

City and County of San Francisco

Office of the Controller

FY 2010-11 Nine-Month Budget Status Report



May 10, 2011



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Summary

The Controller's Office provides periodic budget status updates to the City's policy makers during the course of each fiscal year, as directed by Charter Section 3.105. This report provides the most recent expenditure and revenue information and projections for the Fiscal Year End. This report updates the projections provided in the Controller's FY 2010-11 Six-Month Budget Status Report (Six-Month Report), published February 9, 2011.

As shown in Table 1, this report projects an ending General Fund balance of \$136.0 million.

Table 1. FY 2010-11 Projected General Fund Variances to Budget, \$M

A. Starting Balance	6-Month	9-Month	Change
Better than anticipated starting balance	\$ 25.4	\$ 25.4	\$ -
Budgeted General Fund reserve	25.0	20.9	(4.1)
Subtotal Starting Balances	50.4	46.3	(4.1)
B. Citywide Revenues and Baselines			
Citywide Revenue Surplus	70.4	132.0	61.6
Rainy Day Reserve Withdrawal Threshold No Longer Met	(12.3)	(12.3)	-
General Fund Impact of Baseline Revenue Transfers	(9.6)	(16.0)	(6.4)
Subtotal Citywide Revenues and Baselines	48.5	103.7	55.2
C. Departmental Operations			
Budgeted allowance for State revenue shortfall	30.0	30.0	-
Net Departmental Summary	(39.7)	(43.9)	(4.2)
Subtotal Departmental Operations	(9.7)	(13.9)	(4.2)
D. Ending Surplus (Shortfall)			
	\$ 89.2	\$ 136.0	\$ 46.9

A. General Fund Starting Balance

The General Fund available fund balance at the end of FY 2009-10 was \$105.3 million. The FY 2010-11 budget assumed and appropriated \$79.9 million of this balance, leaving a surplus of \$25.4 million available for use in the current fiscal year. The FY 2010-11 budget also included a General Fund Reserve of \$25.0 million, of which \$4.1 million has been used. Together these represent a starting balance of \$46.3 million.

B. Citywide Revenues and Baseline Transfers

As shown in Table 2, Citywide revenues net of baseline transfers have improved by \$61.6 million since the Six-Month Report, primarily due to updated projections of property transfer taxes, payroll and sales taxes, and other revenues. More information on these revenue trends are provided in Appendix 1.

Table 2. General Fund Citywide Revenues Variances to Budget (\$ Millions)

	6-Month Surplus (Shortfall)	9-Month Surplus (Shortfall)	Change
Property Tax	35.2	34.2	(1.0)
Payroll & Business Registration Tax	19.6	27.0	7.4
Sales Tax - Local 1% and Public Safety	3.4	7.6	4.2
Hotel Room Tax	(8.3)	(8.3)	-
Health & Welfare Sales Tax/VLF Realignment	(2.0)	0.9	2.8
Utility User & Access Line Taxes	(3.9)	(1.1)	2.8
Transfers In from Other Funds	0.9	1.0	0.1
Property Transfer Tax	23.6	58.0	34.3
Parking Tax	1.2	3.9	2.7
Interest Income	(2.8)	(2.8)	-
Other	3.5	11.7	8.2
Total Major Citywide Revenues	70.4	132.0	61.6

Table 3 shows that as a result of the improvement in discretionary revenues, projections for baseline and parking tax in-lieu transfers to the Municipal Transportation Agency (MTA), Public Library and Public Education Enrichment Fund are increased by a net \$7.4 million compared to the Six-Month Report, and \$17.0 million greater than budget. However, as described in Appendix 4 and according to Charter Section 16.109 we project the Library Preservation fund to have savings this year and return \$1.0 million for a net impact of \$16.0 million.

Table 3. General Fund Baseline Transfers (\$ Millions)

Note: negative variance denotes increased transfer from the General Fund. This will appear as a surplus to the recipient of the transfer.

	6-Month	9-Month	Variance from Budget
Baseline Transfer to MTA	181.7	185.8	(10.8)
Parking Tax in Lieu Transfer to MTA	53.2	55.3	(3.1)
Baseline Transfer to Library	45.2	46.2	(2.7)
Baseline Transfer to Public Education Fund	5.7	5.9	(0.4)
Total	285.8	293.2	(17.0)
Less Library return to General Fund			1.0
Net Baseline Transfers			(16.0)

C. Departmental Operations

We project a net departmental operations shortfall of \$43.9 million summarized in Table 4 below and further detailed and discussed in Appendix 2. This represents an decline of \$4.2 million from the Six-Month Report. Offsetting this shortfall is a budgeted \$30 million allowance for citywide revenue losses related to the State budget.

