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## **City deficit threatens services**

### **City leaders face bleak budget**

By Heather MacDonald, Oakland Tribune

**Saturday, November 27, 2004 OAKLAND** -- After a long Thanksgiving break, the Oakland City Council will go back to work Monday and face down a \$45.9 million deficit that threatens even basic city services during the next two years.

After slashing most of the obvious fat from its budget two years ago -- when there was a deficit about the same size -- city budget officials said the next round of cuts will unavoidably slice into the backbone of the city's operations.

"We don't have a lot of options," said Council President Ignacio De La Fuente (Glenview-Fruitvale). "It's pretty bad already, and I expect that it's going to get worse."

During 2005-06, the shortfall is estimated at \$27.7 million, and in 2006-07 it is expected to total \$18.2 million.

In large part, the deficit is of the city's own making. When the economic boom of the 1990s was still rolling, Oakland officials agreed to pay raises and increased retirement benefits for the city's employees.

The bill for the additional retirement costs will come due starting in 2005 -- to the tune of nearly \$15.5 million in additional costs over the next two years.

City employees who retire at age 55 get 2.7 percent of their highest salary for each year of their service. For sworn employees, the deal is even sweeter -- they can retire at age 50 with 3 percent of their highest salary.

"We've exhausted most of the creative ways to balance the budget," said Oakland budget director Marianna Marysheva, adding that departments have already been consolidated, programs outsourced and nonessential services eliminated.

In addition, over the next two fiscal years the city's civilian work force and firefighters will get pay raises of 8 percent, while police officers will get a 5 percent raise in January 2006.

The city's budget is also being pinched by rising health insurance premiums, the state's continuing financial crisis and a projected cooling of Oakland's red-hot real estate market, which almost single-handedly kept the city's 2004-05 budget from sliding into the red because of police overtime.

City Administrator Deborah Edgerly has proposed a range of ways to close the deficit, including a 3 percent across-the-board cut, which would include police and fire departments. That would mean lessened services to residents, from filling potholes to recreational programs.

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However, De La Fuente and Councilmember Danny Wan (Grand Lake-Chinatown), the chairman of the council's finance committee, said they would reject that proposal in favor of targeted cuts.

"That's what has been done in the past, but we're not going to do that this year," De La Fuente said. "We'll concentrate on funding basic services -- parks, roads, public safety - and cut as much as possible from the rest."

De La Fuente said there would be almost no room in the budget for new programs, but that he would work to find funds to purchase at least some video systems for police patrol cars, which reduced complaints against officers in a successful pilot program this year.

"We might not be able to do every car, but we'll do as much as we can," De La Fuente said.

Other options that the council will discuss Monday at a day-long retreat at the Joaquin Miller Conference Center include requiring employees to contribute an additional 3 percent to their pensions.

Such a provision was extremely unpopular with the Service Employees International Union Local 790, the city's largest union, which refused to voluntarily make the contributions and saw 46 members laid off.

"We're going to need the union's cooperation," De La Fuente said.

Local 790's contract does not expire until 2008.

Most drastically, Edgerly has proposed shutting down city government during the five days between Christmas and New Year's Day, saving \$4 million over two years, according to officials.

The city could also shut city government down one day a month, saving \$9.6 million over two years, according to officials.

Additional layoffs remain a possibility, although De La Fuente said he would do everything possible to avoid firing employees.

The council is also expected to weigh a plan to add a 9-1-1 user fee on all telephone bills in Oakland, which could add \$7.4 million to the city's coffers and help pay for the cost of the city's 9-1-1 emergency dispatch center.

In addition, Edgerly has proposed that the city take an advance on \$6.9 million that it is owed by the state. Under a plan approved by voters earlier this month, the state will repay Oakland and other municipalities in 2006 for funds the state took to balance its budget in 2003.

If approved by the council, Oakland could get \$6.25 million nearly a year in advance.