



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Adam Benson
Finance Director

SUBJECT: Measure D (Library) –
Maintenance of Effort

DATE: May 26, 2020

City Administrator Approval

Date: May 28, 2020

INFORMATION

Along with other state and local agencies across the country, the City of Oakland (“Oakland” or “City”) faces extraordinary budget challenges due to the recent public health emergency related to the coronavirus outbreak. On March 17, 2020, the County of Alameda issued a directive ordering all individuals living in the county to shelter-in-place (“SIP”), with the exception of essential activities, to help prevent the spread of COVID-19. The SIP order has since been extended, most recently on May 18, 2020, and remains in effect until rescinded, superseded, or amended. These necessary actions to curb the transmission of the virus will result in a negative impact on the City’s anticipated FY 2019-20 and FY 2020-21 revenues.

The FY 2020-21 baseline budget included an all funds deficit of \$96.54 million, including a \$53.78 million projected deficit in the General Purpose Fund (“GPF”) and \$42.76 million in non-GPF funds. Of note, this deficit is in addition to the projected shortfall of \$9.7 million that remains in FY 2019-20 in the GPF after use of the Vital Services Stabilization Fund (“VSSF” or “Rainy Day”) reserves as authorized by the City Council on May 12, 2020.

2018 Oakland Public Library Preservation Act (Measure D)

On June 5, 2018, the voters of the City of Oakland passed Measure D, The 2018 Oakland Public Library Preservation Act (Act). Measure D imposed a special tax on all parcels in the City of Oakland, except where the parcels are otherwise exempt from taxation by the Ordinance, to maintain, protect, and improve direct library services throughout Oakland.

In order to levy the special tax, the Act (Part 2, Section 5, Paragraph 2) requires the City maintain an appropriation of \$12.99 million in the General Purpose Fund for library services each year. This is commonly known as a “Maintenance of Effort”. The Act allows for the reduction of the Maintenance of Effort in an amount no more than the same proportion of reduction that is imposed on the City’s net General Purpose Fund budget for non-safety departments, if a severe and unanticipated financial or other event occurs.

City Council
June 2, 2020

Part 2. Section 5 Paragraph 2 of the Library Act states:

“For any year during which this tax is in effect, if the City’s General Fund appropriation to the Library Department is reduced below \$12,992,267, the parcel tax shall not be levied; provided, however, that if a severe and unanticipated financial or other event occurs that so adversely impacts the General Purpose Fund as to prevent the City from budgeting for and maintaining the Library’s General Purpose Fund at the appropriation for fiscal year 2017-2018, the City’s reduction to the Library Department’s General Fund appropriation shall be no more than the same proportion of reduction that is imposed on the City’s net General Fund budget for non-safety departments (which are all operating departments, except police and fire), then the tax nonetheless may be levied. This exception shall apply only if the City Administrator submits a report to the City Council explaining the severe and unanticipated event, the steps that were taken by the City to avoid the need to reduce the Library’s General Fund and the steps that will be taken by the City in the future to restore the Library’s General Fund. Such actions must be taken for each fiscal year in which the City fails to meet the FY 2017-18 appropriation requirements of this Ordinance for the reasons described in this section.”

Measure D Maintenance of Effort Calculation

A	Measure D MOE Required Appropriation	\$12,992,267
B	FY 2020-21 Percentage Reduction (Adopted vs Midcycle) (Excluding Oakland Public Library, Oakland Police Department, Oakland Fire Department and Non-Departmental	89.42%
C	Minimum Appropriation After Suspend MOE (A * B)	\$11,617,812
D	Proposed Midcycle Oakland Public Library Appropriation of GPF	\$12,259,216

Again, the Maintenance of Effort of \$12.99 million may be reduced proportionately to the non-safety expenditures in the GPF. The reductions in those expenditures from the Adopted FY 2020-21 Biennial Budget to the Proposed FY 2020-21 Midcycle Budget is 89.42% reflecting a reduction from \$150.90 million to \$134.93 million. When this is applied to the baseline Maintenance of Effort it results in a value of \$11.62 million. This value is less than the Proposed Midcycle Budget’s allocation for the Oakland Public Library of \$12.26 million.

In the years following the reduction in the Maintenance of Effort, and for the parcel tax to be levied in any subsequent year, the City Administrator shall increase the Library Department’s General Fund appropriation proportional to the increase in the non-safety departments’ net General Fund budgets up to at least the Maintenance of Effort level, unless there is a fiscal necessity due to a continuation of the severe financial event adversely impacting the General Purpose Fund, at which time the City Administrator will return to the City Council requesting continued reduction of the Maintenance of Effort pursuant to Section 5 of The 2018 Oakland Library Preservation Act.

For questions regarding this report, please contact Jason G. Wong, Finance Manager at 510-238-3046.

Respectfully submitted,



ADAM BENSON
Finance Director

Prepared By:
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