San Francisco Public Library

Fund Balance Analysis

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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
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
• 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?