



Audit of Library Parcel Taxes

FY 2019-20 through FY 2022-23

Presentation to the Life
Enrichment Committee |
October 8, 2024

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Background

Oakland voters approved multiple measures that included special parcel taxes to supplement the City's General Fund support of the Library. These measures mandate audits of the tax revenues and disbursements per the objectives stated within each act.



Background

- 1994** Oakland voters approved **the Library Services Retention and Enhancement Act** to help fund the Library for 20 years.
- 2004** The City renewed and amended the Act as **Measure Q**, which voters passed in 2004, for another 20-year term.
- 2018** Oakland voters approved another special parcel tax for the Library – Measure D, the **2018 Oakland Library Preservation Act** – in June 2018. **Measure D** expires in 2038.
- 2022** The City again renewed and amended the Library Services Retention and Enhancement Act as **Measure C**, which voters passed in 2022. If not amended, Measure C will be in effect through 2052.

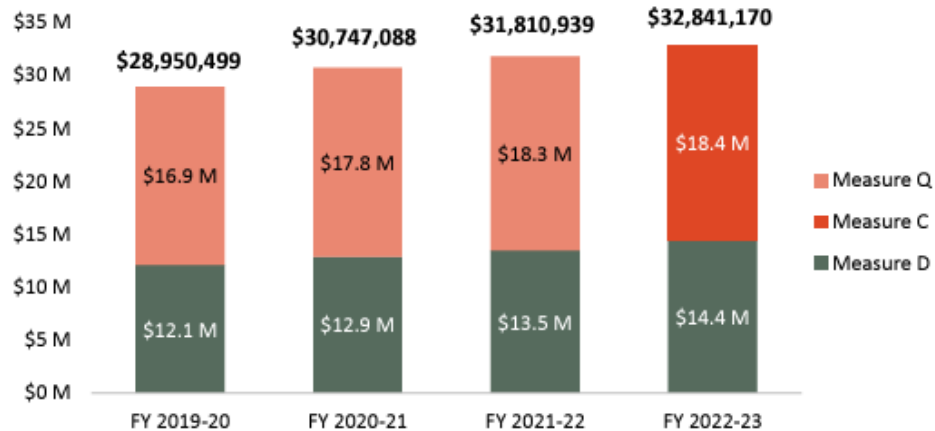
Background

- Owners of single-family, multi-residential and non-residential properties pay parcel taxes to support the Library
- The measures require the City to appropriate a specific matching amount from the General Fund to the Library to supplement the parcel taxes

| | Measure D | Measure C |
|--|-----------|-----------|
| Single-Family Home | \$88.76 | \$114.50 |
| Multiple Residential per unit | \$60.64 | \$78.22 |
| Non-Residential Parcels per Single Family Equivalent* | \$45.46 | \$58.65 |

*Based on frontage and square footage

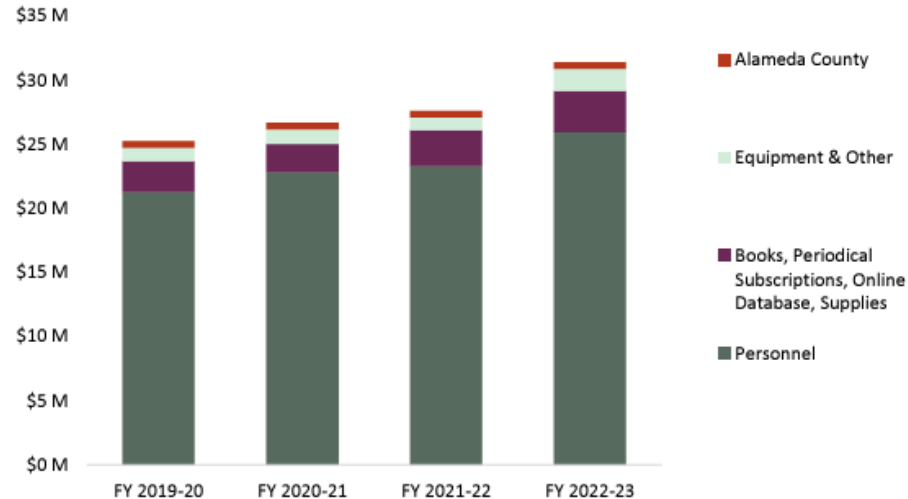
The Library received \$124 million in parcel tax revenue from Measures Q, C, and D over 4 years



Source: Auditor analysis of data from Oracle, the City's financial management database

Note: Measure Q phased out after FY 2021-22 and was replaced by Measure C, which voters passed in 2022.

