfall of approximately \$876 million over the next two years.¹ San José is projecting up to a \$60 million deficit in fiscal year 2025–2026.² Many other Bay Area cities have reported deficits as well.

The reality is that even before the pandemic, for many municipalities, revenue growth was not keeping pace with dramatically rising pension and insurance costs, and the tech and real estate boom, fueled by historically low interest rates, was slowing. From 2020 to 2023, many cities used American Rescue Plan Act funds to backfill budget gaps spurred by the pandemic, but these funds have dried up, and revenues haven't returned at the levels expected.³ That was the case in Oakland, which in the four years before the pandemic had begun to see its revenues catch up to expenditures after experiencing many years of continuous deficits. That progress was set back as the pandemic reshaped the economy (Exhibit 1).

¹ J.D. Morris, "Daniel Lurie Stares Down Dire S.F. Deficit: City Now Faces \$876 Million Shortfall," *San Francisco Chronicle*, December 3, 2024, <https://www.sfchronicle.com/sf/article/daniel-lurie-stares-down-dire-s-f-deficit-19954605.php>.

² Vicente Vera, "San Jose's Projected Budget Deficit Skyrockets," *San Jose Spotlight*, January 24, 2025, <https://sanjoespotlight.com/san-joses-projected-budget-deficit-skyrockets/>.

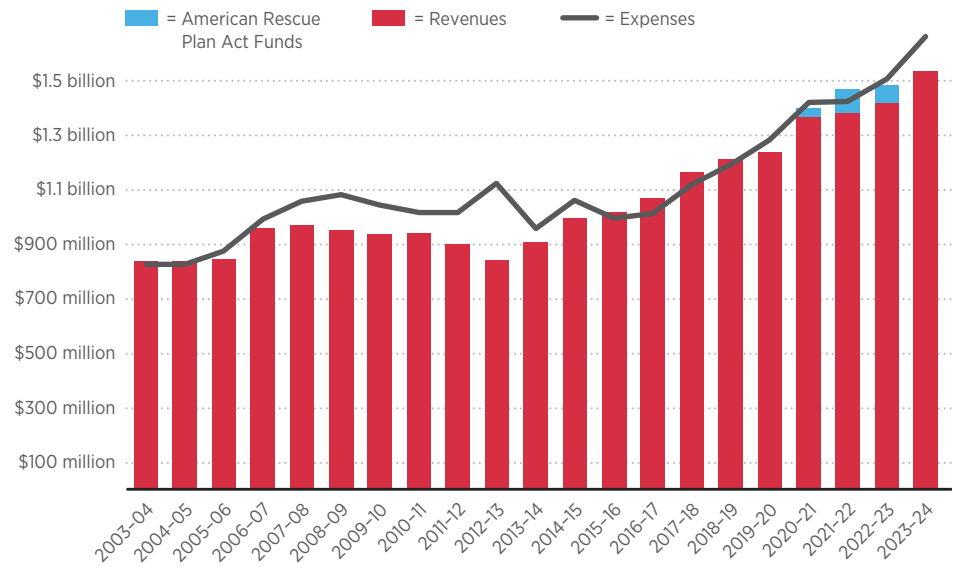
³ Lavea Brachman and Glencora Haskins, *The American Rescue Plan, Two Years Later: Analyzing Local Governments' Efforts at Equitable, Transformative Change*, Brookings Institution, March 9, 2023, <https://www.brookings.edu/articles/the-american-rescue-plan-two-years-later-analyzing-local-governments-efforts-at-equitable-transformative-change/>.

EXHIBIT 1

The COVID-19 Pandemic Set Back the City's Progress in Closing Its Budget Gap

Oakland's revenues started to catch up to expenditures in 2016, but the COVID-19 pandemic halted that trend in 2020. Federal relief funding bridged the gap between 2021 and 2023, but as the lingering economic impacts of the pandemic continue, the gap is widening again.

Source: SPUR analysis of "Changes in Fund Balances, Governmental Funds," [Oakland Annual Comprehensive Financial Reports](#).



Budget 101

What's the Process to Pass a Balanced Budget?

Every two years, Oakland city staff, the mayor, and the city council work together to adopt a balanced budget by June 30, before the start of the new fiscal year on July 1. The budget is divided into two one-year spending plans that establish the city's service and program priorities for that period and that allocate resources to pay for them. By law, the budget must be balanced every year: There must be enough revenue coming in to meet planned expenditures.

In the middle of each budget cycle, the city conducts a mid-cycle assessment to review variances in revenue projections and to identify any changes to spending priorities or needs, adjusting the budget accordingly.

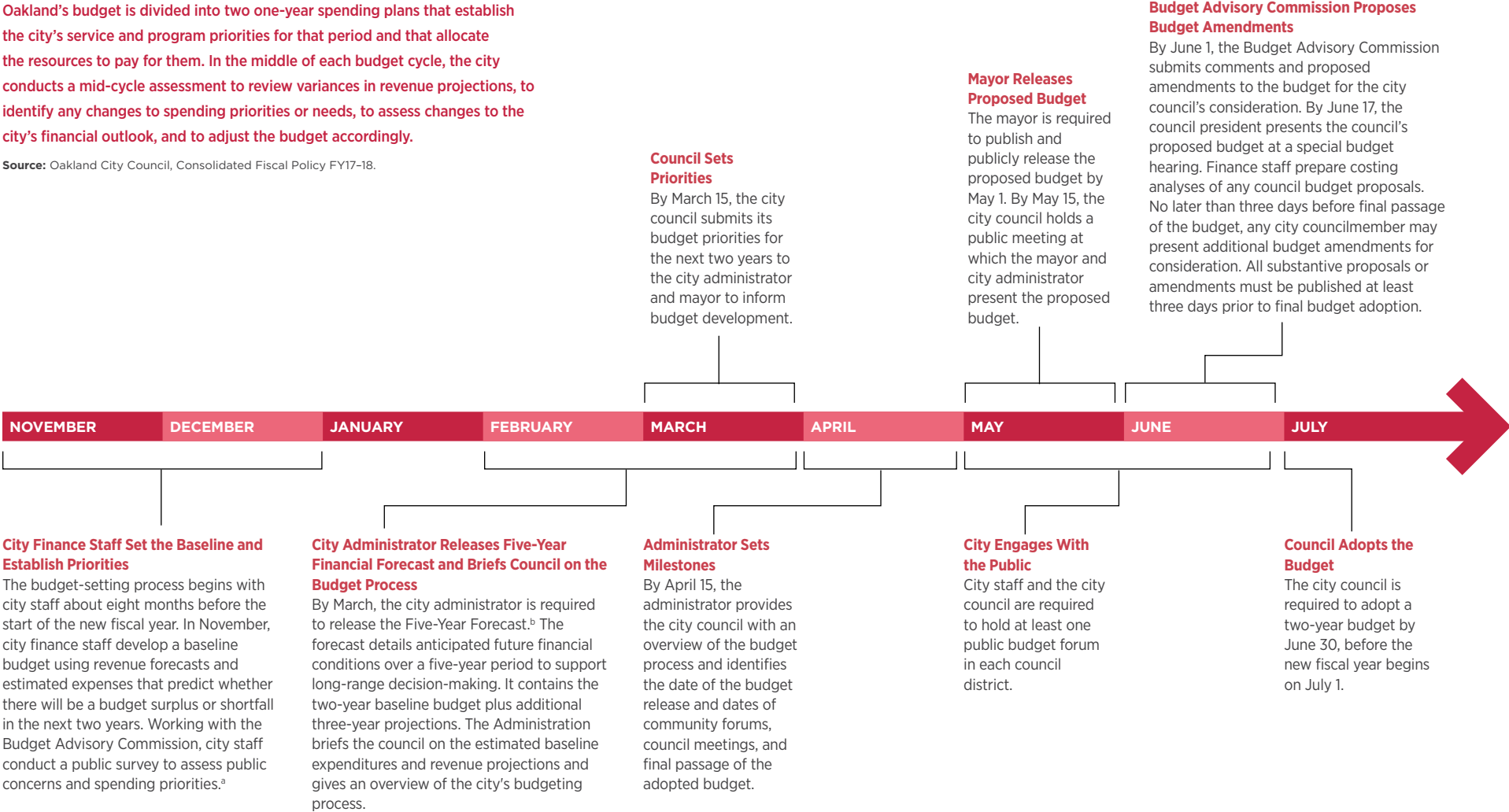
Oakland's Consolidated Fiscal Policy, adopted by the city council, provides a detailed framework for the city to follow from budget development to adoption of the final two-year budget.⁴ It establishes the roles of the city administrator, the mayor, and the city council; defines milestones for each step of the process; and specifies requirements for public engagement (Exhibit 2).

⁴ Oakland City Council, *Consolidated Fiscal Policy*, https://cao-94612.s3.us-west-2.amazonaws.com/documents/FY-2017-18-Consolidated-Fiscal-Policy-Exhibit-1_Clean.pdf.

EXHIBIT 2
Oakland Develops a Budget Every Two Years

Oakland's budget is divided into two one-year spending plans that establish the city's service and program priorities for that period and that allocate the resources to pay for them. In the middle of each budget cycle, the city conducts a mid-cycle assessment to review variances in revenue projections, to identify any changes to spending priorities or needs, to assess changes to the city's financial outlook, and to adjust the budget accordingly.

Source: Oakland City Council, Consolidated Fiscal Policy FY17-18.



^a City of Oakland, "Budget Advisory Commission," <https://www.oaklandca.gov/boards-commissions/budget-advisory-commission>.

^b City of Oakland, "Five-Year Financial Forecasts," <https://www.oaklandca.gov/documents/five-year-financial-forecasts>.

These steps outlined in the Consolidated Fiscal Policy are not always followed. This year, for example, no funding was approved to conduct a statistically valid survey for assessing the public's concerns, so the Budget Advisory Commission worked to get a Google survey out in January instead.

Moreover, projections change throughout the process. When the city makes its first baseline projections about the upcoming fiscal year budget in February/March each year, it uses revenue data from only the two previous quarters (from July to December) to make predictions about what will happen in the next six to 12 months. The city typically uses very conservative estimates because the data can change quite a bit over a six-month period. It adjusts those projections several times during the budget process. By May and June, when the final budget is presented and deliberated on, the city's revenue picture becomes clearer, and the projections are typically more accurate, often (but not always) showing a better financial outlook than had been conservatively predicted six months before.

Unlike the federal government, the city cannot operate in a deficit; the City Charter requires the city to pass a balanced budget by June 30. If revenues are insufficient to cover expenditures, the city must adjust the budget to ensure that revenues match expenses.

Where Does the City's Revenue Come From?

The City of Oakland's annual revenues are a little more than \$2 billion.⁵ Most of that revenue comes from taxes: property tax, sales tax, hotel tax, business license tax, real estate transfer tax, and voter-approved taxes, as well as service fees, grants, voter-approved bonds, and other sources.

Not All Revenues Collected in the City Go to the City

Not all of the taxes collected in Oakland go to the city; other agencies share the revenues (Exhibit 3). For example, for every dollar that an Oakland resident pays in property tax, the City of Oakland receives about 19 cents to pay for city services, including parks, libraries, fire, and police.⁶ The other 81 cents go to other local government agencies that provide public services, such as the East Bay Municipal Utility District for water and sewer; Alameda County for public health, homelessness, and supportive housing; AC Transit for bus transportation; and the Oakland Unified School District for public education. For every dollar spent in Oakland, the city receives 1% of the total 10.25% sales tax. This means that the city receives 10 cents on every \$1 of sales tax collected; the state, the county, and Bay Area Rapid Transit (BART) receive the rest.⁷ Measure A, which voters passed in April of this year, will increase the City of Oakland's allocation to 1.5%.

Notably, Proposition 13 has limited the ability of Oakland and other California cities to meet new fiscal obligations and to adapt to local changes. Meanwhile, it has contributed to income inequality and the racial wealth gap.⁸ Prop. 13, which passed in 1978, reduced the tax rate on

⁵ City of Oakland, "FY 2023–25 Adopted Policy Budget: All Funds Revenue," <https://stories.opengov.com/oaklandca/published/2Q5Gun9Kto1>.

⁶ California State Board of Equalization, "Property Tax Allocations," <https://www.boe.ca.gov/dataportal/dataset.htm?url=PropTaxGenPropTaxLevies>.

⁷ City of Oakland, "FY 2023–25 Adopted Policy Budget: Sales & Use Tax — GPF," <https://stories.opengov.com/oaklandca/published/65Dgm3CXskn>.

⁸ Jacob Denney, Phil Levin, and Susanna Parsons, *Burdens and Benefits: Investigating Prop. 13's Unequal Impacts in Oakland*, SPUR, February 2022, <https://www.spur.org/publications/research/2022-02-16/burdens-and-benefits>.

properties to 1% of a property's value and artificially constrained yearly increases in property values to 2% of assessed value or the rate of inflation, whichever is lower. In essence, a property will always be assessed at the price it last sold for — no matter how long ago that was (see Finding 1, page 20).

