



# **San Francisco Public Library**

## **Fund Balance Analysis**

Randle McClure, Deric Licko  
City Performance Unit, Controller's Office

September 15, 2016

# Fund Balance Analysis

## Project Overview

---

- **Goal** - SFPL requested that the City Performance Unit conduct a **financial analysis** to estimate the amount of **future unappropriated fund balance** over five years, given projected revenues and planned operating and capital expenditures, and to **propose uses** for the projected remaining fund balance
- **Outcome** – City Performance projected fund balance under 2 revenue growth scenarios and proposed additional uses for these funds

# Fund Balance Analysis

## Revenue Sources

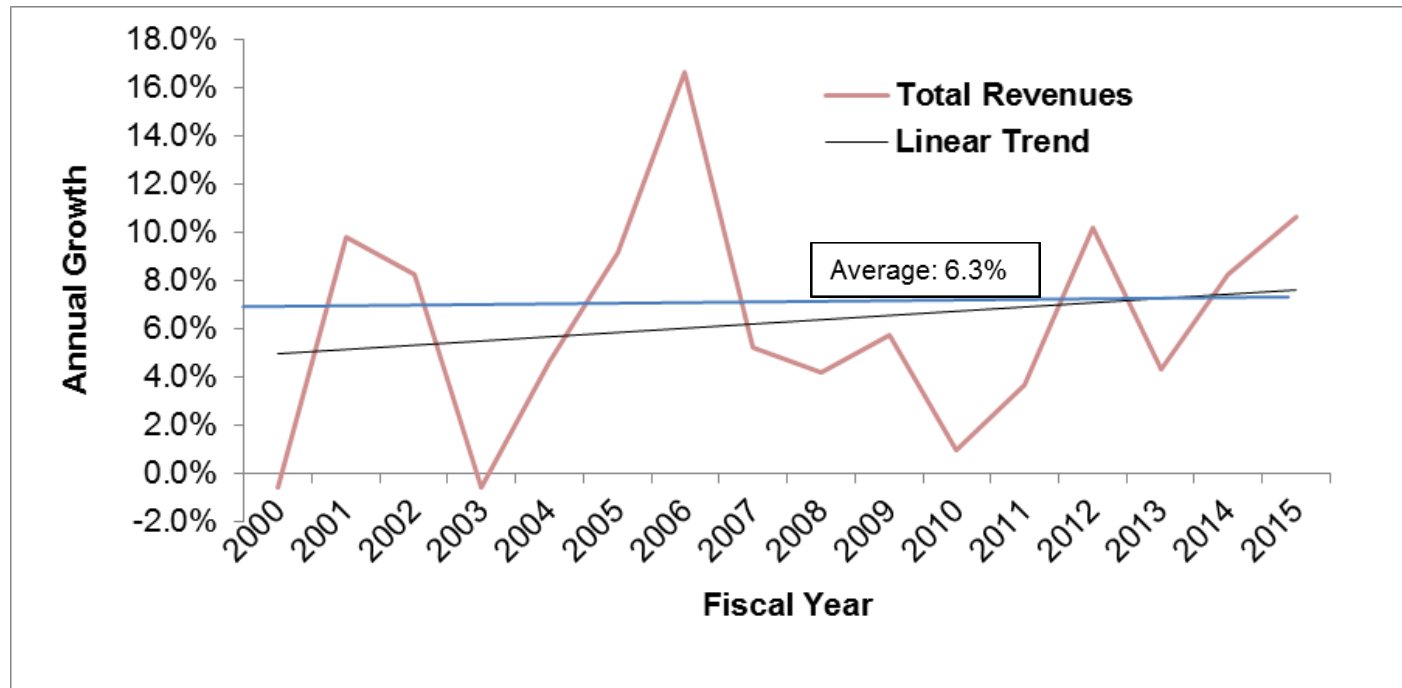
---

- SFPL is funded primarily from two sources: a Property Tax Set-Aside (Set-Aside) and a General Fund Baseline Contribution (Baseline)
  - Defined in the City Charter and mandated to continue at the specified levels until fiscal year 2023-24 (FY24)
  - At the end of each fiscal year any unspent Baseline monies are required to be returned to the General Fund, but SFPL can keep unspent or unappropriated Set-Aside funds as fund balance
- Proposed Arts & Family Homelessness ballot measure in November could result in Baseline reduction of approximately \$2 million (3%) annually
- SFPL has approximately \$29.2 million in fund balance