The Library spent \$111 million in Measure Q, C, and D funds (FY 2019-20 through FY 2022-23)



Source: Auditor analysis of Oracle, the City's financial management database

Note: Alameda County collects a 1.7% administrative fee for collecting the parcel tax



Audit Objectives

To Determine whether the:

- 1** Library spent tax proceeds as intended by the respective measures
- 2** City met the minimum General Fund appropriation requirement
- 3** Library met the Reserve Fund requirement for Measure Q
- 4** Library implemented the previous audit recommendation

Results

We found:

- The Library spent Measure Q, D, and C proceeds in accordance with their respective requirements.
- No significant issues with the Measure Q reserve fund requirement. The Library is required to reserve 5 percent of the previous year's revenue and deposit it into a separate reserve fund which may only be used with the City Council's approval.
- The City implemented the previous audit recommendation intended to provide the Library Commission with additional financial reports to strengthen their oversight abilities.

However, the audit found the City did not meet Measure C requirements in two respects:

1. The City fell short of Measure C's General Fund appropriation and exemption requirements for FY 2022-23.
2. The City mistakenly collected approximately \$112,000 in Measure C taxes from exempt property owners.

The City fell short of Measure C's General Fund appropriation and exemption requirements for FY 2022-23

Exhibit 4: The City Fell Short of the Required General Fund Appropriation Requirement by \$62,000 in FY 2022-23, the First Year of Measure C

| | FY 2019-20 | FY 2020-21* | FY 2021-22 | FY 2022-23 |
|--------------------------------------|--------------|----------------|--------------|-------------------|
| Required Appropriation Amount | \$12,992,267 | \$12,992,267 | \$12,992,267 | \$14,500,000 |
| Actual Appropriation Amount | \$13,000,000 | \$11,614,839 | \$14,111,757 | \$14,437,594 |
| Difference | \$7,733 | \$ (1,377,428) | \$1,119,490 | \$(62,406) |

*Actual General Fund appropriation amounts were adjusted due to the City Council declaration of a fiscal emergency, in accordance with the measure requirements

Source: Auditor analysis of Oracle, the City's financial management database

The City mistakenly collected approximately \$112,000 in Measure C taxes from exempt property owners

- In July 2022, the City collected approximately \$112,000 in Measure C taxes from 300 property owners that should have been considered exempt.
- The Finance Department processed the exemptions listed under Measure Q instead of Measure C, which includes additional exemptions for senior households and a 50 percent reduction for affordable housing projects.
- According to Finance, the error occurred because staff were unaware of the passage of Measure C and, as a result, had not updated their procedures to reflect the additional exemptions.
- Finance has since updated its internal procedures to account for the additional exemptions. Additionally, as of March 2024, the Finance Department mailed out refund checks to eligible taxpayers.



Recommendation 1

The City Administrator should validate the General Fund appropriation shortfall with the Finance Department and consult with the City Attorney's Office to determine the appropriate course of remediation.

Recommendation 2

To ensure timely and accurate processing of new parcel taxes, the City Administrator should create an administrative instruction to notify affected departments of approved ballot measures so staff can review and update procedures to reflect additional parcel tax exemptions, changes to the general fund appropriation, and other requirements before processing the new measure.

Questions?

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MEMORANDUM



DATE: June 13, 2024

TO: Oakland Residents, Mayor Thao, City Council President Bas, Members of the City Council, City Attorney Parker, City Administrator Johnson, and Library Commissioners

FROM: City Auditor Michael C. Houston, MPP, CIA

SUBJECT: Audit of Library Parcel Taxes for Fiscal Year (FY) 2019-20 through FY 2022-23

INTRODUCTION

Our office has completed an audit of library parcel taxes authorized by the Library Services Retention and Enhancement Act and the 2018 Oakland Public Library Preservation Act. We conducted this audit in accordance with the acts, which mandate audits of the tax revenues and disbursement in accordance with the objectives stated within each act (see Appendix).

BACKGROUND

The Oakland Public Library (Library) provides a variety of services promoting literacy and reading, as well as serving Oakland's (City) cultural, business, and recreational needs. The Library system includes the Main Library, 16 branches, a Second Start Adult Literacy Program, the Tool Lending Library, the African American Museum and Library, and a range of other services.

Oakland voters have approved multiple special parcel taxes to supplement the City's General Fund support of the Library. First, in 1994, Oakland voters approved the Library Services Retention and Enhancement Act to help fund the Library for 20 years. The City renewed and amended the Act as Measure Q, which voters passed in 2004, for another 20-year term. The City again renewed and amended the Act as Measure C, which voters passed in 2022. If not amended, Measure C will be in effect through 2052. Oakland voters approved another special parcel tax for the Library – Measure D, the 2018 Oakland Library Preservation Act – in June 2018. Measure D expires in 2038.