EXHIBIT 3

Only a Portion of Property Tax Distributions Go to the City

The City of Oakland receives only a portion of the taxes collected in the city. The rest of the money goes to other agencies to provide services in Oakland.

Source: California State Board of Equalization, "Property Tax Allocations," 2023-2024, <https://www.boe.ca.gov/dataportal/dataset.htm?url=Prop-TaxGenPropTaxLevies>.



Revenue Is Restricted for Specific Uses

Oakland's budget has grown to a little more than \$2 billion annually. Nearly two-thirds (61%) of the city's revenue comes with legal restrictions, meaning that it can be used only to support the specific programs and services it is intended for; this money is put into dedicated accounts (exhibits 4, 5, and 6). For example, in 2024, Oakland Hills voters approved Measure MM, a special district tax designed to fund fire prevention in the areas at greatest risk of wildfires. The funds raised from this tax must be used only for this purpose; they cannot be repurposed to fund other important needs, such as maintaining the city's roads or building more housing.

The remaining 39% of the city's budget is considered general-purpose funds; the General Fund is more flexible and is used to pay for expenditures that don't have restricted revenue sources.

EXHIBIT 4

The Majority of the City's Budget Is Made Up of Restricted Funds

In fiscal year 2023-24, nearly 60% of Oakland's adopted budget of \$2.1 billion was made up of restricted funds, which can be used only to support the specific programs and services for which they are intended.

Source: SPUR analysis of "Budget Overview," "FY 2023-25 Adopted Policy Budget," <https://stories.opengov.com/oaklandca/published/G8KgBgVK-gFO>.

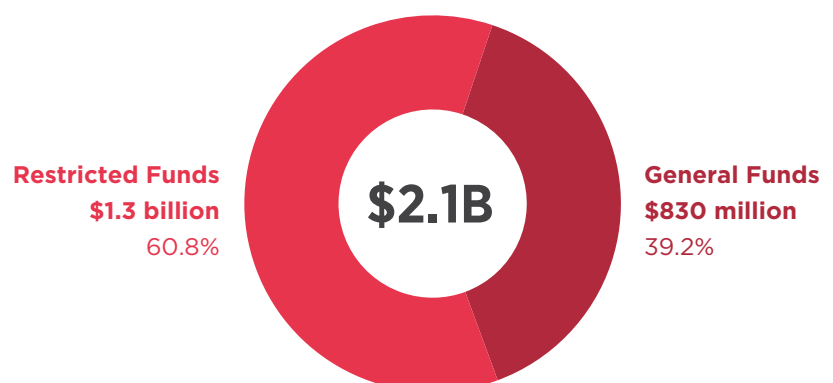
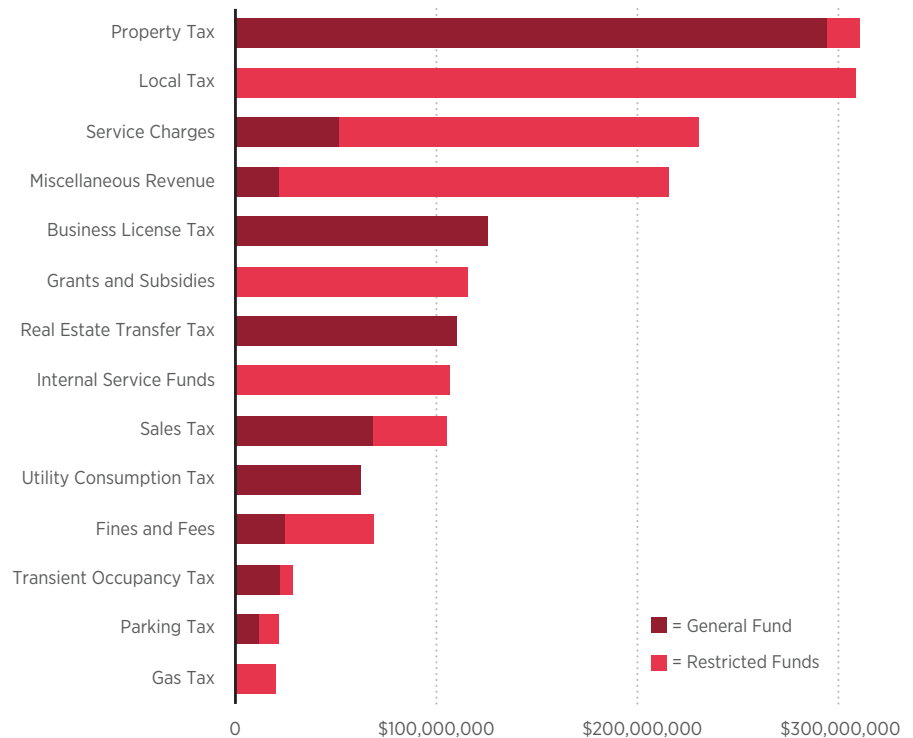


EXHIBIT 5**The City's Biggest Revenue Sources Are Property Taxes and Local Taxes**

While property tax tends to be an unrestricted revenue source, local taxes are typically voter-approved and designated for specific purposes.

Source: SPUR analysis of "FY 2023-25 Adopted Policy Budget," <https://stories.opengov.com/oaklandca/published/G8KgBgVKgFO>.



Over time, the city has placed many constraints on expenditures from the General Fund. For example, the city has passed policies (some through local legislation and others through ballot measures) that require a minimum number of sworn police officers and minimum staffing levels for offices and commissions such as the Public Ethics Commission and the City Auditor's Office. Nevertheless, General Fund revenue sources remain somewhat flexible; the city council can reallocate these funds in case of fiscal necessity.⁹

Revenue Sources Vary Based on Market Conditions

Property taxes and real estate transfer taxes contribute the largest amount of money to the General Fund, but they can be volatile because of market conditions (Exhibit 7). During the Great Recession from 2008 to 2012, when the global housing market collapsed, Oakland's real estate transfer tax plummeted, leading to a significant General Fund shortfall. As the housing market has slowed over the last couple of years, in part due to rising interest rates, the real estate transfer tax has again come in much lower than projected.

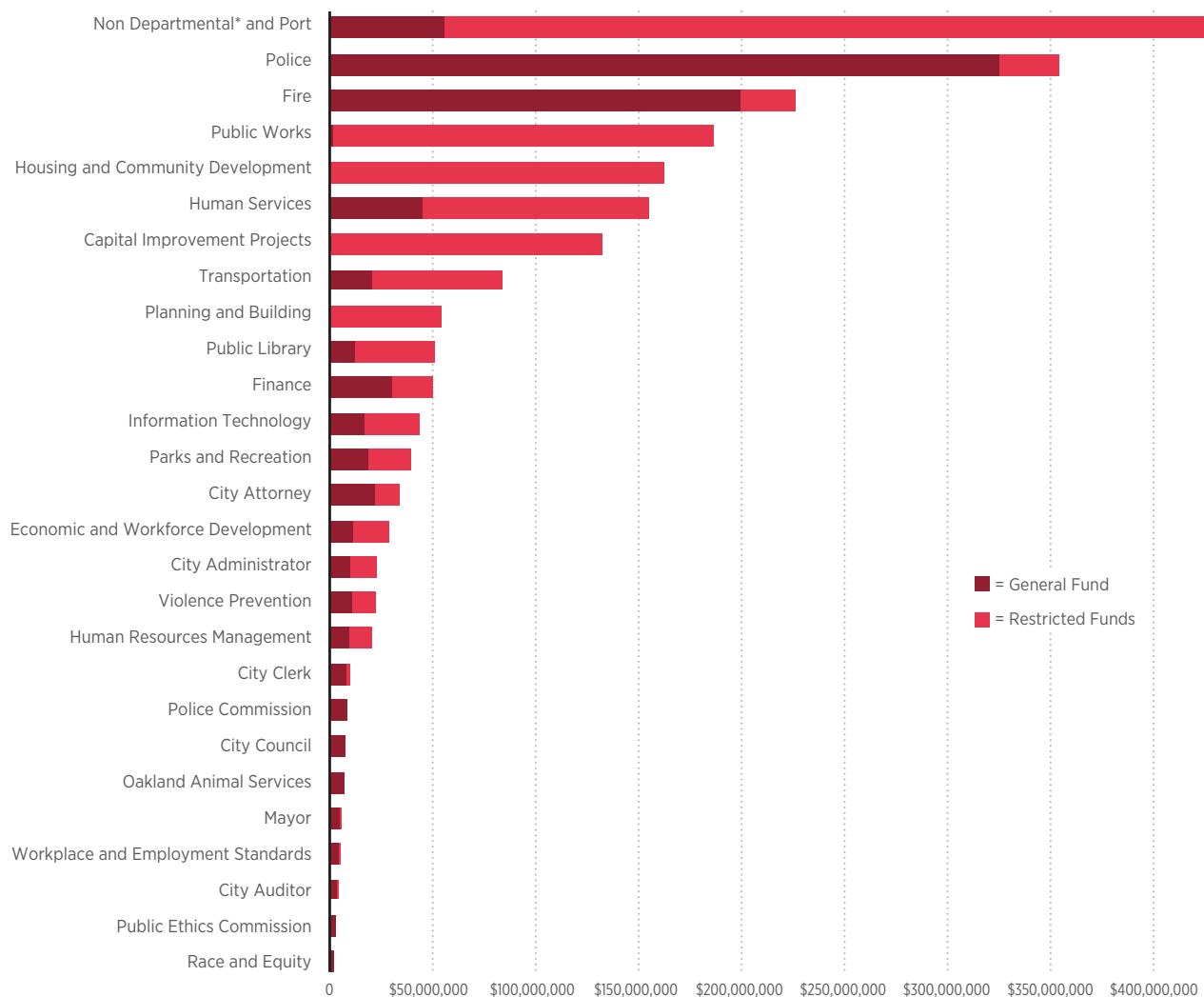
⁹ In the context of Oakland, "fiscal necessity" refers to a serious financial situation wherein the city needs to take immediate action to balance the budget. A "fiscal emergency" requires an official declaration by the city council. It indicates that the city is facing a financial crisis so dire that it may need to use emergency reserves and potentially take drastic measures to maintain essential services.

EXHIBIT 6

Public Safety Services and Government Operations Are Paid for With Unrestricted Funds

Public safety departments (police and fire) and departments that manage government operations — such as information technology, human resources, city attorney, city clerk, finance, and administration — are almost entirely funded by the General Fund. Departments that manage the city's infrastructure (public works and transportation) and housing development rely primarily on bond funding and voter-approved measures that are generally restricted.

Source: SPUR analysis of "Expenditures By Department and Fund, 23-24 Biennial," FY 2023-25 Adopted Policy Budget, <https://stories.opengov.com/oaklandca/published/G8KgBgVKgFO>.



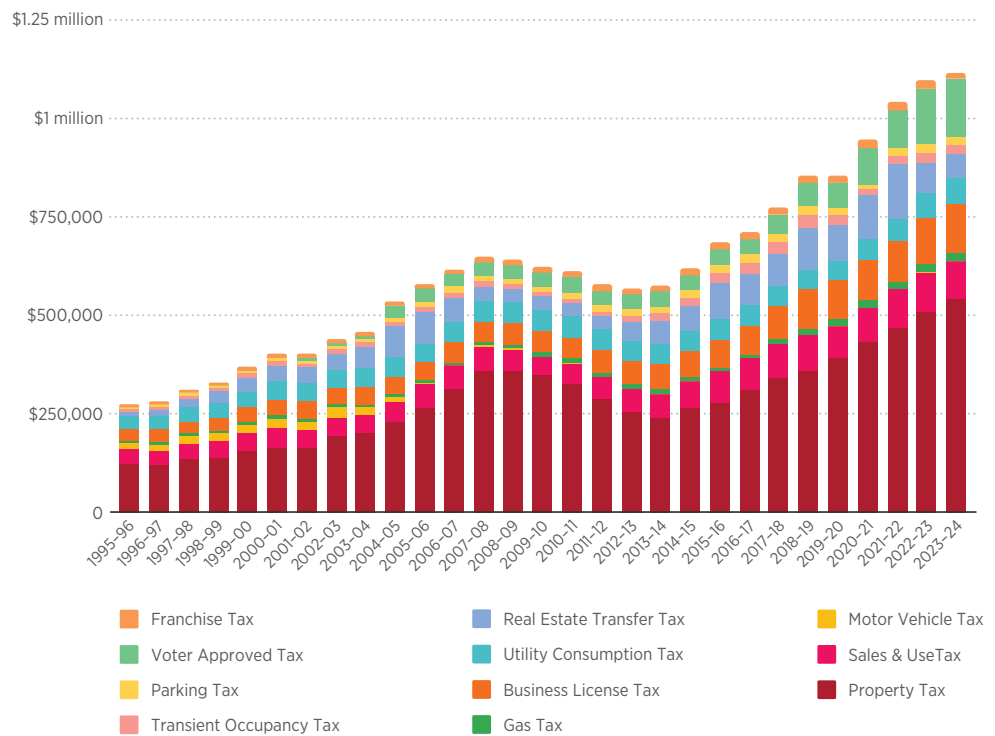
* Funds not allocated to a department

EXHIBIT 7

Property Taxes and Real Estate Transfer Taxes Are Among the Revenue Sources with the Largest Growth — and Greatest Volatility

During the Great Recession and again in recent years, as interest rates have risen, real estate transfer taxes (RETT) were lower than the city projected.

