



LIBRARY ADVISORY COMMISSION REPORT

TO: Library Advisory Commission
Oakland Public Library

FROM: Gene B. Tom,
Chief Financial Officer, OPL

SUBJECT: FY2016-17 Measure Q
Mid-Year Report (Jul-Dec 2016)

DATE: July 25, 2017

RECOMMENDATION

Staff recommends that the Library Advisory Commission (LAC) accept the *Fiscal Year 2016-2017 (FY2016-17) Measure Q Mid-Year Report (Jul-Dec 2016) (Unaudited)*, under its authority as the Oversight Committee appointed by the City Council, to review the City's expenditures of parcel tax revenues collected pursuant to the *Library Services Retention and Enhancement Act of 1994, as amended in 2004* (Measure Q).

OUTCOME

This is an informational report.

BACKGROUND/LEGISLATIVE HISTORY

1994 Oakland Library Parcel Tax – Measure O

Through the 1990s, City funding for the Oakland Public Library was on a steady decline, which had resulted in the loss of a substantial number of library positions which forced the permanent closure of a branch, drastically reduced library operating hours citywide and a minimal budget for the purchase of new materials. Having sustained repeated budget reductions year after year, in December of 1993, a grassroots effort, along with Library staff, convinced the Council to place a parcel tax measure on the 1994 ballot (No. 70776 C.M.S.) establishing a dedicated source of funding, that would raise revenue that will be utilized for library services in Oakland. *The Library Services Retention and Enhancement Act of 1994* was placed on the June 1994 ballot as Measure O.

On June 7, 1994, the electorate of Oakland approved *The Library Services Retention and Enhancement Act of 1994* (Measure O), authorizing the assessment of a new annual parcel tax on residential and non-residential real estate parcels in Oakland, for the purpose of raising additional revenue that could only be used for library services for a 15-year period, commencing December 1, 1994 with a sunset provision in 2009. A key provision of the act stipulated that the tax could only be collected if the General Purpose Fund (GPF) appropriation for Library services was maintained at a level that was no lower than the GPF appropriation for FY1990-91, \$7.8 million. However, although Measure O authorized the City Council to increase the Measure O tax rate annually in order to adjust for inflation (capped at 5% per year), the minimum GPF support level remained fixed at \$7.8 million.

By 2003 however, it became apparent that even with the additional revenue provided through Measure O, the library needs of the community could not be maintained with the City's limited available funds. After considering several different options, including the closure of several branch libraries, the Oakland City Council determined that providing the level of library services that the community was demanding would not be possible without significant additional revenue. Since the City Council's authority to increase the revenue generated by Measure O was limited, they authorized that a proposal to amend Measure O, effectively doubling the Measure O parcel tax rate in effect at the time, be placed on the March 2004 ballot for approval by the electorate.

Attachment B

2004 Amendments to Extend and Increase Oakland's Library Parcel Tax – Measure Q

In March of 2004, the City Council's proposed amendments to extend and increase the library parcel tax authorized under Measure O were approved by the electorate. As a result, Oakland's Library parcel tax, commonly referred to as "Measure O" was superseded by *The Library Services Retention and Enhancement Act of 1994, as Amended in 2004* (Measure Q).

The passage of, by more than the required two-thirds majority, served as confirmation that the community viewed the services provided by the Oakland Public Library as an essential City service. While Measure Q extended the term of the tax by 15 years, through June 30, 2024, it more importantly increased the per parcel tax rate, which resulted in a 110% increase in the amount of Library dedicated revenue collected during Measure Q's first year. Additionally, Measure Q reaffirmed that the continued purpose of the parcel tax was to not only "retain" library services, then being funded, but to also "enhance" those existing library services in Oakland by increasing the City's minimum required level of GPF support for library services from \$7.8 million to \$9.06 million (the library's GPF appropriation for FY2000-01).

Finally, the Measure Q amendments added two new provisions:

- 1) That the City establishes a Reserve Fund with a portion of available Measure Q parcel tax revenue collected.
 - a) On January 1 of each year, the restricted fund balance in the reserve fund must equal five percent (5%) of the total amount of Measure Q tax revenue collected by the City in the previous fiscal year.
 - b) Measure Q Reserve Fund expenditures require City Council approval.
- 2) That the City Council designates a body composed of Oakland citizens to review the expenditures of Measure Q Funds.

On June 15, 2005, City Council Resolution 79291 C.M.S. formally designated the LAC as the required Oversight Committee for Measure Q Fund (Fund 2241).

Measure Q: Fiscal Years 2004-2016

After passage of Measure Q in 2004, the additional revenue generated had the positive effects as intended, providing additional revenue, that was needed to not only retain library services, but to expand services as planned. Between 2004 and 2008 both available Measure Q revenue as well as City GPF support for Library services grew in tandem, keeping pace with inflation. However, Oakland was not immune to the Worldwide Financial Crisis that began in 2008, and the City's available General Purpose Fund revenue began to decline as the Great Recession became a reality. As a result, in FY2008-09 City GPF support for Library services was cut by almost 20% from \$13 million annually to \$10.5 million. The City's fiscal situation became even more difficult when the subsequent U.S. subprime mortgage crisis hit Oakland especially hard the following year, and the City further reduced its GPF support for Library services by an additional \$1.4 million to the \$9.06 minimum set by Measure Q, where it remained until FY2015-16.