Table 4. FY 2010-11 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Net Shortfall Departments			
Public Health	\$ (25.0)	\$ (25.4)	\$ (50.4)
Sheriff	(0.4)	(6.2)	(6.6)
City Attorney	-	(1.0)	(1.0)
Public Works	(0.2)	(0.4)	(0.6)
Human Rights Commission	-	(0.3)	(0.3)
City Administrator	-	(0.1)	(0.1)
Subtotal Departments with Net Deficits	\$ (25.7)	\$ (33.4)	\$ (59.1)
Net Surplus Departments			
Human Services Agency	\$ (12.8)	\$ 17.6	\$ 4.8
Police	1.1	2.5	3.6
Controller	-	2.0	2.0
Asian Art Museum	-	0.5	0.5
District Attorney	0.0	0.4	0.5
Economic and Workforce Development	-	0.5	0.5
Other Net Surplus	(0.6)	3.8	3.2
Subtotal Departments with Net Surpluses	\$ (12.2)	\$ 27.4	\$ 15.2
Combined Total	\$ (37.9)	\$ (6.0)	\$ (43.9)

Supplemental Appropriations have been introduced for the Sheriff and the Department of Public Health, and for litigation expenses in the Department of Public Works, Recreation and Park Department and Mayor’s Office on Disability. For all other departmental shortfalls, the Mayor’s Office and the Controller’s office will continue to work with departments to develop a plan to bring expenditures in line with revenues by year-end without requiring supplemental appropriations.

D. Reserves

General Reserve: To date, \$4.1 million has been appropriated through supplemental appropriations from the budgeted \$25.0 million General Reserve leaving a remaining balance of \$20.9 million. An additional \$16.5 million is anticipated to be approved through supplemental appropriations for a year end balance of \$4.5 million. The following table details the anticipated \$20.5 million use of the General Reserve:

Table 5. Uses of General Fund Reserve (\$ Millions)

Beginning General Reserve Balance	\$ 25.0
Approved Deposits / (Withdrawals)	
Public Finance Campaign Fund	(1.3)
4 th Street Bridge Litigation Expenses	(2.8)
	<u>(4.1)</u>
Current Balance	\$ 20.9
Anticipated Deposits / (Withdrawals)	
Women's and LGBT Services	(0.2)
Sheriff Supplemental	(6.2)
Public Health Supplemental	(8.1)
Kirola Litigation Expenses	(1.9)
	<u>(16.4)</u>
Anticipated Ending Balance	\$ 4.5

Although the assumed Sheriff and Public Health supplemental appropriations of \$6.2 million and \$8.1 million respectively are projected to draw from the General Reserve, these shortfalls are reflected in departmental shortfalls. This report assumes that the remaining \$4.5 million appropriation will close to fund balance at the end of the fiscal year.

Budget Savings Incentive Reserve: This projection assumes that deposits into the Citywide Budget Savings Incentive Reserve (authorized by Administrative Code Section 10.20) will be suspended for FY 2010-11. The Administrative Code states that the Controller may suspend the carryforward of Citywide Budget Savings Incentive Reserve balances in years when the Controller determines that the City’s financial condition cannot support deposits into the fund. Based on the FY 2010-11 \$306 million deficit projected in the Three-Year Budget Projection for

General Fund Supported Operations, the Controller has determined that deposits to the Budget Savings Incentive Reserve will be suspended for FY 2010-11.

Recreation & Parks Savings Incentive Reserve: As the Recreation & Parks Department is not anticipated to have operating savings, no deposits are projected for the Recreation & Parks Savings Incentive Reserve established by Charter section 16.107.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$39.6 million. As prescribed in the FY 2010-11 budget, \$6.1 million was withdrawn from the Reserve for the benefit of the San Francisco Unified School District to offset the impact of declining State aid. The FY 2010-11 budget also included a \$12.3 million allocation from the reserve for the General Fund. However, this report reaffirms the projection provided in the Six Month Report that due to improved General Fund revenues, the City will no longer be eligible to withdraw from the Reserve for the General Fund. As a result, the projected year-end balance for the Rainy Day Economic Stabilization Reserve remains \$33.4 million.