# Fund Balance Analysis

## Revenue Growth

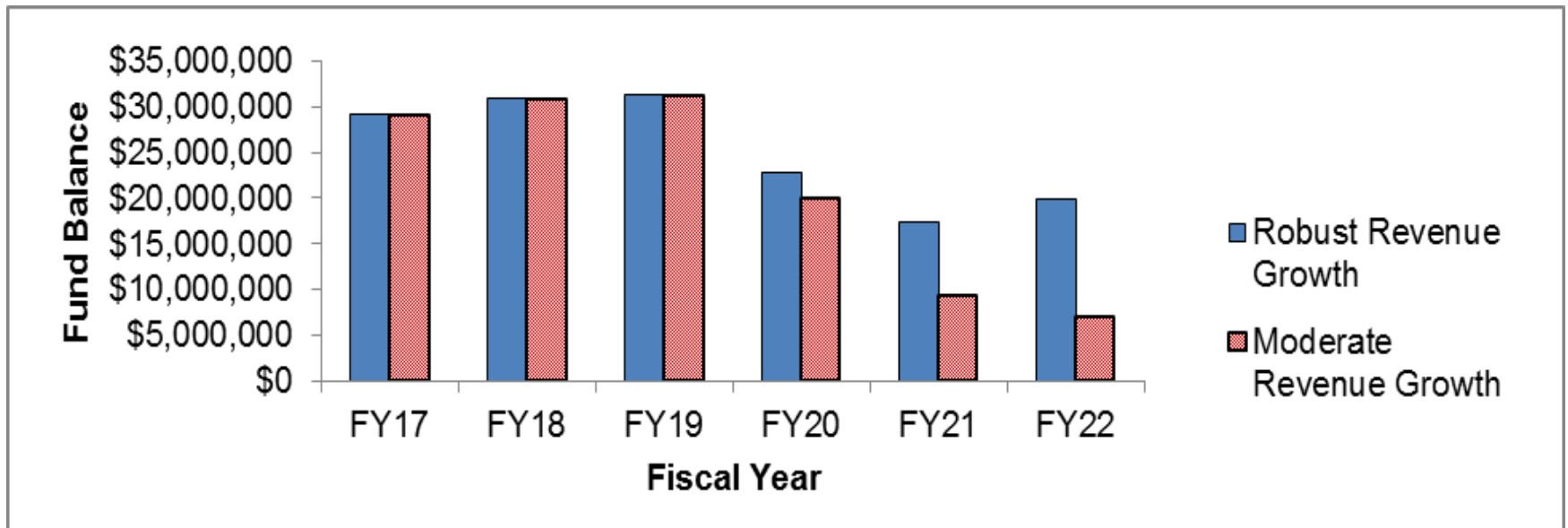
- Annual revenue growth has been strong
  - Average of 6.3% growth since FY00, with upward trend
  - Negative or flat in only 3 of the last 16 years
  - No sustained period of low revenue growth



# Fund Balance Analysis

## Fund Balance Projections

- Substantial fund balance expected through FY22, despite substantial proposed capital expenditures
  - Between \$7.0 million and \$19.9 million of fund balance in FY22 under moderate and robust revenue growth scenarios
  - Robust growth assumes 5% growth over the next 2 years followed by 4.4% growth through FY22; moderate growth assumes 5% over the next 2 years followed by 2.4% growth through FY22



# Fund Balance Analysis

## Recommendations

---

- Making an additional \$4.0 million debt service payment could produce savings between \$3.8 and \$5.2 million
  - Reduce the expected return of General Fund monies in FY17 by \$2.4 million
  - Save SFPL between \$1.4 and \$2.8 million in debt service cost over the term of the bond
- Creating a Buildings and Maintenance Reserve of \$2.2 million (10 percent of the annual maintenance and repair budget for five years) would facilitate future repair projects
  - Set aside a dedicated funding source for emergency repairs
  - Enable SFPL to conduct identified maintenance and repair projects without concern for unanticipated expenses at year end

# Fund Balance Analysis

## Recommendations, *cont.*

---

- Establishing a fiscal (operating) reserve is not needed
  - SFPL has dedicated and stable funding sources and levels as defined in the City Charter, which is not the case for other large library systems surveyed
  - SFPL has experienced historically strong revenue growth, and even in recession years has not experienced more than a year of flat or negative revenue growth
- Continued strong revenue growth provides opportunities for expanding services
  - The City's current five-year revenue projections are for strong revenue growth, and if this projection is realized the Library could consider expansion of services at branch libraries
- SFPL should develop a spending plan for the projected unappropriated fund balance over the next five years under both the robust and moderate revenue growth scenarios
  - This plan should be developed in FY17, and SFPL should reassess this plan given actual and projected revenue growth as part of the FY19 budget planning process

**Questions?**