



THE OAKLAND PUBLIC LIBRARY
LIBRARY ADVISORY COMMISSION REPORT



TO: Oakland Public Library Advisory Commission **FROM:** Gene B. Tom,
 Chief Financial Officer

SUBJECT: FY 2016-17 Measure Q Year-End Report **DATE:** April 30, 2018

RECOMMENDATION

Staff recommends that the Library Advisory Commission (LAC) accept this informational report on the Fiscal Year (FY) 2016-17 Revenue and Expenditure Results and Year-End summary for the Measure Q-Library Services Retention & Enhancement Fund (Measure Q Fund) *Fiscal Year 2016-2017 Measure Q Year-End Report*, 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).

EXECUTIVE SUMMARY

This report details the City of Oakland's (the City) Year-End Financial Results for FY 2016-17 in the Measure Q Fund. The following points highlight key findings for the Measure Q fund in FY 2016-17:

- The FY 2016-17 Adjusted Citywide Measure Q Fund Budget of \$18.67 million included the transfer of \$0.50 million from the General Purpose Fund (GPF) to offset the anticipated Measure Q revenue shortfall.
 - Actual Measure Q Fund expenditures of \$16.46 million¹ exceeded actual revenues received of \$15.59 million, resulting in a FY 2016-17 operating deficit of \$0.87 million.
 - Adjusting the Actual FY 2016-17 Measure Q operating deficit of \$0.87 million for the \$0.50 million GPF subsidy would increase the FY 2016-17 Measure Q operating deficit to \$1.37 million.
 - With FY 2016-17 carryforward expenditures of \$0.57 million included, the Measure Q fund operating deficit increased to \$1.44 million.
- In FY 2016-17, \$15.09 million in Measure Q parcel tax revenue was collected, \$0.81 million less than budgeted. Including the \$0.50 million GPF subsidy, FY 2016-17 Measure Q revenue totaled \$15.59 million.
- In FY 2016-17, the available beginning Measure Q Fund Balance of \$1.63 million was drawn down in order to bridge the fiscal year's \$0.87 million Measure Q Fund operating deficit noted above. The result was an ending Measure Q Fund Balance of \$0.76 million in FY 2016-17. This balance reflects the net difference between the revenue and expenditure results, including adjustments such as encumbrance carryforward, Adopted Budget, and year-end/beginning fund balance.

OUTCOME

This is an informational report.

¹ Excludes \$0.57 million FY 2016-17 purchase orders, not received by June 30, 2017. Funds for these obligations were encumbered and carry forwarded into FY 2017-18, increasing the Library's FY 2017-18 Adopted Budget.

BACKGROUND/LEGISLATIVE HISTORY

OAKLAND'S DEDICATED LIBRARY PARCEL TAX: MEASURE O, 1994

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, the permanent closure of a branch library, drastically reduced library operating hours citywide and left a minimal budget for the purchase of new materials. Having sustained repeated budget reductions year after year, in December of 1993, a grassroots effort, supported by Library staff, asked the City Council to place a parcel tax measure on the June 1994 ballot to establish “a dedicated source of funding,” that would “raise revenue that will be utilized for library services in Oakland.” The City Council agreed and passed City Council Resolution No. 70776, C.M.S., placing Measure O, *The Library Services Retention and Enhancement Act of 1994* on the June 7, 1994 ballot.

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 GPF appropriation for Library services was maintained at a level that was no lower than the GPF appropriation for FY 1990-91, \$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 passed Resolution No. 78223, C.M.S., placing Measure Q on the March 2, 2004, ballot, to obtain the required approval of the voting electorate for the proposed amendments to extend and increase the library parcel tax authorized under Measure O. Approval of Measure Q by the electorate would effectively double the dedicated library parcel tax rate authorized under Measure O at the time.

AMENDING OAKLAND'S DEDICATED LIBRARY PARCEL TAX: MEASURE Q, 2004

On March 2, 2004, Measure Q, officially known as *The Library Services Retention and Enhancement Act of 1994, as Amended in 2004*, was overwhelmingly approved by 77.2% of the voting electorate.

The passage of Measure Q, by more than the minimum 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 FY 2000-01). In addition, to increasing the parcel tax rates and the minimum required GPF support from the City for library services, Measure Q added two new additional requirements:

1) Measure Q added a new Reserve Fund Requirement:

“The City shall establish a Reserve Fund and maintain therein the “Reserve Fund Requirement.” The Reserve Fund Requirement shall be calculated by the City on each January 1 and shall be, as of the date of calculation, five percent (5%) of the total amount of parcel tax collected by the City in the previous fiscal year. The Reserve Fund shall be funded from proceeds collected under this ordinance.

Amounts on deposit in the Reserve Fund may be expended only for the purposes set forth in this ordinance and upon appropriation by the City Council expressly from the Reserve Fund.”

2) Measure Q added additional Expenditure Review:

In addition to retaining the Measure O requirement that the City Auditor conduct an annual audit of parcel tax expenditures, Measure Q added the following requirement:

“The City Council shall designate or appoint a body composed of Oakland citizens to make recommendations and review the expenditure of the funds.”