Salary and Benefits Reserve: Administrative Provisions Section 10.4 of the FY 2010-11 Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The Salary and Benefits Reserve had a FY 2010-11 starting balance of \$15.9 million, \$11.7 million appropriated in the FY 2010-11 Annual Appropriation Ordinance and \$4.2 million carried forward from FY 2009-10. As of April 30, 2011, the Controller's Office anticipates transfers of the full amount million to individual City departments as detailed in Appendix 3.

E. Ending Available General Fund Balance \$136.0 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2010-11 of \$136.0 million.

F. Other Funds

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds received General Fund baseline transfers and other subsidies.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency receives a significant General Fund subsidy.

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund balance projections and a discussion of their operations.

G. Projection Uncertainty Remains

Projection uncertainties include the potential for continued fluctuations in tax revenues in the final months of the fiscal year as well as property tax appeal decisions that may require us to revise our assumptions regarding set-asides for future refunds.

H. Scheduled Year-end General Fund Balance Update: Revenue Letter

The Controller's Office will update the year-end General Fund balance projection in the Discussion of the Mayor's FY 2011-12 Proposed Budget (also known as the "Revenue Letter"), scheduled to be published in mid-June 2011.

I. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Salaries and Benefits Reserve Update
4. Other Funds Highlights

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund citywide and departmental revenues are projected to be \$124.1 million above budget. Of this total, -\$37.9 million relates to departmental operations discussed in Appendix 2. Of the remaining \$162.0 million variance, \$30.0 million is due to the reflection of the unallocated state budget shortfall in departments, and all other changes are discussed in this Appendix.

The FY 2010-11 budget assumed a moderate rate of recovery throughout the fiscal year. Tax revenues projected to recover beyond budgeted levels include property, payroll, sales and property transfer taxes. These gains are partially offset by shortfalls in key sources including interest income, charges for services, and state and federal subventions. Selected revenue streams are discussed below.

Table A1-1: Detail of General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2009-10	FY 2010-11		9-Month Projection	Surplus/ (Shortfall)	FY 2011-12
	Year End Actual	Original Budget	Revised Budget			Projection
PROPERTY TAXES	\$ 1,060.3	\$ 984.8	\$ 984.8	\$ 1,019.0	\$ 34.2	\$ 1,023.0
BUSINESS TAXES						
Business Registration Tax	7.9	7.9	7.9	8.3	0.3	8.2
Payroll Tax	345.6	334.4	334.4	361.1	26.7	371.5
Total Business Taxes	353.5	342.4	342.4	369.4	27.0	379.7
OTHER LOCAL TAXES						
Sales Tax	96.6	98.0	98.0	101.4	3.4	104.5
Hotel Room Tax	135.5	157.2	157.2	148.9	(8.3)	159.3
Utility Users Tax	94.5	97.5	97.5	93.6	(3.9)	92.3
Parking Tax	66.5	65.3	65.3	69.1	3.9	69.9
Real Property Transfer Tax	83.7	70.9	70.9	128.9	58.0	118.8
Stadium Admission Tax	2.4	2.3	2.3	2.3	-	2.3
Access Line Tax	41.5	37.3	37.3	40.0	2.8	37.8
Total Other Local Taxes	520.7	528.5	528.5	584.3	55.8	584.9
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	9.2	8.6	8.6	8.7	0.0	8.7
Franchise Tax	15.1	14.6	14.6	15.1	0.5	14.7
Total Licenses, Permits & Franchises	24.2	23.2	23.2	23.8	0.5	23.4
FINES, FORFEITURES & PENALTIES	17.3	3.8	3.8	5.5	1.7	3.8
INTEREST & INVESTMENT INCOME	8.4	9.5	9.5	6.8	(2.8)	4.7
RENTS & CONCESSIONS						
Garages - Rec/Park	8.8	11.0	11.0	12.8	1.8	11.4
Rents and Concessions - Rec/Park	8.2	9.6	9.6	9.3	(0.2)	9.6
Other Rents and Concessions	1.8	1.8	1.8	1.8	-	1.8
Total Rents and Concessions	18.7	22.3	22.3	23.9	1.5	22.7
INTERGOVERNMENTAL REVENUES						
Federal Government						
Social Service Subventions	181.9	203.0	205.4	199.6	(5.8)	200.1
Other Grants & Subventions	30.5	33.6	37.3	37.3	0.0	6.8
Total Federal Subventions	212.4	236.6	242.7	236.9	(5.8)	206.8
State Government						
Social Service Subventions	140.4	133.6	133.8	127.0	(6.8)	128.1
Health & Welfare Realignment - Sales Tax	96.1	94.2	94.2	97.5	3.3	99.9
Health & Welfare Realignment - VLF	43.3	43.9	43.9	41.5	(2.4)	43.0
Health/Mental Health Subventions	78.7	107.8	107.6	87.2	(20.5)	95.0
Public Safety Sales Tax	65.8	63.8	63.8	68.1	4.2	68.8
Motor Vehicle In-Lieu	2.3	1.7	1.7	1.7	-	1.7
Other Grants & Subventions	27.6	19.9	19.9	29.7	9.8	19.9
State Budget Reduction Placeholder	-	(30.0)	(30.0)	-	30.0	(30.0)
Total State Subventions	454.1	434.9	435.0	452.7	17.7	426.4
CHARGES FOR SERVICES:						
General Government Service Charges	30.8	35.8	35.8	32.9	(2.9)	36.2
Public Safety Service Charges	21.9	20.9	21.0	21.1	0.1	20.8
Recreation Charges - Rec/Park	11.4	11.0	11.0	11.5	0.5	11.1
MediCal, MediCare & Health Service Charges	56.8	53.5	54.4	52.0	(2.5)	51.8
Other Service Charges	12.4	15.5	15.1	15.2	0.2	15.4
Total Charges for Services	133.2	136.7	137.3	132.7	(4.6)	135.3
RECOVERY OF GEN. GOV'T. COSTS	7.9	9.4	9.4	9.4	-	9.5
OTHER REVENUES	19.8	21.5	21.5	19.3	(2.2)	7.4
TOTAL REVENUES	2,830.6	2,753.7	2,760.5	2,883.6	123.1	2,827.7
TRANSFERS INTO GENERAL FUND:						
Airport	28.1	28.5	28.5	29.9	1.4	30.0
Other Transfers	64.1	85.7	87.1	86.7	(0.4)	73.6
Total Transfers-In	92.2	114.2	115.6	116.5	1.0	103.6
TOTAL GENERAL FUND RESOURCES	2,922.8	2,867.8	2,876.0	3,000.1	124.1	2,931.3