Source: SPUR analysis of "Tax Revenue by Source, Governmental Funds" and "Changes in Fund Balances Governmental Funds," Oakland Annual Comprehensive Financial Reports, <https://www.oaklandca.gov/documents/financial-reporting>. Not adjusted for inflation.



Voter-approved initiatives and other policies have shifted many expenses from the General Fund to other dedicated funding sources (Appendix A). As a result, the General Fund is primarily used to cover costs like fire, police, and general government operations that the city doesn't charge service fees for.

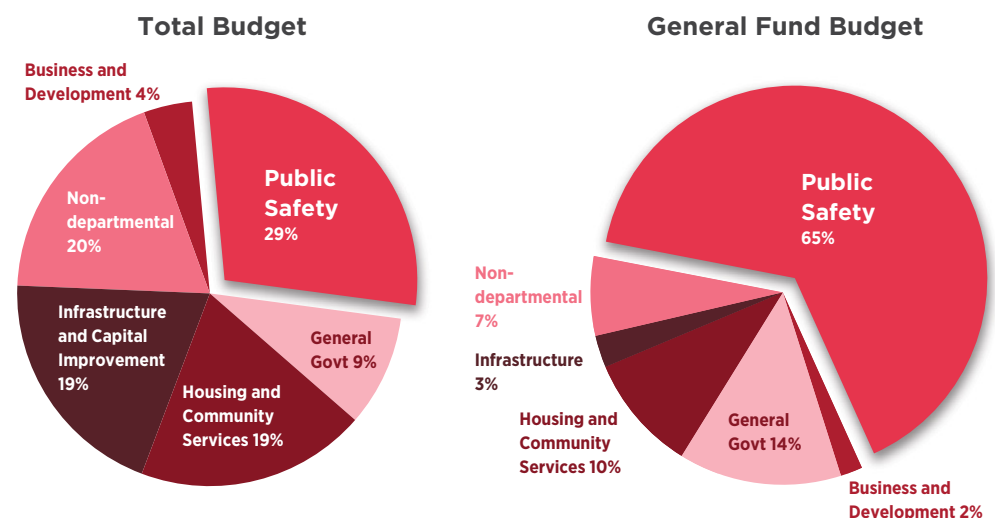
Economic downturns, such as the current post-COVID period, result in shortfalls in General Fund revenues. These shortfalls disproportionately affect departments funded by the General Fund. With 61% of the city's funds restricted, the options available to balance the budget are constrained. Because police and fire services make up 65% of the General Fund, it's difficult to adjust the budget without impacting these departments (Exhibit 8).

EXHIBIT 8

It's Hard to Adjust the Budget Without Impacting Public Safety, Which Gets Most of the City's Unrestricted Funding

Although public safety accounts for only 29% of the total budget, it makes up 65% of the unrestricted General Fund budget.

Source: SPUR analysis of FY 2023-25 Adopted Policy Budget, <https://stories.opengov.com/oaklandca/published/Ux16ZljqYo>.



Oakland's revenues have grown significantly, though when adjusted for inflation, the growth is not as pronounced and fluctuates based on the strength of the housing and real estate markets (Exhibit 9).

Compared with other California cities of a similar size with comparable services, Oakland has the highest tax revenue per resident (Exhibit 10).

EXHIBIT 9

When Adjusted for Inflation, Revenue Growth Is Not as Pronounced and Fluctuates Based on the Strength of the Housing and Real Estate Markets

Property taxes, voter-approved local taxes, business license taxes, and real estate transfer taxes (RETT) have seen the largest growth, though property taxes and RETT fluctuate based on the strength of the housing and real estate markets.

Source: SPUR analysis of "Tax Revenue by Source, Governmental Funds" and "Changes in Fund Balances Governmental Funds," Oakland Annual Comprehensive Financial Reports, <https://www.oaklandca.gov/documents/financial-reporting>.

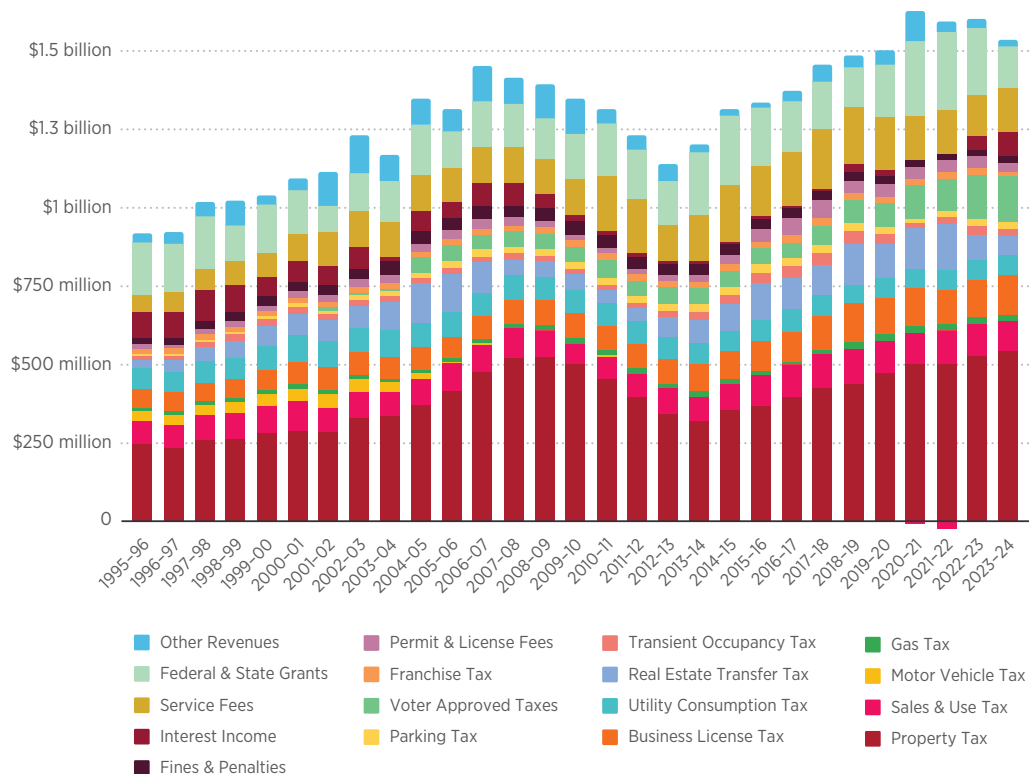
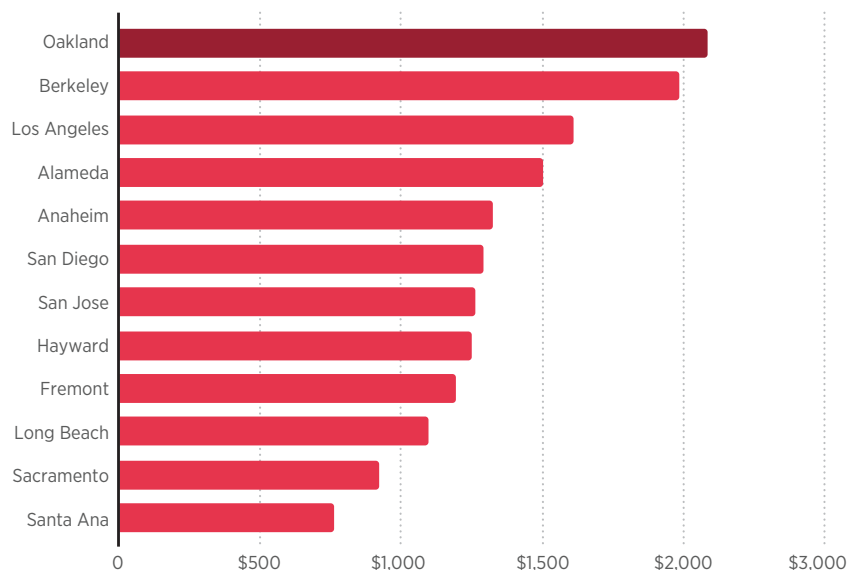


EXHIBIT 10

Among a Dozen California Cities of a Similar Size or With Similar Services, Oakland Collected the Highest Amount of per Capita Tax Revenue in FY 2022-23

At \$2,086, Oakland's tax revenue per resident is the highest of the benchmarked cities and is more than twice that of Sacramento (\$923).

Source: SPUR analysis of California State Controller's Office, Cities Financial Data, FY 2022-23, <https://cities.bythenumbers.sco.ca.gov/>



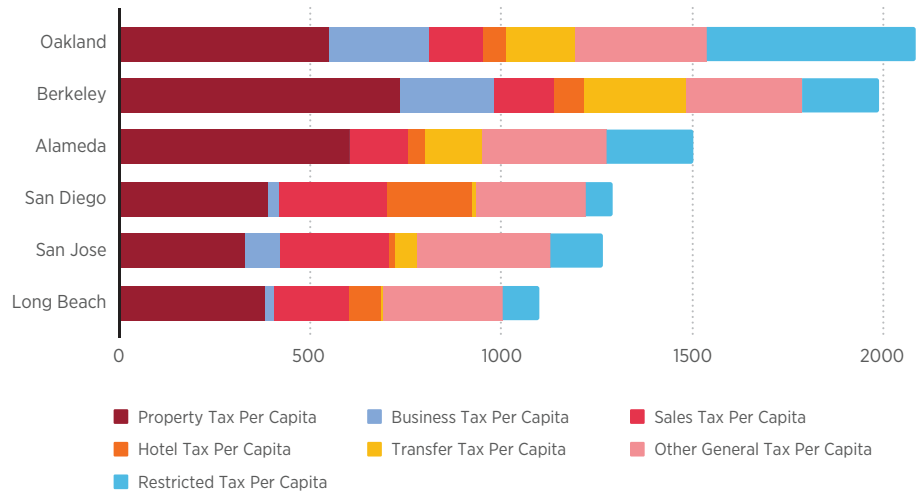
Oakland's tax revenues resemble that of other cities, but due to special voter-approved taxes, more of Oakland's tax revenues are restricted compared to similar cities. (Exhibit 11).

EXHIBIT 11

Oakland Has More Restricted Revenue Sources per Capita Than Many Other Cities

Because of the many special taxes that set aside money for specific purposes, more of Oakland's tax revenues are restricted as compared to other cities.

Source: SPUR analysis of California State Controller's Office, Cities Financial Data, FY 2022-23, <https://cities.bythenumbers.sco.ca.gov/>



What Are the City's Expenses?

Oakland spends money in two main categories: (1) personnel, including employee salaries, overtime, retirement, and health care, which are fixed costs; and (2) operations and maintenance, including contracts, supplies and materials, equipment, and debt payment (Exhibit 12). Its retirement and operations and maintenance expenditures have more than doubled since 2015–2016 (Exhibit 13).

Oakland is contending with the same inflationary pressures that are facing households, particularly with respect to insurance, utilities, fuel, and health care. So even though revenues have been growing each year, expenditures have been growing faster, outpacing revenue growth and leading to ongoing shortfalls. As such, the gap between revenues and expenditures is a chronic and ongoing problem (Exhibit 14).

EXHIBIT 12

Personnel Costs Represent the Largest Portion of Expenditures

More than half of the city's expenses are related to personnel, including employee salaries, overtime, retirement, and health care, which are fixed costs and difficult to contain on a short-term basis; about a quarter of expenses support operations and maintenance, which covers contracts, supplies and materials, equipment, and debt payment. The remaining expenditures are related to capital improvements, debt management, and internal service costs.

Source: City of Oakland, 2023–2025 Adopted Policy Budget, <https://stories.opengov.com/oaklandca/published/G8KgBgVKgFO>.

