



*THE OAKLAND PUBLIC LIBRARY*  
*LIBRARY ADVISORY COMMISSION REPORT*



**TO:** The Library Advisory Commission

**FROM:** Gene B. Tom,  
Library Chief Financial Officer

**SUBJECT:** FY 2017-18 Measure Q Year-End Report    **DATE:** October 29, 2018

**RECOMMENDATION**

Staff recommends that the Library Advisory Commission (LAC) accept this informational report on the Fiscal Year (FY) 2017-18 Revenue and Expenditure Results and Year-End summary for the Measure Q-Library Services Retention & Enhancement Fund (Measure Q Fund) *Fiscal Year 2017-2018 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 2017-18 in the Measure Q Fund. The following points highlight key findings for the Measure Q fund in FY 2017-18:

- The FY 2017-18 Adjusted<sup>1</sup> Citywide Measure Q Operating Budget of \$18.2 million includes the \$17.6 million FY 2018-19 Budget Adopted by Council and FY 2016-17 year-end encumbrances of \$0.6 million.
  - Actual FY 2017-18 Measure Q Fund expenditures of \$17.2 million<sup>2</sup> exceeded actual revenues received of \$16.1 million, resulting in a FY 2016-17 structural operating deficit of \$1.1 million.
  - Adjusting the Actual FY 2017-18 Measure Q structural operating deficit of \$1.1 million for the non-permanent \$0.50 million General Purpose Fund (GPF) subsidy would increase the total FY 2017-18 Measure Q operating deficit to \$1.6 million.
  - With FY 2016-17 carryforward expenditures of \$0.23 million included, the Net Total Measure Q operating deficit increased to \$1.8 million.
- In FY 2017-18, \$15.6 million in Actual Measure Q parcel tax revenue was collected, \$0.2 million more than budgeted. Including the \$0.50 million GPF subsidy, FY 2017-18 Measure Q revenue received totaled \$16.1 million.

<sup>1</sup> The "Adjusted Budget" equals the sum-total of the City Council "Adopted Budget" plus prior fiscal year "Encumbrances" approved for carry forward into the current fiscal year by the Budget Office.

<sup>2</sup> Excludes \$0.2 million in "Encumbrances Carry forwards," which are FY 2017-18 funds, that have been reserved to pay for goods and services that have been ordered/authorized, but will not be received until after June 30, 2018. Funds for these obligations were encumbered and carry forwarded into FY 2018-19 to ensure payment, thus increasing the Library's FY 2018-19 Adopted Budget.

- In FY 2017-18, the available Measure Q Fund Balance from the prior fiscal year was \$0.8 million, which was drawn down in order to help offset the \$1.1 million Measure Q structural operating deficit noted above.
- The Measure Q Fund had a negative balance of \$386,057 at the end of FY 2017-18. 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.

## **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 2017-18 MEASURE Q BUDGET, EXPENDITURES & REVENUES**

The Total Citywide Adjusted Measure Q Budget for FY 2017-18, which began on July 1, 2017, and ended on June 30, 2018, was:

- **FY 2017-18 Measure Q Operating Budget (Adjusted):**
  - **By Department:**

▪ Oakland Public Library	\$17,862,457	98.3%
▪ Information Technology Department	292,164	1.6%
▪ Finance Department	17,658	0.1%
▪ Parks & Recreation Department	0	0.0%
● <i>Total Measure Q Budget by Dept.</i>	<b>\$18,172,279</b>	
  - **By Major Expenditure Type:**

▪ Staff	\$13,849,132	76.2%
▪ Materials	2,163,786	11.9%
▪ Other O&M	2,159,361	11.9%
● <i>Total Measure Q Budget by Exp. Type</i>	<b>\$18,172,279</b>	

The Total Citywide Measure Q Year-End Outstanding Encumbrances and Actual Expenditures for FY 2017-18, which began on July 1, 2017, and ended on June 30, 2018, was:

- **FY 2017-18 Measure Q Fiscal Year-End Encumbrances & Actual Expenditures:**
  - **By Department:**

	<u>Encumbrances</u>	<u>Actual</u>	
▪ Oakland Public Library	\$218,031	\$16,865,871	97.97%
▪ Information Technology Department	0	338,981	1.97%
▪ Finance Department	7,344	10,313	0.06%
▪ Parks & Recreation Department	0	163	0.00%
● Total Measure Q Year-End:	<b>\$225,375</b>	<b>\$17,215,329</b>	
  - **By Major Expenditure Type:**