Property Tax. General Fund property tax revenues are projected to be \$34 million above budget, a \$1 million reduction of the surplus projected in the Six-Month Report. As noted in the Six-Month Report, the improvement above budget is primarily due to updated revenue projections from the Assessor's office regarding supplemental and escape tax assessments, an updated analysis of amounts required to be set aside for property tax appeals and current year roll corrections, and penalties and interest receipts coming in higher than budgeted.

Business Tax revenues are projected to be \$27.0 million over budget, a \$7.4 million increase from the Six-Month Report projection. Payroll taxes are projected to be 4.5% above FY 2009-10 given tax year 2010 employment and wage data for the first three calendar quarters of 2010, which indicate total wages up 1.8%, 2.4%, and 6.7% over the same quarter in 2009, respectively, and assuming a fourth quarter total wage increase of 7.1%. While the number of payroll tax credits and exclusions approved in tax year 2010 increased nearly 50% from 2009, these increases were offset by prepayment reductions. Delinquent business registration and payroll tax collections are projected at FY 2009-10 levels (\$17.5 million) given year to date collections.

Local Sales Tax revenues are projected to be \$3.4 million over budget, or 5.0% over prior year actual revenues and \$1.9 million over the Six-Month Report projection. Cash collections for the first and second quarters of FY 2010-11 improved 7.1% and 10.4% from the same quarters in the prior year, respectively. In the second quarter, increases in general retail, restaurants, construction and transportation were somewhat offset by decreases in revenue from business-to-business sales and higher gasoline prices. While sales tax revenues continue to recover, we continue to anticipate that it will take several years to return to the prior peak in FY 2007-08.

Hotel Room Tax revenues are projected to be \$8.3 million under budget in the General Fund, which is no change from the Six-Month Report projection. The budget assumed \$6.0 million in revenue from the passage of a November, 2010 ballot measure to require online travel companies to remit hotel tax on the retail price of hotel rooms, however, neither of the measures that would have closed this loophole passed. In addition, we are projecting slightly weaker growth toward the end of the fiscal year than initially expected. Between July 2010 and February 2011 revenue per available room (RevPAR), or the combined effect of occupancy, Average Daily Room rates, and room supply, has increased 11.9% over the same period in the prior year. Our projections assume monthly RevPAR increases of 6.5% through the remaining months of the fiscal year. Any shortfall in hotel tax revenue is entirely reflected in the General Fund unless the allocation stipulated in the Annual Appropriation Ordinance (AAO) is changed.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. Final year-end revenue will be either greater or less than our projection depending on developments with these lawsuits.