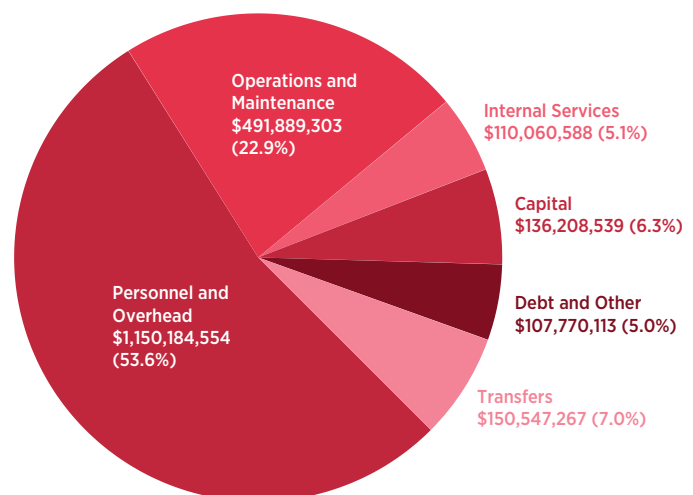


EXHIBIT 13

Retirement and Operations and Maintenance Costs Have More Than Doubled in a Decade

Retirement and operations and maintenance costs have more than doubled in the last 10 years while salaries have grown only slightly.

Source: SPUR analysis of "Expenditures By Type," FY 2023-25 Adopted Policy Budget (in millions), 2015-2023 actuals, and 2023-2024 projected, <https://stories.opengov.com/oaklandca/published/G8KqBqVKgFQ>.

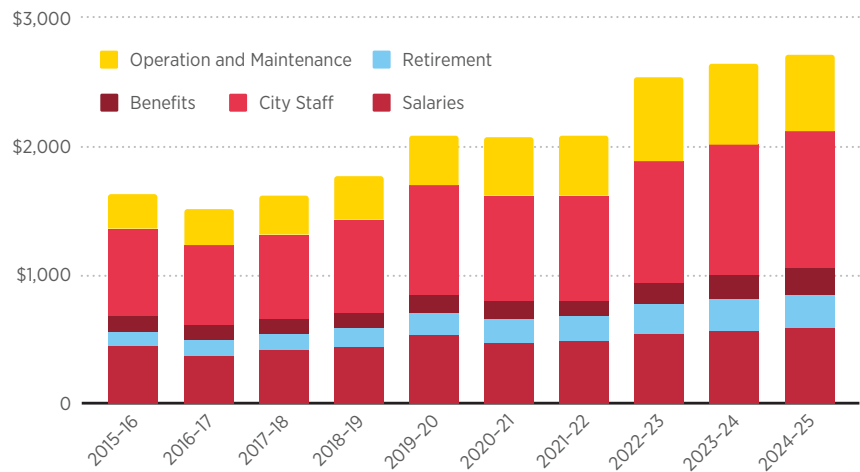
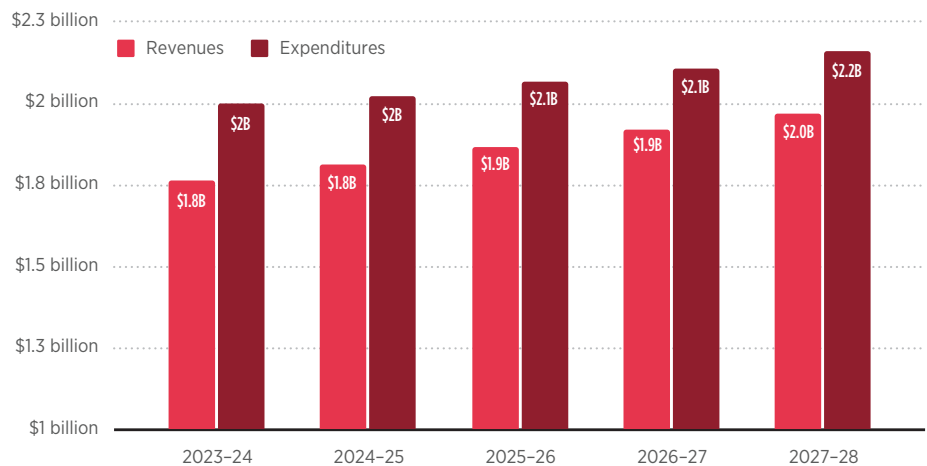


EXHIBIT 14

Expenditures Are Projected to Outpace Revenues Through FY 2027-28

The last five-year forecast that the city produced, in 2023, shows that, absent corrective measures, shortfalls will persist throughout the forecast period.

Source: Eric Roseman, *City of Oakland 2023-28 Five-Year Financial Forecast*, Oakland Office of the City Administrator, March 29, 2023, <https://cao-94612.s3.us-west-2.amazonaws.com/documents/Fiscal-Year-2024-28-Five-Year-Financial-Forecast.pdf>.



Findings

SPUR's research into the evolution of Oakland's fiscal crisis yielded six key findings.

FINDING 1:

Oakland's structural deficit was created decades ago.

In the 1970s, California voters approved Proposition 13, which capped property taxes at 1% of assessed property value and immediately caused local government revenues to plummet by 60%.¹⁰ Budget shortfalls have been a recurring problem for Oakland and many other cities across the state ever since. Prop. 13 forced cities to find alternative revenue streams to make up for the losses as well as to account for the rising costs of labor and materials.¹¹

In Oakland, those alternative streams have taken the form of increases to voter-approved special taxes. And while Oaklanders continue to be generous in taxing themselves to pay for their essential needs, it hasn't been enough to offset rising fixed costs — personnel costs for wages and retirement, insurance premiums, fuel, and utilities — resulting in a structural deficit. Despite annual budget-balancing measures, the underlying gap between revenues and expenditures persists.

The global recession and real estate crash in 2008 also had a devastating impact on local governments, including Oakland's. Along with housing values, the city's revenues collapsed, creating budget shortfalls totaling \$318 million over six years. In 2012, California dissolved redevelopment agencies statewide, resulting in an additional loss of \$28 million per year in funds that the City of Oakland had used for affordable housing, infrastructure and façade improvements, graffiti abatement, and combating illegal dumping in the city.¹²

Compounding the challenge, the city has discretion only over 40% of its total budget. The remaining 60% is restricted to specific uses. Grants, fees, or voter-approved ballot measures provide dedicated funding for things like street and sewer repair, libraries, and violence prevention, but these funds cannot be used for other purposes. Closing previous shortfalls required significant reductions. Over a five-year period during the Great Recession (2008 to 2013), the city:

¹⁰ Mac Taylor, *Common Claims About Proposition 13*, Legislative Analyst's Office, September 2016, <https://lao.ca.gov/Publications/Report/3497>.

¹¹ Jacob Denney, Phil Levin, and Susannah Parsons, *Burdens and Benefits: Investigating Prop. 13's Unequal Impacts in Oakland*, SPUR, February 2022, https://www.spur.org/sites/default/files/2022-02/SPUR_Burdens_and_Benefits.pdf.

¹² City of Oakland, *Budget Backgrounder*, April 2013, <http://content.mindmixer.com/Live/Projects/oakland/files/63193/oak040426.pdf?635010443815430000>.

- **Made significant staffing cuts.** Oakland eliminated 720 full-time positions, including 80 police officers. Elected officials took a voluntary pay cut, and employees temporarily contributed 10% of their compensation as well as increased their own retirement contribution. The city required mandatory furlough days, initiated a new two-tier retirement system, reduced police overtime spending, froze overtime for civilian (non-sworn) staff, and curtailed training and travel.
- **Dramatically reduced services.** The city closed its offices 12 days per year, deferred maintenance of city facilities and streets, closed two fire engine companies and rotated closures at other companies, closed branch libraries one day a week, reduced hours at recreation and senior centers, cut funding for the Public Ethics Commission and the Oaklanders Assistance Center, reduced grants and subsidies to community organizations, raised hourly parking fees, significantly reduced tree trimming, and eliminated façade improvement grants as well as graffiti abatement and illegal dumping programs.
- **Sold assets.** The city eliminated 239 vehicles in its fleet and sold surplus property and land.

FINDING 2:

Oakland adopted strong financial policies in the wake of the Great Recession.

Following the Great Recession, Oakland developed strong fiscal controls and strengthened financial policies to guard against the impact of future economic downturns.

- In December 2014, the city council organized all of the city's fiscal rules into the Consolidated Fiscal Policy (CFP) and adopted best-practice policies on budgeting, the use of one-time revenue for ongoing expenditures, the budget process, fiscal planning, and public participation.¹³
- Under the CFP, the city established the Rainy Day Fund and a reserve fund (the Vital Services Stabilization Reserve) to help keep critical services running, protect against service reductions, and prevent layoffs, furloughs, and similar measures in times of economic hardship.
- To help reduce the city's reliance on a volatile revenue source — the Real Estate Transfer Tax (RETT) — the city council adopted a policy requiring the city to use excess RETT revenues in good years to shore up reserves, accelerate debt repayment, and pay down unfunded long-term obligations like health care for retired employees.
- In May 2018, the city council further amended provisions related to the use of excess RETT, which is defined as any amount exceeding 15% of General Fund revenues, and it added new requirements intended to enhance good financial practices.

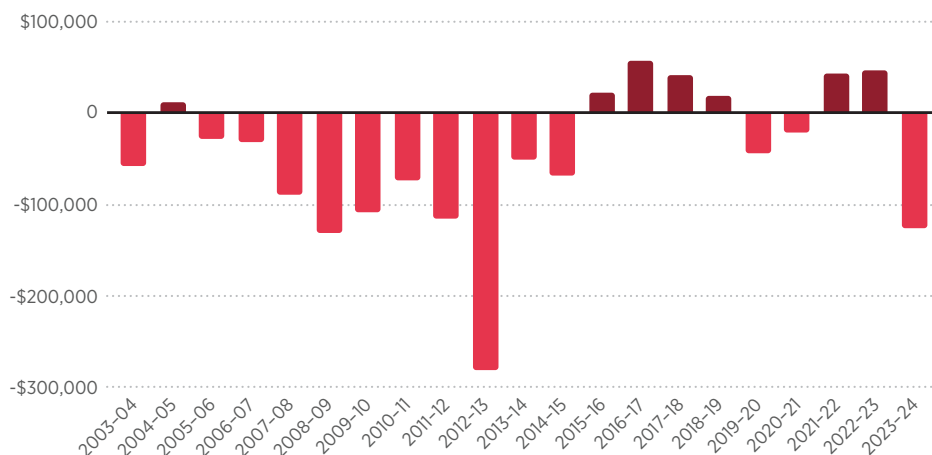
¹³ Oakland City Council, *Consolidated Fiscal Policy*, https://cao-94612.s3.us-west-2.amazonaws.com/documents/FY-2017-18-Consolidated-Fiscal-Policy-Exhibit-1_Clean.pdf.

By fiscal year 2015–2016, the city's fiscal position began to stabilize (Exhibit 15). A booming real estate market and a strong economic rebound, coupled with disciplined adherence to sound fiscal policies and financial best practices, began to address chronic operating deficits.

EXHIBIT 15

Strong Fiscal Controls and Strengthened Financial Policies Helped Turn Operating Deficits into Surpluses Until the Pandemic Hit

In the wake of the recession, the city made significant strides in stabilizing its finances by developing strong fiscal controls and strengthening financial policies. In 2014, the city council established the Rainy Day Fund and a reserve fund and merged all the city's fiscal policies into the Consolidated Fiscal Policy.



Source: SPUR analysis of "Excess (Deficiency) of Revenues Over (Under) Expenditures," Oakland Annual Comprehensive Financial Reports, <https://www.oaklandca.gov/documents/financial-reporting>.

From 2016 to 2019, the city experienced surpluses for the first time in many years. As a result, in February 2020, just one month before widespread pandemic-related shutdowns, credit-rating agencies upgraded Oakland's credit rating to the highest level in the city's history and the second-highest rating available. Standard & Poor's (S&P) stated that the decision to upgrade Oakland's credit rating was based on the city's approach to distinguishing between one-time and ongoing revenue, its use of excess RETT to fund a vital services reserve, its rainy day funding, its moderated spending, and its efforts to address retiree health care costs. The analysis noted, "The city's current, very strong fiscal position, combined with strengthened fiscal policies and experienced, prudent management, have positioned the city well for its clear fiscal and social challenges, including increasing pension costs, sharply increased homelessness and declining housing affordability."¹⁴

FINDING 3:

COVID reversed Oakland's fiscal recovery momentum.

In 2020, COVID's impacts put a \$121 million hole in the city's budget — the largest shortfall in Oakland's history. To balance the budget, the city exhausted its Rainy Day Fund, laid off temporary and part-time workers, used new ballot measure revenue, and temporarily suspended financial policies.

A year later, in March 2021, the federal government passed the American Rescue Plan Act (ARPA), which guaranteed direct funding that cities could use to make up for lost revenue. Oakland

¹⁴ City of Oakland, "City of Oakland's Credit Rating Upgraded to Aa1," February 11, 2020, <https://www.oaklandca.gov/news/city-of-oaklands-credit-rating-upgraded-to-aa1>.

received \$188 million in ARPA funds, which expired at the end of 2024.