	<u>Encumbrances</u>	<u>Actual</u>	
▪ Staff	\$0	\$14,313,177	83.14%
▪ Materials	105,866	1,727,603	10.04%
▪ Other O&M	119,509	1,174,548	06.82%
● Total Measure Q Year-End:	<b>\$225,375</b>	<b>\$17,215,329</b>	

The Total Measure Q Revenue Available during FY 2017-18, which began on July 1, 2017, and ended on June 30, 2018, was:

- **FY 2017-18 Total Actual Measure Q Revenue Available:**
  - Actual Parcel Tax Revenue Received
  - Non-Permanent GPF Revenue Subsidy Received
  - Sub-Total Measure Q Revenue Received
  - Available Prior FY Fund Balance
  - Total Measure Q Revenue Available

	\$ 15,572,768	
	500,000	
	<b>\$16,072,768</b>	
	\$756,504	
	<b>\$16,829,272</b>	

Although Citywide Actual FY 2017-18 Measure Q expenditures of \$17.2 million were \$1.0 million less than the \$18.2 million Adjusted Budget, Actual Measure Q revenue received in FY 2017-18

only totaled \$16.1 million, a shortfall of \$1.1 million. Utilizing the \$0.8 million in available Fund Balance from the prior Fiscal Year, the Fiscal Year-End Measure Q Fund shortfall was reduced to \$0.3 million.

Although the actual Measure Q Operating fund deficit was \$1.1 million in FY 2017-18, by adjusting for the \$0.50 million subsidy from General Purpose Fund (Temporary Subsidy), the FY 2017-18 Measure Q Fund Operating deficit increases to \$1.6 million. Furthermore, the FY 2017-18 Measure Q Fund Operating deficit would increase to \$1.8 million had the \$0.2 million in FY 2017-18 carryforward purchases been received by June 30, 2018.

Figure 1 below provides additional expenditure detail:

Figure 1: FY 2017-18 Measure Q budget, expenditure and encumbrance detail

Expenditure Category	Department	Budget (Appropriation)	Encumbrances (Obligations)	Actual Expenditures	Expenditures + Encumbrance	% of Budget Utilized
Staff	Oakland Public Library	\$13,556,968	\$0	\$13,974,033	\$13,974,033	103.08%
	Info. Technology Dept.	\$292,164	\$0	\$338,981	\$338,981	116.02%
	Parks & Rec Dept.	\$0	\$0	\$163	\$163	N/A
	<b>Sub-Total Staff</b>	<b>\$13,849,132</b>	<b>\$0</b>	<b>\$14,313,177</b>	<b>\$14,313,177</b>	<b>103.35%</b>
Materials	Oakland Public Library	\$2,163,786	\$105,866	\$1,727,603	\$1,833,469	84.73%
	<b>Sub-Total Materials</b>	<b>\$2,163,786</b>	<b>\$105,866</b>	<b>\$1,727,603</b>	<b>\$1,833,469</b>	<b>84.73%</b>
Other O&M	Oakland Public Library	\$2,141,703	\$112,165	\$1,164,235	\$1,276,400	59.60%
	Finance Dept.	\$17,658	\$7,344	\$10,313	\$17,658	100.00%
	<b>Sub-Total O&amp;M</b>	<b>\$2,159,361</b>	<b>\$119,509</b>	<b>\$1,174,548</b>	<b>\$1,294,057</b>	<b>59.93%</b>
<b>Grand Total</b>		<b>\$18,172,279</b>	<b>\$225,375</b>	<b>\$17,215,329</b>	<b>\$17,440,704</b>	<b>95.97%</b>

As indicated in Figure 1 above, actual FY 2017-18 Measure Q staff expenditures exceeded the amount budgeted significantly. When the FY 2017-19 Budget was adopted in June 2017, the expired labor contracts were still being negotiated and were not included in the Adopted Budget. Therefore, the 4.0% COLA, retroactive to July 1, 2017 (plus associated additional Fringe and Retirement costs) were unfunded mandated costs.

Fortunately, Library Administration anticipated structural operating deficit in the Measure Q fund several years ago, and determined that the only viable solution was additional dedicated library parcel tax revenue. With the passage of Measure D in June 2018, the Measure Q Fund will be brought back into balance through the additional Measure D revenue.

Respectfully submitted,

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**Gene B. Tom,**  
**Chief Financial Officer, OPL**