Real Property Transfer Tax revenues are projected to be \$58.0 million over budget, or 54% above prior year actual revenues and a \$34.3 million improvement from the Six-Month Report projection. Current year revenues are largely driven by large commercial sales activity. Total taxes paid through April were approximately 88% above prior year levels, with the largest increase in the top 2.5% tax tier. Proposition N, passed by the voters in November 2010, increased the property transfer tax rate on transactions valued at \$5 million to \$10 million from 1.5% to 2.0%, and for transactions of over \$10 million in value, the rate increased from 1.5% to 2.5%. Nineteen transactions in the over \$10 million tax bracket have occurred between the effective date of Prop N

and the end of April 2011, generating \$10.7 million in additional revenue. Transactions in the \$5 million to \$10 million range have generated \$49.2 million in revenue through April, offsetting a \$3.0 million reduction in revenue from transactions valued at under \$1 million during the same period.

Utility Users Tax revenues are projected to be \$3.9 million under budget, or 1.0% below prior year actual revenues and no change from the Six-Month Report projection. Changes are driven by a 5.6% decrease in telephone user taxes from prior year actual revenues, offset by a 3.9% increase in water user tax revenues and a 4.5% increase in gas and electric user tax revenues.

Access Line Tax revenues are projected to be \$2.8 million over budget and the Six-Month Report projection. Year to date revenues are approximately 3.5% below prior year actual revenues, and this trend is expected to continue through year end. Over half of this decline is due to an increase in revenue accrued to the prior fiscal year based on the timing of payments to the Tax Collector. The remainder of the decline (about 1.5%) reflects trends in business and residential use of phone lines. As consumers increasingly rely on cell phones and drop land lines, they are more able and likely to locate their cell phone area of primary service outside of San Francisco and avoid access line tax obligations.

Parking Tax revenues are projected to be \$3.9 million over budget, or 4.0% above prior year actuals and \$2.6 million more than the 6-Month Report projection. Parking tax revenues are correlated with business activity, employment, and rate increases. The recovery in business activity and employment have contributed to this increase, however, it is largely driven by the annualization of parking rate increases that went into effect in April 2010.

Interest & Investment Income is projected to be \$2.8 million under budget, or 13% below prior year actual revenues and no change from the Six-Month Report projection. The average monthly Treasurer's pooled interest rate in the current year is projected to be 1.2%, or 11% below prior year.

State Government - Other Grants & Subventions revenue is \$10.7 million over both budget and Six-Month Report projections. This includes \$10.1 million from the recognition of audit reserves for state mandated programs that have either been audited or are no longer at risk for being audited, as well as \$0.6 million in unexpected current year reimbursements.

Public Safety Sales Tax revenues are projected to be \$4.2 million over budget, or 3.5% over prior year actual revenues and \$2.3 million more than the Six-Month Report projection. The increase is due to a 3.1% increase in the statewide sales tax base for this subvention in the first and second quarters of FY 2010-11 and assumes a 4.2% increase for the remainder of the year, offset by a decrease in San Francisco's share of these taxable sales during the prior calendar year.

Appendix 2. General Fund Department Budget Projections

Table A2-1. General Fund Supported Operations (\$ Millions)