CITY COUNCIL DESIGNATES THE BODY TO REVIEW MEASURE Q EXPENDITURE, 2005

In June 2005, the City Council formally designated the LAC as the “body composed of Oakland citizens” to annually review the expenditure Measure Q funds, and make recommendations if necessary. Designation of the LAC was included in the "FY 2005-07 Adopted Policy Budget" that was approved by City Council through Resolution 79291 C.M.S. on June 21, 2005. The FY 2005-07 Adopted Policy Budget contained the following Budget Policy statement:

“The City Council formalizes the role of the Library Commission as the oversight committee for Measure Q.”

CITYWIDE FY 2016-17 MEASURE Q BUDGET, EXPENDITURES & REVENUES

The Total Citywide Measure Q Budget for FY 2016-17, which began on July 1, 2016, and ended on June 30, 2017, was:

• **FY 2016-17 Citywide Operating Budget:**

○ **By Department:**

▪ 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	

○ **By Major Expenditure Type:**

▪ Staff	\$13.91 million	74.5%
▪ Materials	2.53 million	13.5%
▪ Other O&M	<u>2.23 million</u>	12.0%
• Total Measure Q Budget	\$18.67 million	

The Total Citywide Measure Q Year-End Outstanding Encumbrances and Actual Expenditures for FY 2016-17, which began on July 1, 2016, and ended on June 30, 2017, was:

• **FY 2016-17 Measure Q Year-End Encumbrances & Actual Expenditures:**

○ By Department:	<u>Encumbrances</u>	<u>Actual</u>	
▪ Oakland Public Library	\$6.96 million	\$16.12 million	98.0%
▪ Information Technology Department	0.00 million	0.32 million	1.9%
▪ City Administrator	<u>0.00 million</u>	<u>0.02 million</u>	0.1%
• Total Measure Q Year-End:	\$0.57 million	\$16.46 million	

○ By Major Expenditure Type:	<u>Encumbrances</u>	<u>Actual</u>	
▪ Staff	\$0.00 million	\$12.90 million	78.4%
▪ Materials	0.46 million	1.67 million	10.1%
▪ Other O&M	<u>0.11 million</u>	<u>1.89 million</u>	11.5%
• Total Measure Q Year-End:	\$0.57 million	\$16.46 million	

Total Actual Measure Q Revenue received during FY 2016-17, which began on July 1, 2016, and ended on June 30, 2017, was:

• FY 2016-17 Measure Q Actual Revenue Received:	
○ Parcel Tax Revenue Collected	\$15.09 million
○ City Council Prior-Year Set-aside	<u>0.50 million</u>
• Total Measure Q Revenues	\$15.59 million

Although Citywide Actual FY 2016-17 Measure Q expenditures were \$2.21 million less than the \$18.67 million budgeted, Actual Measure Q revenue received in FY 2016-17 only totaled \$15.59 million, \$0.87 million less than Total Actual Measure Q Expenditures of \$16.46 million. As a result, the Measure Q Fund Balance was drawn down by \$0.87 million to bridge the deficit.

Although the actual Measure Q Operating fund deficit was \$0.87 million in FY 2016-17, by adjusting for the \$0.50 million subsidy from General Purpose Fund, the FY 2016-17 Measure Q Fund Operating deficit increases to \$1.37 million. Furthermore, the FY 2016-17 Measure Q Fund Operating deficit would increase to \$1.44 million had the \$0.57 million in FY 2016-17 carryforward purchases been received by June 30, 2017.

Figure 1 below provides additional expenditure detail:

Figure 1: FY 2016-17 Measure Q budget, expenditure and encumbrance detail

Expenditure Category	Department	Budget (Appropriation)	Encumbrances (Obligations)	Actual Expenditures	Expenditures + Encumbrance	% of Budget Utilized
Personnel	Oakland Public Library	\$13,654,597	\$0	\$12,586,093	\$12,586,093	92.17%
	Info. Technology Dept.	\$260,080	\$0	\$312,744	\$312,744	120.25%
	Sub-Total Personnel	\$13,914,677	\$0	\$12,898,837	\$12,898,837	92.70%
Materials	Oakland Public Library	\$2,231,731	\$460,539	\$1,665,725	\$2,126,263	95.27%
	Sub-Total Materials	\$2,231,731	\$460,539	\$1,665,725	\$2,126,263	95.27%
Other O&M	Oakland Public Library	\$2,507,555	\$107,853	\$1,871,596	\$1,979,448	78.94%
	Info. Technology Dept.	\$2,565	\$0	\$2,565	\$2,565	100.00%
	City Administrator	\$18,392	\$1	\$16,816	\$16,816	91.43%
	Sub-Total O&M	\$2,528,512	\$107,853	\$1,890,976	\$1,998,830	79.05%
Grand Total		\$18,674,921	\$568,392	\$16,455,538	\$17,023,930	91.16%

Respectfully submitted,

/s/

Gene B. Tom,
 Library Chief Financial Officer