Although this resulted in the loss of 6-Day service throughout the branches, prior library planning enabled the Library to temporarily avoid even deeper reductions to service. In FY2007-08, in anticipation of potential GPF reductions, the Library intentionally delayed and/or reduced budgeted Measure Q expenditures, where possible, that would generate surplus Measure Q revenues that the Library could leverage, using the available surplus funds to temporarily offset GPF reductions. Fortunately, this allowed the Library to weather the Great Recession without sustaining major programmatic cuts.

Fig. 1: FY03-04 thru FY16-17 OPL Appropriations By Fund: General Fund vs. Measure Q Fund

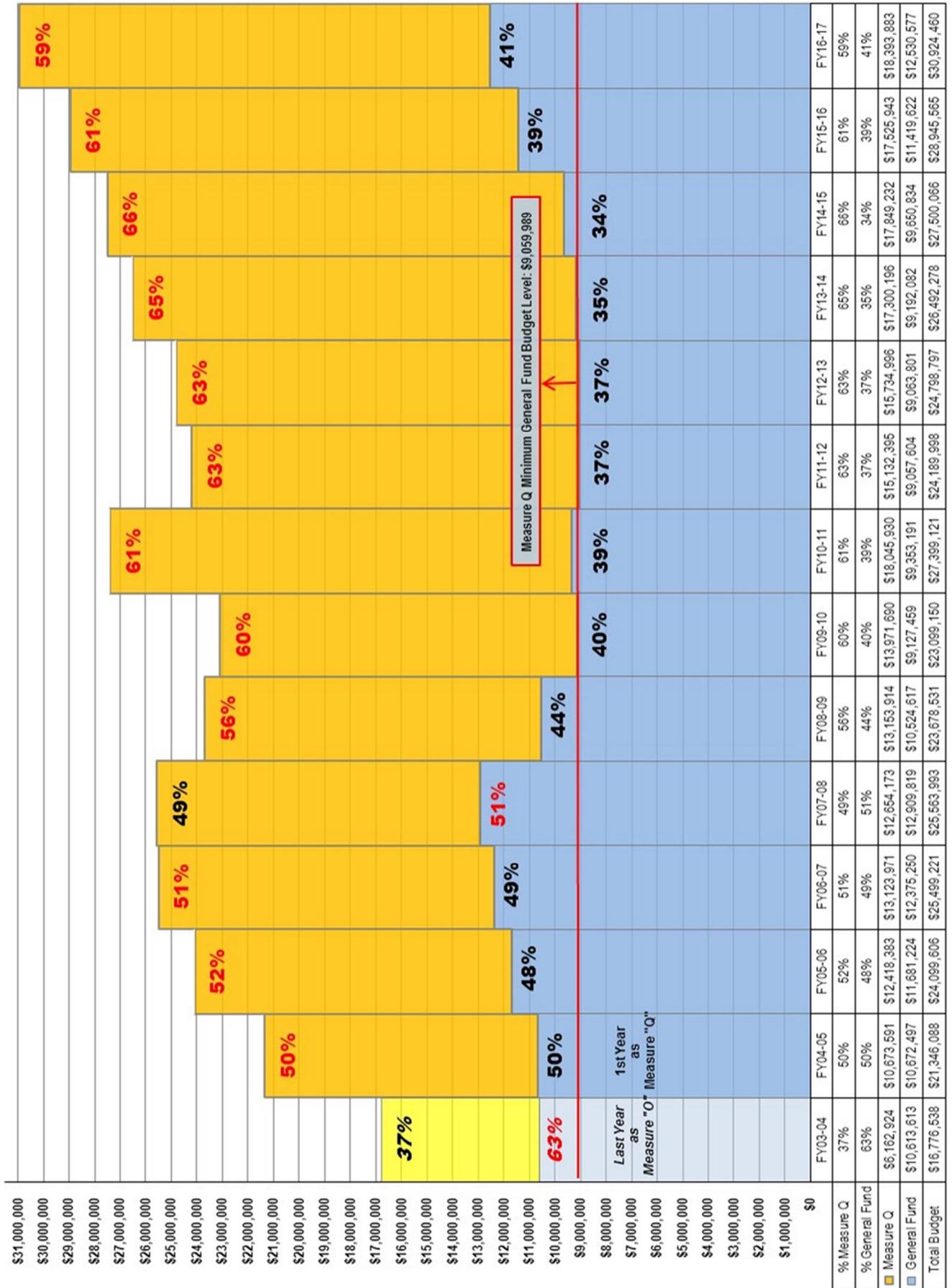


Figure 1. Yearly Comparison of General Purpose Fund vs Measure Q Fund Support for OPL