Since 2020, Oakland has relied on one-time revenue sources, such as ARPA and other COVID relief funds, as well as the freezing of positions to close its budget deficits and avoid layoffs — waiving its own fiscal policies to do so (Exhibit 16).

EXHIBIT 16

In the COVID Era, the City Has Used One-Time Revenue Sources and Hiring Freezes to Close Budget Gaps

Since 2020, Oakland has relied on one-time revenue sources such as COVID-relief funds as well as freezing of positions to close its budget deficits.

Source: SPUR analysis of budget documents.

FISCAL YEAR	REDUCTIONS/BALANCING MEASURES	INCREASES
2020-2021	<ul style="list-style-type: none"> Used Rainy Day Fund Laid off temporary and part-time employees Froze positions Used ballot measure revenue Temporarily suspended financial policies 	
2021-2022	<ul style="list-style-type: none"> Used one-time American Rescue Plan Act (ARPA) funds 	<ul style="list-style-type: none"> Invested in homelessness and encampment management, violence prevention, mobile assistance community responders, combating illegal dumping, cultural affairs, and workplace and employment standards
2022-2023	<ul style="list-style-type: none"> Used one-time ARPA funds 	<ul style="list-style-type: none"> Increased wages for civilian (non-sworn) employees Added resources to address staffing vacancies, IT, capital projects, and equipment
2023-2024	<ul style="list-style-type: none"> Used one-time ARPA funds and fund balance Froze positions Allowed for employee attrition/vacancies Delayed spending 	
2024-2025 (proposed to date)	<ul style="list-style-type: none"> Temporarily close three to seven fire stations Eliminate two police academies Significantly reduce community grants Cancel unexecuted contracts Use one-time proceeds from Oakland Coliseum sale (unrealized) 	

Several other factors have contributed to Oakland's current financial crisis: lower-than-projected tax revenue; an overreliance on one-time funds, including those from the sale of the Oakland Coliseum, which has not been realized; and under-budgeting of overtime pay to the police and fire departments to account for staff shortages and emergencies.

The city's Finance Department has been warning that, without major structural changes to increase revenues and lower expenditures, layoffs and service reductions are guaranteed.¹⁵ Credit-rating agency S&P underscored this point when it recently lowered Oakland's credit rating two

¹⁵ Natalie Hanson, "Divided Oakland City Council Passes Budget Relying on \$63 Million Sale of Oakland Coliseum," *Courthouse News Service*, July 2, 2024, <https://www.courthouse-news.com/divided-oakland-city-council-passes-budget-relying-on-63-million-sale-of-oakland-coliseum/>.

notches, indicating that Oakland will need to pursue deep and permanent cost-cutting measures to meaningfully mitigate its estimated structural deficit.¹⁶

FINDING 4:

Pension costs are the most significant constraint on the city's budget.

Another factor that constrains the city's budget is its unfunded pension liabilities. A pension is guaranteed retirement income paid to employees. Retired City of Oakland employees do not receive Social Security benefits for the time they were employed by the city; instead, they receive pension benefits from one of the city's three retirement plans:

- Police and Fire Retirement System (PFRS), which is now closed and covers public safety employees hired before July 1976
- California Public Employees Retirement System (CalPERS) Public Safety, which covers public safety employees hired after July 1976
- CalPERS Miscellaneous, which covers civilian (non-sworn) employees

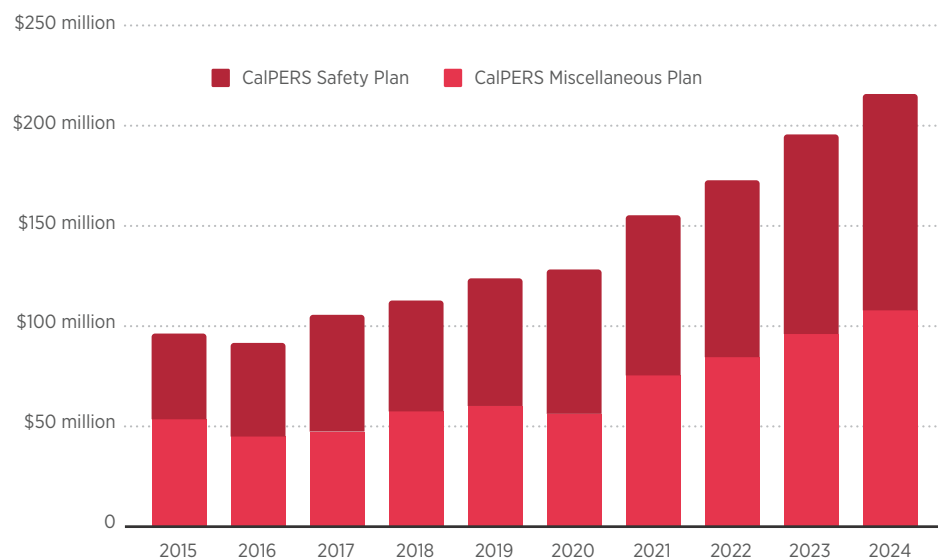
For defined benefit retirement plans, workers and their employers agree to contribute to the pension funds over time for a guaranteed source of retirement income. The city's defined benefit plans guarantee a retirement income based on employees' salaries and years of service at retirement.

Over the past 10 years, Oakland's required contributions to pay down these unfunded liabilities have more than doubled (Exhibit 17). These long-term liabilities are not fully funded; instead, the city pays as it goes. Currently the city's unfunded pension liabilities total \$1.8 billion (Exhibit 17).

EXHIBIT 17 Oakland's pension liability contributions have more than doubled in the last 10 years.

Oakland's liabilities continue to grow faster than the city's ability to pay them down.

Source: City of Oakland, "Annual Comprehensive Financial Reports," <https://www.oaklandca.gov/documents/financial-reporting>.



¹⁶ S&P Global Ratings, "Oakland, California; Appropriations; General Obligation," February 2025, https://cao-94612.s3.us-west-2.amazonaws.com/documents/RatingsDirect_Summary_OaklandCaliforniaAppropriationsGeneralObligation_3325867_Feb-19-2025.pdf.

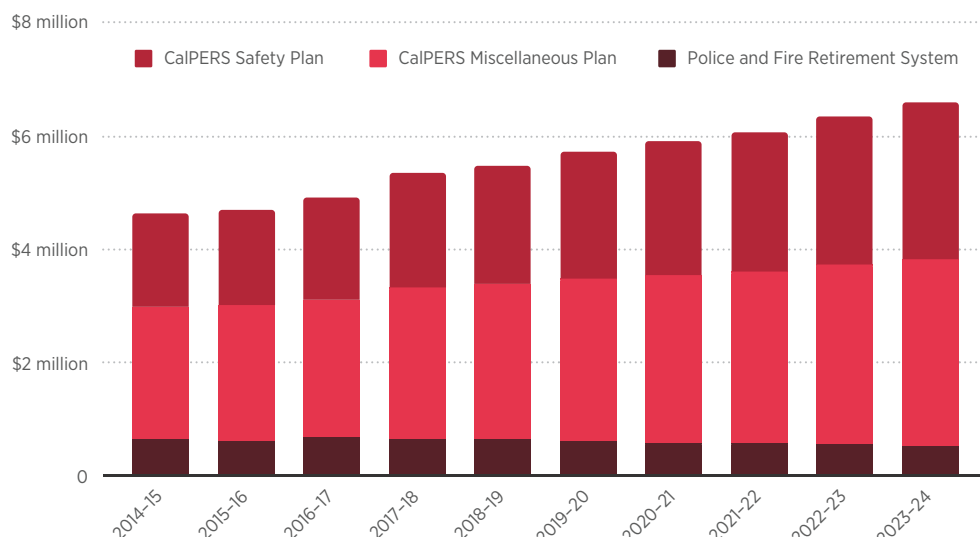
Starting in 2013, statewide pension reform changed the CalPERS retirement and health calculations by increasing the minimum retirement age, decreasing the pension benefit, and capping the annual salary used to calculate final compensation. These changes apply to employees hired after January 2013. As employees in the “classic” program retire and new employees are hired at the lower pension rate, the city’s pension costs will rise more slowly. Because of these reforms, the outlook is improving, but the costs will continue to increase until the unfunded liabilities are paid (Exhibit 18).

EXHIBIT 18
CalPERS Pension Liabilities Are Still Rising — But Less Than They Would Have in the Absence of Pension Reforms

The outlook for pension liabilities is improving thanks to statewide pension reform that changed CalPERS retirement and health calculations.

Source: City of Oakland, “Annual Comprehensive Financial Reports,” <https://www.oaklandca.gov/documents/financial-reporting>.

Note: The dramatic drop in net pension liabilities in 2022 was mainly due to an increase in the net investment income in each plan’s fiduciary fund.



FINDING 5:

Oakland staffing costs have grown exponentially, but the number of staff has not.

Over the past 10 years, from 2015 to 2024, the number of full-time employees of the City of Oakland has remained constant (Exhibit 19). Yet the city’s cost to pay employees in salary and benefits — like that of public and private sector businesses — continues to rise well above the Consumer Price Index. This trend is due in part to salary increases but more so to the rising costs of health and retirement benefits. A look at the city’s all-funds budget (from all revenue sources) from 2015 to 2024 shows that salary costs increased by \$141.8 million, from \$456.7 million to \$598.5 million, or 31%.¹⁷ Retirement costs grew during that 10-year period by \$50 million, or 138%. Because of Oakland’s high pension costs, its expenditures are greater than those of other cities (Exhibit 20).

Just as revenue sources have changed, spending patterns have evolved to meet community needs and priorities, requiring different kinds of investments. But with budgeting constraints, the city has few options to adapt to challenges without significant decreases in expenditures.

¹⁷ City of Oakland, “FY 2023–25 Adopted Policy Budget: Expenditures by Type,” <https://stories.opengov.com/oaklandca/published/G8KgBgVKgFQ>.

EXHIBIT 19 Staffing Levels Haven't Changed in 20 Years

Despite increases in both revenues and expenditures and growth in services and needs, staffing levels have not grown over the last 20 years. There are about the same number of full-time positions within the city in 2024 as there were in 2004.

Source: SPUR analysis of "Full-Time-Equivalent City Government Employees by Function/Program," Oakland Annual Comprehensive Financial Reports, <https://www.oaklandca.gov/documents/financial-reporting>.

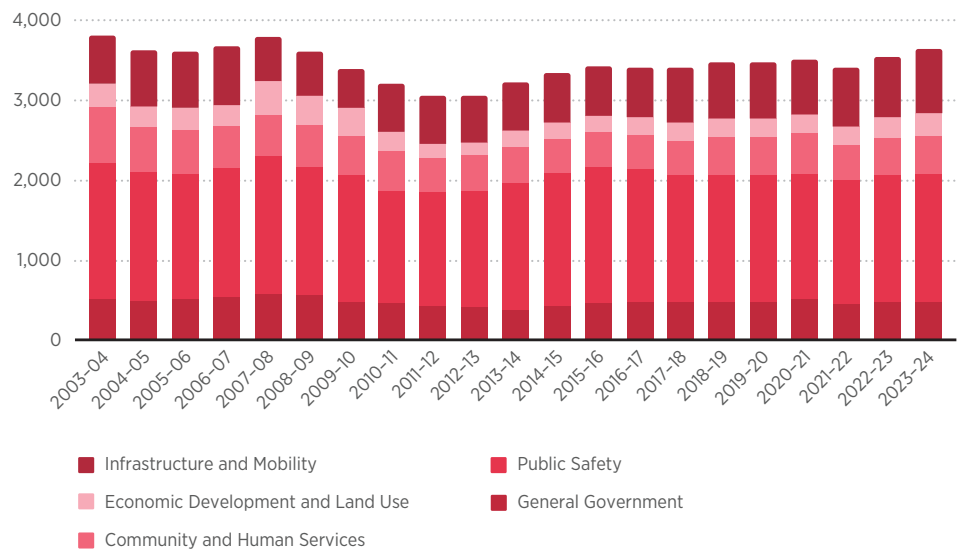
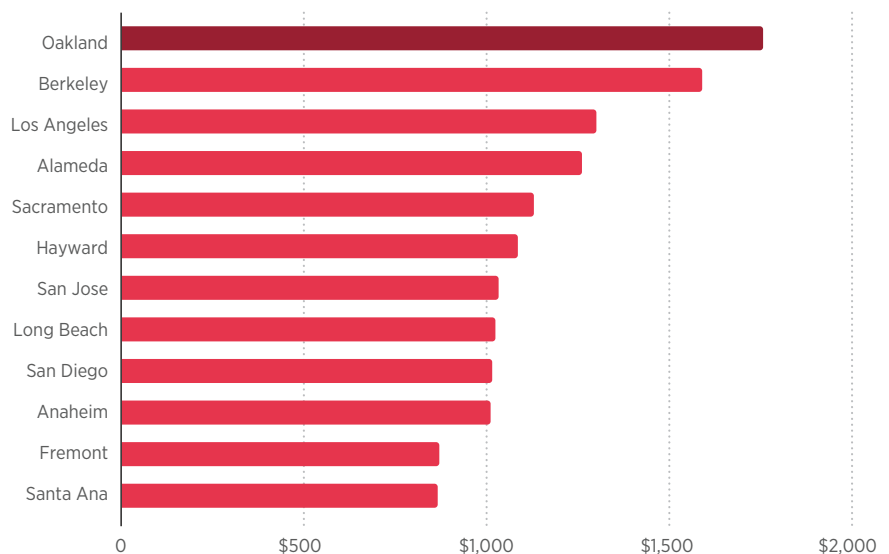


EXHIBIT 20 Among a Dozen California Cities of a Similar Size or With Similar Services, Oakland Had the Highest Public Safety and General Government Expenses per Resident in FY 2022-23

Oakland's public safety and general government expenses per resident are by far the highest among the 12 cities, at \$1,758 per resident. San José spends \$1,033 per resident.

Source: SPUR analysis of California State Controller's Office, Cities Financial Data, FY 2022-23, <https://cities.bythenumbers.sco.ca.gov/>



While Oakland's expenditures on services like public safety, parks, libraries, streets, and facility maintenance are core to its mission, other community needs and priorities have emerged that require new and different kinds of investments. For example, the steep rise in unsheltered homelessness and encampments in public spaces require additional investments in human services, debris removal, sidewalk cleaning, and streetlight repair to provide shelter and maintain public spaces that had not previously been funded.

FINDING 6:**Oakland's budget deficit is compounded by a deficit in trust.**

Over the past several decades, and increasingly in the post-pandemic years, public trust in government has been in steady decline.¹⁸ With labor shortages and funding deficits, governments lack capacity to plan for and respond to pressing issues, which results in frustration for constituents. A recent survey conducted by the Oakland Budget Advisory Commission found that 78% of respondents disapprove of the job that Oakland is doing and cited increased distrust in the city's management of the budget.¹⁹ This lack of trust from the public, a growing lack of trust between administrative staff and the city council and between the city and its county and regional partners, and significant internal strife after the recall of the city's former mayor, further complicate decision-making. In addition, Oakland's current governance structure — a hybrid of strong-mayor and council-manager forms of government — and Oakland's lack of an independent, trusted voice on financial and budgeting matters contribute to the city's challenges.

¹⁸ Mike Bell and Maria Church, "Local Government Leaders Are Combating an Unprecedented Public Trust Crisis, New Research Suggests," *American City and County*, March 20, 2024, <https://www.americancityandcounty.com/public-administration-governance/local-government-leaders-are-combating-an-unprecedented-public-trust-crisis-new-research-suggests>.

¹⁹ Oakland Budget Advisory Commission, "2025 City of Oakland Resident Budget Priorities Survey," <https://cao-94612.s3.us-west-2.amazonaws.com/documents/Oakland-FY-25-27-Budget-Resident-Survey-FULL.pdf>.

Recommendations

Closing Oakland's structural deficit won't happen overnight. It will require the city to (1) prioritize sound financial policies and align on a budget stabilization plan, (2) make changes to Oakland's governance structure, and (3) promote collaboration and long-term thinking to grow Oakland's economy.

Goal 1: Prioritize sound fiscal policies and systems and align on a budget stabilization plan.

Fiscal solvency must be the first goal. The choices that city leaders will need to make won't be easy. The approach will require strong collaboration between decision-makers and labor unions, adherence to sound financial practices, a willingness to implement cost-cutting measures, and avoiding the use of one-time revenue to pay for ongoing expenses. An independent Controller's Office responsible for enforcing spending policies should be created that can deny spending proposals if the funds aren't available to pay for them. Most importantly, staff and the community need to see leadership working together to land on a clear process to meet Oakland's immediate challenges and, in the long term, close its structural deficit.

RECOMMENDATION 1:

Adhere to the city's Consolidated Fiscal Policy and break the habit of using one-time revenues to pay for ongoing expenses.

Who's responsible: City council

Oakland's Consolidated Fiscal Policy (CFP) provides a detailed framework for developing and adopting the final two-year budget. It establishes the roles of the city administrator, the mayor, and the city council; defines milestones for each step of the process; and specifies requirements for public engagement.

The CFP requires that one-time revenues be used to pay for one-time expenses. It also requires the city to use excess real estate transfer tax (RETT) revenues in good years to shore up reserves, accelerate debt repayment, and pay down unfunded long-term obligations like health care for retired employees. But in 2020, the City of Oakland began waiving these policies in efforts to prevent layoffs and retain staff through the pandemic (Exhibit 21).

EXHIBIT 21

The City Has Resorted to Multiple Overrides of the Consolidated Fiscal Policy Since 2019 to Maintain Services

In the wake of the COVID-19 pandemic, the city has used excess real estate transfer taxes (RETT) and one-time funds from the Coronavirus Aid, Relief, and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA) to maintain services. CARES funds ended in 2020, and ARPA funds ended December 31, 2024.

Source: Budget Advisory Commission, *Recommendations for FY 24-25 Mid-Cycle Budget*, June 9, 2024, <https://cao-94612.s3.us-west-2.amazonaws.com/documents/FY24-Mid-Cycle-Budget-BAC-Recommendations-Packet.pdf>.

	ADOPTED BUDGET	ADHERED TO SECTION 1, PART C? Excess RETT should be used for reserves, retiring debt, and funding unfunded long-term obligations	ADHERED TO SECTION 1, PART D? Unrestricted one-time revenues should be used for one-time expenses
	FY 17-18	Replenished reserves, paid down liabilities	Funded one-time expenses, paid down liabilities
	FY 18-19	Replenished reserves, paid down liabilities	Funded one-time expenses, paid down liabilities
POST-COVID	FY 19-20	Replenished reserves, paid down liabilities	Waived for parks and paramedics
	FY 20-21	N/A - no excess RETT	Waived for parks and paramedics
	FY 21-22	Used for ongoing expenses	Waived for libraries, parks, fire, youth, other funds
	FY 22-23	Used for ongoing expenses	Waived for libraries, parks, fire, youth, other funds
	FY 23-24	N/A - no excess RETT	Waived for libraries, parks, fire, youth, other funds
	FY 24-25* proposed	N/A - no excess RETT	Entire policy waived

The city can waive CFP policies by declaring a “fiscal necessity,” meaning that it can’t meet its obligations, including minimum staffing levels for police and fire. But it should not do so every time a deficit is projected. Instead, it should make difficult decisions to reduce expenditures as soon as possible to avoid even more difficult decisions later. If CFP policies are not working in practice, the city should revise them rather than continuing to waive them in whole.

In short, the city should take the advice of the Budget Advisory Commission and break its habit of waiving limits in the CFP, and it should establish discipline in replenishing emergency funds. The city should use one-time funds, such as the proceeds from the Oakland Coliseum sale, or future excess RETT to pay down other post-employment benefits and CalPERS liabilities — a huge contributor to the city’s structural deficit — or to replenish the city’s emergency reserves.

RECOMMENDATION 2:**Create an independent city controller with the authority to enforce the city’s financial policies.**

Who’s responsible: Oakland voters through a charter amendment

How much money a city has should not be up for debate, but it often is in Oakland. The problem is a result of both systems and the city’s structure. The current structure allows for the city council to add revenue to the budget that has not been verified. The Finance Department is charged with

managing city expenditures within budget constraints, so if funds that were identified by the council do not materialize, the city is put in a difficult position, as evidenced by its reliance on the sale of the Oakland Coliseum to balance the fiscal year 2024–2025 budget. Without mayoral veto power or a city administrator with the ability to deny council spending, what the city has the capacity to do and what policymakers want it to do may not match up (see Recommendation 4).

In *Making Government Work*, SPUR recommended that the City of Oakland create an independent city controller with a specific set of authorities tailored to ensuring a balanced budget and sound financial practices. Unlike the current Finance Department, this office should not fall under the purview of the City Administrator's Office.

The new Oakland Controller's Office should have the authority to keep the budget in balance by determining how much money the city has available to spend and by denying spending proposals if the funds are not available to pay for them. Specifically, the Oakland Controller's Office should have the authority to certify revenue and should also be authorized to sign off on contracts between the city and outside entities. The Controller's Office should have control over financial records and reporting, which would include managing the city's financial audits, such as the Annual Comprehensive Financial Report.

The new Controller's Office should be responsible for enforcing spending policies, particularly those laid out in the city's Consolidated Fiscal Policy. The office should develop new spending policies as needed to better manage city finances. Additionally, the office should include a risk management function to oversee the city's long-term financial obligations, particularly long-term liabilities such as retirement funding and retiree health care.

To support these activities, the existing functions of the current Controller's Bureau in the Finance Department should be moved into the new Controller's Office, which would be separate from the City Administrator's Office. The budgeting function (preparing the budget for submission to the city council) should remain under the purview of the city administrator.

The controller should be appointed by the mayor and confirmed by the city council for a term longer than the mayor's term (such as 10 years). The controller should be removed only for cause, an action requiring a two-thirds vote of the city council.

RECOMMENDATION 3:

Be clear about Oakland's priorities and accountable for progress made in addressing them.

Who's responsible: City council, city administrator, and mayor

City leadership needs to come together and align on a plan that stabilizes the budget and sets out a path to close the structural deficit. The plan should address how it will get to voter-approved spending levels, what can be done to restructure pension debt, and how fiscal policies can be strengthened and enforced.

The city should also create a comprehensive and clear priority-setting process to establish an annual work plan that the city council and mayor can follow and that will help the city administrator

prioritize financial resources and efforts.

San José offers a model called Council Policy Priority Setting. Established in 2011, this process allows the city council to manage limited staff resources under fiscal constraints by determining which actions it will prioritize for completion in the year ahead. At the beginning of the year, the city council develops and proposes actions for prioritization. The City Manager's Office then performs feasibility studies and cost analyses for these actions. Finally, the city council holds a priority-setting session at which council members vote to determine and rank priorities. These priorities allow the city council to track outcomes and give clear guidance to staff about where to focus their time and attention.

In improving its priority-setting process, Oakland should make the process transparent, properly document it, and open it to the public to ensure that everyone is aware of the city's goals.

In addition, the city should revisit what it measures. Oakland has established equity indicators, through the Department of Race and Equity, and it conducts an equity analysis of budget impacts. The city also measures levels of service delivery through annual comprehensive financial reports, and each department is responsible for collecting metrics for various grants and reporting requirements. However, it lacks a standard practice for collecting data and measuring outcomes. The city should tie budget allocations to specific, measurable outcomes for the community — essentially working backward from desired results to determine how to best allocate funds to achieve them, rather than simply providing funding based on departmental needs or historical spending patterns. Examples of measurable outcomes include reducing police response times, reducing the number of abandoned autos, increasing the number of road miles paved, and increasing the number of affordable housing units built. Budget development should incorporate data-driven decision-making to assess the effectiveness of programs and initiatives and should ensure accountability for achieving desired community impacts. This work should be tied to the equity analysis by showing not only how many resources were provided but also where they were provided. This effort will require increased collaboration across departments to create a shared vision that people are inspired to work toward.

Goal 2: Reform Oakland's governance structure to support more effective decision-making.

Oakland's current challenges with the budget did not happen overnight. Events of the last few years have heightened awareness of the barriers that make it difficult to meet community needs. Resolving the structural deficit will require lasting changes to ensure that Oakland can deliver excellent services. Oakland's current governance structure — a hybrid of strong-mayor and council-manager forms of government — contributes to the city's challenges. The city should look at how operations are funded across Oakland and should identify opportunities for structural improvements, including cross-departmental collaboration or the merging of functions where duplication exists. In addition, policymakers should have access to the information and the support they need to make informed and data-driven budget decisions.

RECOMMENDATION 4:**Update the City Charter to create clear lines of authority and promote better decision-making.**

Who's responsible: Oakland voters through a charter amendment

SPUR's 2021 report *Making Government Work* recommended that Oakland move to a clearly defined strong-mayor form of government (see sidebar). SPUR argued that as Oakland has grown in both size and complexity, the need for a more consolidated executive function within government has increased. Oaklanders expect the mayor to be able to solve citywide problems, and without clearer authority, the mayor is unable to do so.

Oakland Has Elements of Mayor-Council and Council-Manager Forms of Government

In the United States, local government typically takes either a mayor-council or a council-manager form. Oakland has adopted elements of both, but its structure is unique.

Many larger cities have some form of a mayor-council system. In this system, a mayor who is directly elected by the voters acts as chief executive, while a separately elected city council constitutes the legislative body. The form may be further categorized based on the relative powers of the mayor and the council.