Measure Q: Structural Deficit, Fiscal Years 2016 and Beyond

The only certainty at this time regarding the long-term outlook for the Measure Q fund is that it will sunset in 2024. Therefore, it will have to be reauthorized by the electorate prior to that date, if it is to continue as a dedicated revenue stream supplementing the City's General Purpose Fund support for library services in Oakland. Unfortunately, when the economy began its recovery in FY2013-14, increasing available GPF revenue, the City chose not to alleviate the unsustainable GPF burdens that had been temporarily transferred to the Measure Q Fund by transferring those budgeted expenses back to the GPF. What was offered as a temporary, but unsustainable way to retain core library services that would have otherwise been eliminated as a result of the drastic GPF budget reductions imposed on the Library, has become a permanent Measure Q expense, which has left Measure Q with a permanent structural deficit (i.e., the difference between Measure Q revenue and expenses charged to Measure Q) of over \$3.5 million per year. Although the City's economic outlook is good, the growth in new GPF revenue has begun to level-off as the housing market cools down. The City started to address the deficit beginning in FY2015-16 by increasing the level of GPF for the Library.

MID-YEAR FY2016-17 MEASURE Q BUDGET, EXPENDITURES & REVENUES

For FY2016-17, which began on July 1, 2016, the Citywide Measure Q Budget is:

• FY2016-17 Citywide Measure Q Operating Budget:			
○ Oakland Public Library		\$18.39 million	98.5%
○ Information Technology Department		0.26 million	1.4%
○ City Administrator		<u>0.02 million</u>	0.1%
▪ Total Measure Q Budget		\$18.67 million	

During the first six months of FY2016-17, from July 1, 2016 through December 31, 2016, Total Measure Q Expenditures (Actuals + Encumbrances) were on-target:

• Mid-Year FY2016-17 Measure Q Expenditures (6-Month):					
	<u>Target</u>	<u>Actual¹</u>	<u>Expenditures²</u>		
○ Staff:	\$6.96 million	\$6.18 million	<i>\$6.18 million</i>	88.8%	
○ Materials:	1.10 million	0.77 million	<i>1.40 million</i>	127.3%	
○ Other O&M:	<u>1.28 million</u>	<u>1.27 million</u>	<u><i>1.73 million</i></u>	135.2%	
▪ Total Meas. Q Expenditures:	\$9.34 million	\$9.34 million	<i>\$9.31 million</i>	99.7%	

During the first six months of FY2016-17, from July 1, 2016 through December 31, 2016, the total amount of new Measure Q revenue received was:

• Actual FY2016-17 Measure Q Revenue Received:	
○ New Parcel Tax Revenue Available	\$7.60 million
○ City Council Prior-Year Set-aside	<u>0.50 million</u>
▪ Total Measure Q Revenues	\$8.10 million

Based on the 6-month Actuals, total annual FY2016-17 Measure Expenditures are projected to be on target. Additional Mid-Year FY2016-17 Measure Q budget, expenditure and encumbrance detail is provided in figure 2 below:

¹ Does not include encumbrances: \$960,000 of Materials ordered and \$130,000 of O&M ordered but not delivered.

² Mid-Year Total= Actual Expenditures + Encumbrances.

FY2016-17 MID-YEAR CITYWIDE MEASURE Q BUDGET, EXPENDITURES & ENCUMBRANCES**Figure 2**

Expenditure Category	Department	Budget (Appropriation)	Encumbrances (Obligations)	Actual Expenditures	Expenditures + Encumbrance	% of Budget Utilized
Personnel	Oakland Public Library	\$13,654,597	\$0	\$6,032,789	\$6,032,789	44.18%
	Info. Technology Dept.	\$260,080	\$0	\$148,844	\$148,844	57.23%
	Sub-Total Personnel	\$13,914,677	\$0	\$6,181,633	\$6,181,633	44.43%
Materials	Oakland Public Library	\$2,197,726	\$959,344	\$770,589	\$1,729,933	78.71%
	Sub-Total Materials	\$2,197,726	\$959,344	\$770,589	\$1,729,933	78.71%
O&M	Oakland Public Library	\$2,541,560	\$128,644	\$1,264,586	\$1,393,230	54.82%
	City Administrator	\$18,392	\$735	\$3,611	\$4,346	23.63%
	Info. Technology Dept.	\$2,565	\$0	\$1,283	\$1,283	50.00%
	Sub-Total O&M	\$2,562,517	\$129,379	\$1,269,479	\$1,398,859	54.59%
Grand Total		\$18,674,921	\$1,088,724	\$8,221,701	\$9,310,425	49.86%

Figure 2. Mid-Year FY2016-17 Measure Q budget, expenditure and encumbrance detail

Respectfully submitted,

/s/

Gene B. Tom,

Library Chief Financial Officer