In a typical "strong mayor" system, the elected mayor is granted almost total administrative authority, with the power to appoint and dismiss department heads. Conversely, in a "weak mayor" system, the mayor has no formal authority outside the council and serves a largely ceremonial role as council chairperson. Oakland, while categorized as a mayor-council form of government, is neither a strong-mayor city, because the mayor lacks veto power over the budget and legislation, nor a weak-mayor system, because the mayor does not serve on the city council.

Council-manager forms of government are typical of smaller cities and of counties. In a council-manager government, the elected council serves as the primary legislative body and appoints a chief executive officer, typically called a city or county manager, to oversee day-to-day municipal operations. This manager reports to the council. In a council-manager form of government, the mayor can either be appointed by the council or elected separately as a citywide representative who presides over the council. Oakland has elements of this form of government that are left over from the days when it was organized in this way. It has a city administrator who oversees all departments, but the administrator reports directly to the mayor rather than the council.

In 1931, Oakland established a council-manager system of governance. Under the council-manager system, the mayor was the presiding officer of the Oakland City Council. The power to run the city sat with the city manager, who was appointed, and could be fired, by the city council. Oakland mayors have led failed attempts to institute a strong-mayor system of government. The current form of government began to take shape with passage of Measure X in 1998 (Exhibit 23).

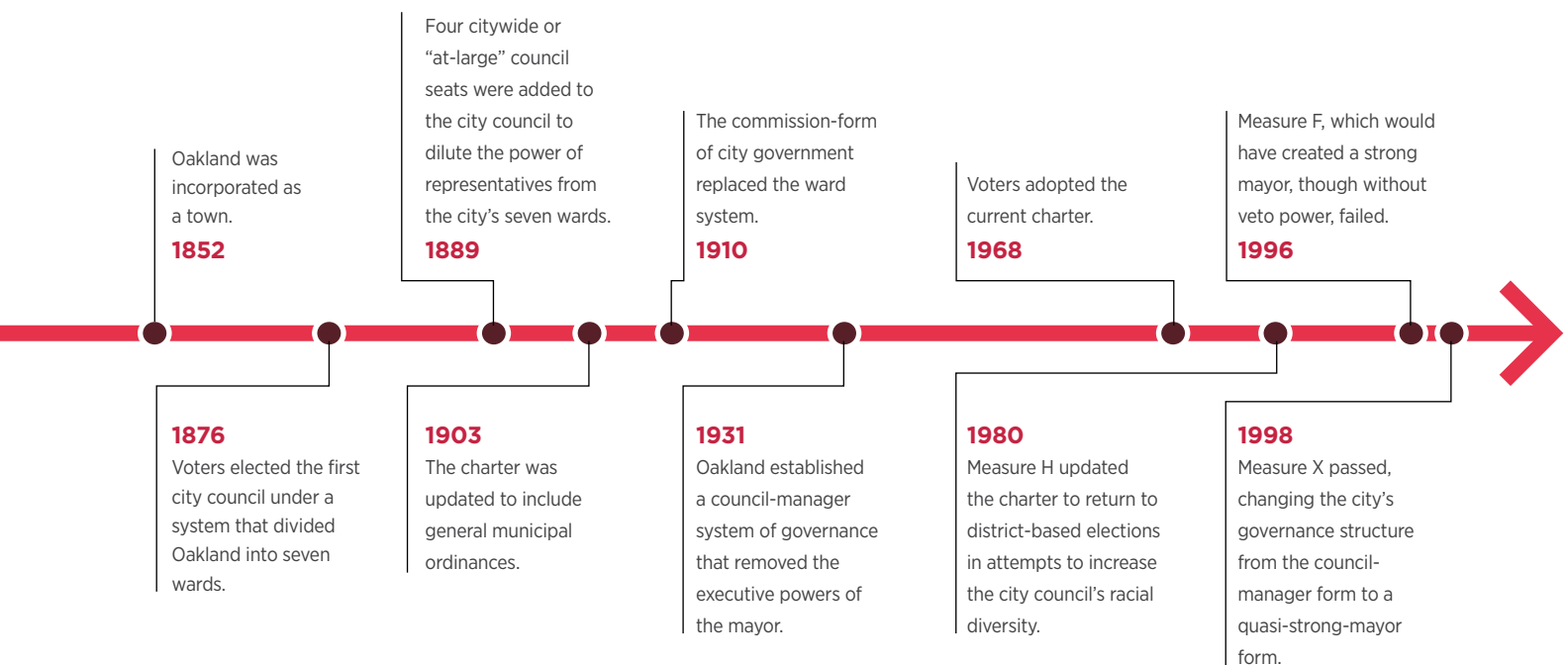
Through Measure X, Oakland created a hybrid governance structure. Although classified as such, it is not a strong-mayor structure because the mayor does not have veto power over legislation and does not directly hire and fire department heads. It also is not a council-manager form of government because the mayor does not serve on the city council and has certain administrative authorities, including the capacity to hire and fire the city manager (known as the city administrator in Oakland).

EXHIBIT 23

The History of City Charter Reform Reflects Voters' Hesitancy to Increase Mayoral Powers

Over the years, Oaklanders have opted for systems that give more power to the voters.

Source: SPUR.



There's broad dissatisfaction with Oakland's current government structure, which is unlike that of any other California city (Exhibit 24). Strengthening Oakland's finances will take strong and sustained leadership. Currently, the city administrator cannot effectively develop and execute a long term strategy under the existing form of government. The city administrator reports to the mayor; the city council sets policy priorities and the budget. The city administrator is torn between these two interests.

In order to improve financial operations, SPUR recommends that a holistic review of the charter be conducted with the following goals:

- Clarify the role of the mayor.
- Create clear lines of authority and accountability.
- Ensure that the rest of the government is structured to support the design.

EXHIBIT 24

Oakland's Form of Government Is Unique

Oakland's form of government is different from that of every other city in California. In a typical mayor-council form of government, the mayor can veto the city council's legislative and budgetary actions, but Oakland's mayor has no such power. In a council-manager form of government, the mayor serves as a member of the city council, but Oakland's mayor holds no council seat.

Source: SPUR.

CITY	POPULATION	GOVERNMENT	MAYORAL AUTHORITY	COUNCIL
Los Angeles	3,898,747	Mayor-Council	Mayor serves as the head of the executive branch with power to veto legislative and budgetary actions of the city council	15 council members (elected by district)
San Diego	1,386,932	Mayor-Council	Mayor serves as the head of the executive branch with power to veto legislative and budgetary actions of the city council	9 council members (elected by district)
San José	1,013,240	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	10 council members (elected by district)
San Francisco	848,019	Mayor-Council	Mayor serves as the head of the executive branch with power to veto legislative and budgetary actions of the city council	Combined city/county 11- member Board of Supervisors (elected by district)
Fresno	737,015	Mayor-Council	Mayor serves as the head of the executive branch with power to veto legislative and budgetary actions of the city council	7 council members (elected by district)
Sacramento	524,943	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	9 council members (each member runs a separate legislative branch)
Long Beach	449,468	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	9 council members (elected by district)
Oakland	440,646	Hybrid	Mayor is elected at large to serve as the "chief elected official," but has no budget or legislative veto power and does not serve on the city council	8 council members (1 member elected at large; other 7 elected by district)
Bakersfield	413,381	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	7 council members (elected by district)
Anaheim	340,512	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	6 council members (elected by district)
Stockton	319,543	Council-Manager	Mayor is elected at large to serve as presiding officer of the city council	6 council members (elected by district)

RECOMMENDATION 5:**Allocate staff and resources more effectively to deliver core services.**

Who's responsible: City administrator and mayor

Because the law requires the budget to be balanced, the city must close any deficits before passing a budget. To do so, the city often carries forward any unspent funds to the next fiscal year by freezing vacant staff positions or by allowing for attrition and not backfilling positions. While this strategy prevents layoffs, it may mean that staffing needs are not met, and it can lead to service deficits and a failure to implement priorities. In the last completed semiannual staffing report, created in December 2023, more than half of the city's departments had a greater than 20% staff vacancy rate (Exhibit 25).

EXHIBIT 25

Vacancy Rates in More Than Half of the City's Departments Were Greater Than 20% in 2023

These vacancy rates don't include frozen positions. A comparison of budgeted and actual employees, which accounts for the frozen positions, reveals that some departments — including Parks, Recreation & Youth Development, Human Services, and Transportation — were experiencing much larger staffing shortages in 2023.

Source: Oakland Human Resources Management Department, Semi-Annual Staffing Report, December 2023, <https://oakland.legistar.com/LegislationDetail.aspx?ID=6434429&GUID=75487CB5-4B4E-4B49-B1E3-0BB2112330A8&Options=ID|Text|&Search=vacancy>

CITY OF OAKLAND DEPARTMENTS	NO. OF AUTHORIZED POSITIONS (FTE)	NO. OF VACANT POSITIONS (FTE)	VACANCY RATE
Police Commission	25	11	44.00%
Economic and Workforce Dev	63.3	20.5	32.39%
City Clerk	17	5	29.41%
Violence Prevention	48.8	14	28.69%
Transportation	371.4	106	28.54%
Housing and Community Dev	83	23	27.71%
City Auditor	11	3	27.27%
Parks, Recreation and Youth Dev	106.73	28.75	26.94%
Planning and Building	206	55	26.70%
Public Ethics Commission	8	2	25.00%
Human Services	252.96	62	24.51%
City Administrator	71.1	16.6	23.35%
Fire	695.5	146.5	21.06%
Public Works	652.4	128	19.62%
Animal Services	28	5	17.86%
Library	227.2	39.4	17.34%
Human Resources	58	10	17.24%
Information Technology	92	15	16.30%
Finance	155.8	22	14.12%
Mayor	11	1	9.09%
City Attorney	81	7	8.64%
Police	976	67	6.86%
Workforce and Employment Standards	17	1	5.88%
City Council	22.92	0.56	2.44%
Race and Equity	4	0	0.00%
Citywide Vacancy Rate	4,285.11	789.31	18.42%

As a result of these high vacancy rates, staff members are spread thin and unable to meet their ever-expanding goals. New priorities are constantly being added, but old priorities are never removed. The city needs to be realistic about staffing levels and eliminate positions that are not funded. A staffing analysis should be done to reorganize the workforce based on updated assumptions. The city will need to make some hard choices about what it will continue to do, ensuring that its top priorities and core service delivery are adequately staffed.

The City Administrator's Office (CAO) has begun to develop Oakland's first strategic plan to improve city operations. Through data analysis, director-level interviews, and focus groups with key stakeholders, it has identified the following critical actions:

- Standardize policies and practices in citywide operations.
- Engage in strategic cross-departmental collaboration.
- Close communication gaps between the city council and the executive team.
- Remedy staffing inefficiencies and create departmental opportunities to enhance employee performance.
- Align department priorities and citywide goals in the budget.

Through the CAO's strategic planning effort, the city should look at how operations are funded across Oakland and should identify opportunities for structural improvements, including cross-departmental collaboration or the merging of functions where duplication exists. Many city departments are engaged in a set of core functions to manage budgets, hire and manage staff, contract for goods and services, issue permits, communicate with constituents, and administer grants. Cross-departmental process and technology improvements in these areas could make all city operations more effective.

RECOMMENDATION 6:

Support the council's ability to analyze the budget and legislation for fiscal impacts.

Who's responsible: Oakland voters through a charter amendment

Currently, the legislative process often lacks detailed analysis of complicated policy proposals. Although legislation does contain information about the budget impacts of a proposed measure, council members are not required to take that information into account when making budgetary decisions. And without a mayoral veto, legislation passes absent certainty that available resources are sufficient to support it. Everyone loses in this scenario. The council is often frustrated that staff have not implemented passed policies, and staff are frustrated by the stream of unfunded mandates. The ideal legislative process would include vetting of a proposal's fiscal impacts and funding sources by a newly created Oakland Controller's Office (see Recommendation 2). Proposals that don't identify a sufficient funding source could not be introduced.

In addition to vetting legislation through the Controller's Office, the city should develop clear metrics and improve data systems (see recommendations 2 and 3) to ensure that the city council has the data it needs to make informed decisions. The council also needs support to analyze the data — support that in the past was provided to each council committee by legislative analysts. The city should look at cost-neutral ways to bring this support back to the council as it conducts its staffing analysis.

Goal 3: Strengthen collaboration and promote long-term thinking to grow economic prosperity for all.

This year's budget process needs to focus on ensuring fiscal solvency. Resolving Oakland's structural deficit and stabilizing the budget will take several years. Developing a plan that allocates resources for the city's needs will require collaboration across the city and with Alameda County as well as proactively engaging the community in advance of decision-making. To solve the structural deficit long term, the city will need a strategy to grow its economic base in a way that facilitates outside investment and promotes inclusive economic growth.

RECOMMENDATION 7:

Proactively educate staff and the community in advance of decision-making to promote more effective participation in the budgeting process.

Who's responsible: City administrator and mayor

Everyone from elected officials to staff to commissioners to community-based organizations and residents wishing to advocate for their needs must have a baseline understanding of the budget and the budgeting process. Oakland should provide accessible education that helps people understand revenues and expenditures, as well as the budgeting process and budgeting constraints imposed by state and local laws.

Budgets are more credible and receive the broadest support when residents and elected officials have provided input throughout the planning process, are aware of major developments, and understand budget trade-offs. Oakland currently solicits input through a budget survey and town halls that council members convene after the mayor's proposed budget comes out. The survey reaches only a small fraction of Oakland's residents and doesn't help educate them about the budget, its constraints, and its process. By the time people can weigh in on the proposed budget, they can only defend line items they care about; they cannot influence trade-offs.

The city should give city residents the ability to weigh in on budget priorities, rather than just advocate for specific line items. Oakland already has a great model for this kind of engagement in the Capital Improvement Program planning and budgeting process.

A Planning and Budgeting Process in Oakland Offers a Model for Public Engagement

The planning and budgeting process for Oakland's Capital Improvement Program (CIP) offers a model for engaging the public before actual decision-making, for making budget education accessible, and for infusing equity goals more directly into city projects. Oakland could use CIP's approach to capital planning to integrate equity, transparency, and public participation into its budgeting process.

Three factors supported the success of the CIP planning and budgeting process:

- 1. Internal working structure.** The Department of Race & Equity championed multiple organizational changes to build the historical knowledge and staff competencies needed to amend a long-practiced budget process, and it developed a cross-departmental working group focused on shared outcomes.
- 2. Public engagement.** The working group deployed a variety of approaches to assess public sentiment regarding capital improvement priorities prior to decision-making. To reach representative audiences, it
 - Held meetings in historically underserved communities rather than expecting residents to come to City Hall, often partnering with local organizations, churches, and community centers
 - Weighted public input to ensure that wealthier, more politically engaged residents did not disproportionately influence outcomes
 - Made CIP planning and budgeting transparent
 - Made relevant materials and education accessible in multiple languages
- 3. Analytics and prioritization.** The working group expanded the prioritization framework beyond asset-based criteria such as legal mandates, critical asset conditions, and life safety hazards. It also considered indicators of community wellness that are often unexamined and even less frequently used to make funding decisions but that impact how residents access public services.^a

The CIP planning and budgeting process provides a proof of concept for building a transparent, participatory budget system that prioritizes equity, accessibility, and public trust.

^a Elliot Karl, *Prioritizing Community Values in Capital Budgeting: A Case Study From the City of Oakland*, Government Finance Officers Association, June 2021, https://www.gfoa.org/materials/prioritizing-community-values_gfr06211.

This year, the city's communications team hosted budget workshops ahead of the mayor's proposed budget, giving residents, staff, and newly appointed commissions the opportunity to learn about how the city works prior to weighing in on budget line items. The city could extend that opportunity by establishing ongoing practices to educate residents of Oakland about the budget, the legislative process, and municipal organization. Doing so would help Oaklanders better understand not only how their city works but also how they can support the city to meet community needs.

RECOMMENDATION 8:

Strengthen collaboration and resource sharing between the city and county and with other regional partners.

Who's responsible: City council, city administrator, and mayor

Many policy, infrastructure, and program areas that cross jurisdictional boundaries lend themselves to regional solutions that require collaboration across agencies. Some of these areas include child care and early childhood education, affordable housing and homelessness, workforce development, digital inclusion and broadband access, transportation, and disaster response and planning. To address inequities in these areas, Oakland leaders should partner with Alameda County and other local agencies for support, particularly given that a share of Oakland's tax revenues go to agencies providing regional services. East Bay Municipal Utility District provides water and sewer services, AC Transit and BART provide public transportation through Oakland, the Oakland Unified School District provides public education, and Alameda County provides public health, homelessness, and supportive housing services. Because Oaklanders' needs — especially in relation to unhoused homelessness and public health — have continued to grow, the City of Oakland has built up staffing to support services that are duplicative of the county's.²⁰

The lack of coordination and collaboration between the city and county has become more visible through the negotiation of the Oakland Coliseum site and through delays in the allocation of funds related to a lead-based paint settlement.²¹ Many people SPUR talked to said that the relationship between the city and county has been poor for years. Mending this relationship will require aligning on shared commitments and goals, open communication that shows respect for each agency, dedicated staff time, clear lines of accountability, and strong agency leaders who work with one another to meet Oakland's needs.

Oakland should assess where city, county, and regional agency goals overlap and should dedicate staff time to building collaborations and increasing coordination. Doing so will not only lead to better outcomes for residents but will also position the city to participate in more federal, state, and regional funding opportunities.

²⁰ Oakland Office of the City Auditor, *Performance Audit of the City of Oakland's Homelessness Services: Better Strategy and Data Are Needed for More Effective and Accountable Service Delivery and Positive Outcomes for Oakland's Homeless Residents*, September 2022, https://www.oaklandauditor.com/wp-content/uploads/2022/09/20220919_Performance-Audit_The-City-of-Oaklands-Homelessness-Services_Final.pdf.

²¹ Jasmine Aguilera and Cassandra Garibay, "Toxic Inaction: Oakland's Lead Funding Languishes as Residents Live With Serious Health Risks," *El Timpano*, October 17, 2024, <https://www.eltimpano.org/english/health/toxic-inaction-lead-funding-languishes-as-residents-live-with-serious-health-risks/>. Natalie Orenstein, "Oakland Coliseum Sale: Alameda County Punts Again," *The Oaklandside*, March 11, 2025, <https://oaklandside.org/2025/03/11/oakland-coliseum-sale-delayed-alameda-county-aaseg/>.

What City-County Collaborations Need to Succeed

Results for America published a case study showing how a strong city-county partnership can improve the lives of residents and address inequality by leveraging jurisdictional authorities and finances and highlighting efficiencies that can deepen the impact of any individual entity. It identifies seven essential elements of city-county collaboration:

- 1. Shared commitment and goals.** Stakeholders have a shared understanding of the end goal of the collaboration. They develop clear, shared values and rally around a joint vision or compelling purpose.
- 2. Trust and open communication.** Stakeholders build and sustain strong, trusting relationships with each other and engage in open communication.
- 3. Strong champions and leaders.** Boundary-spanning leaders get people to the table, maintain focus, and increase the visibility of the issue. Elected officials build legitimacy and generate support across the ranks.
- 4. Dedicated staff.** Staff from city and county departments, individuals hired specifically for the collaboration, or third-party staff commit time to the collaborative effort to ensure that progress is made.
- 5. Dedicated funding and material resources.** Adequate resources (e.g., time, tools, and funding) are allocated to develop and sustain the collaboration.
- 6. Clear processes and accountability structures.** Processes are in place to ensure that the collaboration does not lose momentum and that stakeholders are on track to achieve their goals.
- 7. Strong data systems.** Stakeholders use data to set the agenda, build accountability, collaboratively make decisions, and track success.

Source: Results for America, *Power in Partnerships: How City-County Collaborations Advance Economic Mobility*, March 2022, https://results4america.org/wp-content/uploads/2022/04/RFA_CCP-Power-in-Partnerships_03.04.22.pdf.

One area of particular concern that would benefit from a stronger relationship between the City of Oakland and Alameda County is their joint response to homelessness. The City of Sacramento and Sacramento County offer a model for this response. The entities established a legally binding Homeless Services Partnership Agreement to improve coordination and expand services for the unhoused population. The agreement defines clear roles and responsibilities, including funding responsibilities, and mandates joint biannual progress/outcomes reports to the Sacramento City Council and Sacramento County Board of Supervisors.

The agreement specifies that the county is responsible for

- Deploying 15 homeless engagement workers funded by Medi-Cal managed care plans to provide assessments, referrals, and care coordination
- Opening 200 new shelter beds within 12 months and another 200 beds within 36 months in the unincorporated county

The city is responsible for

- Funding and operating 25 encampment workers who conduct outreach, assess needs, and connect individuals to shelter and services
- Identifying encampment sites, determining deployment priorities, and coordinating mitigation services such as debris removal

Sacramento's partnership agreement illustrates how local governments can align their efforts to create a more comprehensive and effective response to big issues like homelessness. By clearly outlining roles and responsibilities and incorporating accountability measures through reporting mechanisms, this approach allows for the most effective use of combined regional resources.

RECOMMENDATION 9:

Develop an economic development strategy that facilitates outside investment and promotes economic prosperity for all Oaklanders.

Who's responsible: Economic & Workforce Development Department

Oakland generates more revenue than most neighboring cities through a diversity of revenue streams. In recent years, voter-approved parcel taxes and other special taxes have helped to grow revenues for the city's general fund. While new revenues should be part of the toolkit for developing a holistically balanced budget, there are also risks of overburdening existing residents and businesses. To have a more sustainable fiscal position, the city should also be focused on facilitating the economic growth of its tax base — and attracting new taxpayers — in a way that enables economic prosperity for all Oaklanders. In light of the city's growing structural budget deficit, it is critical that Oakland partner with outside organizations, including the private and philanthropic sectors, to identify creative strategies to bring in new revenues.

The city's Economic & Workforce Development Department is currently working on an economic development action plan to guide its work. The plan has the opportunity to focus economic development and land use strategies on attracting and maintaining businesses, growing revenues in the city, and facilitating outside investment. In addition to improving the city's fiscal position, these strategies should prioritize sectors that will (1) produce high-quality jobs that match the education and skill sets of the people who live in Oakland and (2) help close racial unemployment and income gaps.

To realize the plan, Oakland must invest in the work of the Economic & Workforce Development team and engage a cross-sector group of community stakeholders to support the city in growing Oakland's economic base.

Conclusion

Oakland city leaders face a daunting challenge. Given the many revenue constraints on the city's General Fund, coupled with rising costs and significant long-term liabilities, there will be no easy choices when it comes to balancing the budget. Doing so will require the political will to make hard decisions and a collective effort to make short-term sacrifices for long-term financial stability. Many of Oakland's programs and departments will be affected. Oaklanders need to see their leaders working together to solve this challenge. Trust starts at the top.

Closing a structural deficit will require structural changes, long-term thinking, and strict adherence to sound fiscal practices. The city's budget needs to be stable and strong so that it can once again invest in important community priorities.

Oaklanders need to understand the budget and how past decisions have gotten the city to where it is today so that they can actively participate in the budgeting process, with the collective goal of growing a strong, inclusive economy that is reflective of their needs and vision for the future.

Appendix A:

Voter-Approved Taxes

Over the past few decades, Oakland voters have approved multiple ballot measures to pay for specific services, including libraries, paramedics and emergency response, violence prevention, parks, lighting, and children's services.

YEAR	TAX
1989	Landscaping and Lighting Assessment District (LLAD): Raised funds to support improvements and maintenance of the city's park areas
1994	Library Services Retention and Enhancement Act (Measure O): Raised funds to retain and enhance library services
1997	Pension Override Tax: Raised funds for Police and Fire Retirement System pension Emergency Medical Services Retention Act of 1997 (Measure M): Established a special tax to fund and enhance emergency medical services Paramedic Services Act of 1997 (Measure N): Established a special tax on all parcels to increase, enhance, and support paramedic services
2004	Library Services Retention and Enhancement Act (Measure Q): Renewed and amended Measure O when it expired in 2004 to continue funding library services
2014	2014 Oakland Public Safety and Services Violence Prevention Act (Measure Z): Used the revenue from parking fees and parcel taxes to fund violence prevention programs and police staffing
2018	2018 Oakland Public Library Preservation Act (Measure D): Increased the city's parcel tax to fund library services for 20 years Children's Initiative of 2018 (Measure AA): Funded early education and college access programs for Oakland residents
2020	2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Parks Measure Q): Authorized a special parcel tax to be levied annually for 20 years for parks maintenance, homelessness services, and water management needs
2021	Increased tax rates for the following measures based on the Consumer Price Index and cost-of-living increase: Emergency Medical Services Retention Act of 1997 (Measure M) Paramedic Services Act of 1997 (Measure N) 2014 Oakland Public Safety and Services Violence Prevention Act (Measure Z) 2018 Oakland Public Library Preservation Act (Measure D) 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act (Parks Measure Q) Children's Initiative of 2018 (Measure AA): Upheld by the courts
2022	Landscaping and Lighting Assessment District (LLAD): Confirmed continuation of LLAD and raised funds to support improvements and maintenance of the city's park areas Library Services Retention and Enhancement Act (Measure C): Extended a parcel tax for another 30 years to provide funding for the Oakland public library system Oakland Zoo (Measure Y): Created a 20-year parcel tax to fund the Oakland Zoo



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