GENERAL FUND (\$ millions)	Uses Revised Budget	Uses Projected Year-End	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	11.4	11.2	-	0.2	0.2	
Superior Court	32.8	32.8	-	-	-	
District Attorney	33.0	32.6	0.0	0.4	0.5	
Emergency Management	40.9	40.5	-	0.4	0.4	
Fire Department	263.7	263.0	(0.4)	0.7	0.3	
Juvenile Probation	31.9	31.2	(0.3)	0.7	0.4	
Public Defender	25.3	25.2	-	0.1	0.1	
Police	391.5	389.0	1.1	2.5	3.6	1
Sheriff	129.0	135.2	(0.4)	(6.2)	(6.6)	2
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	33.4	33.8	(0.2)	(0.4)	(0.6)	3
Economic & Workforce Development	11.9	11.4	-	0.5	0.5	
Board of Appeals	0.9	0.9	(0.1)	0.1	0.0	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	29.8	29.4	-	0.4	0.4	
Human Services	647.5	629.9	(12.8)	17.6	4.8	4
Environment	3.0	3.0	-	-	-	
Human Rights Commission	0.2	0.6	-	(0.3)	(0.3)	5
County Education Office	0.1	0.1	-	-	-	
Status of Women	3.3	3.3	-	-	-	
COMMUNITY HEALTH						
Public Health	672.0	660.6	(25.0)	(25.4)	(50.4)	6
CULTURE & RECREATION						
Asian Art Museum	7.1	6.6	-	0.5	0.5	
Arts Commission	9.6	9.6	-	-	-	
Fine Arts Museum	11.1	11.1	-	-	-	
Law Library	0.7	0.7	-	-	-	
Recreation and Park	72.6	72.7	0.3	(0.2)	0.1	7
Academy of Sciences	4.2	4.2	-	0.1	0.1	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	51.8	51.9	-	(0.1)	(0.1)	8
Assessor / Recorder	18.5	18.1	-	0.4	0.4	
Board of Supervisors	11.3	11.3	0.1	-	0.1	
City Attorney	10.0	11.0	-	(1.0)	(1.0)	9
Controller	23.7	21.7	-	2.0	2.0	10
City Planning	22.9	22.6	(0.3)	0.3	0.0	
Civil Service Commission	0.5	0.5	-	-	-	
Ethics Commission	8.2	8.1	0.0	0.1	0.1	
Human Resources	14.2	13.8	-	0.4	0.4	
Health Service System	0.8	0.8	0.1	0.0	0.2	
Mayor	9.8	9.7	-	0.1	0.1	
Elections	9.3	9.3	-	-	-	
Retirement System	1.7	1.7	-	-	-	
Technology	3.7	3.7	-	-	-	
Treasurer/Tax Collector	22.2	22.2	-	-	-	
GENERAL CITY RESPONSIBILITIES						
	170.4	170.4	-	-	-	
TOTAL GENERAL FUND	2,846.2	2,815.4	(37.9)	(6.0)	(43.9)	

Notes to General Fund Department Budget Projection

The following notes provide explanations for the projected variances for select department's projected actual revenues and expenditures compared to the revised budget.

1. Police Department

The Police Department projects to end the fiscal year with a net surplus of \$3.6 million. The Department projects \$2.5 million in expenditure savings primarily due to salary savings offset slightly by increases in fuel costs. The Department projects a revenue surplus of \$1.1 million driven by a \$0.7 million increase in false alarm fees and a \$0.4 million increase in parking lot and garage licensing fee revenue.

2. Sheriff

The Sheriff projects to end the fiscal year with a net \$6.6 million deficit comprised of a \$0.4 million revenue shortfall, due to decreased state funding for boarding of prisoners, and a \$6.2 million expenditure deficit. The projected \$6.2 million expenditure deficit includes a \$7.5 million over-expenditure in employee salaries and benefits due to fewer retirements than anticipated in the budget, an increase in the jail population since July, and several large unplanned public events; a \$0.7 million shortfall in disability pay; and a \$0.8 million shortfall in workers' compensation. This shortfall is offset by \$2.3 million in debt service savings due to refinancing of the San Bruno Jail debt and \$0.5 million of other savings. A \$6.2 million supplemental appropriation request is currently pending with the Board of Supervisors to cover the balance of the expenditure deficit.

3. Public Works

The Department of Public Works projects to end the fiscal year with a net deficit of \$0.6 million. The Department also projects a \$0.2 million revenue shortfall in the Bureau of Street Use and Mapping due to the economic downturn and the anticipated reduction in the demand for permits. Expenditure savings of \$0.4 million are offset by anticipated litigation expenses of \$0.8 million for a net expenditure shortfall of \$0.4 million. A supplemental appropriation request is currently pending with the Board of Supervisors for the increased litigation expenses.

4. Human Services Agency

The Human Services Agency projects to end the fiscal year with a net \$4.8 million surplus, representing a \$3.5 million improvement from Six-Month Report projections. The savings consist of \$17.6 million in expenditure savings offset by \$12.8 million in reduced federal and state reimbursements. Major programmatic variances to budget are:

- \$1.3 million net surplus in client assistance payments primarily due to lower than expected County Adult Assistance Program (CAAP) and Adoption Aid caseloads, partially offset by an increase in expected Foster Care aid costs due to lawsuit settlements requiring higher payments to providers.
- \$3.5 million in net operating savings related to controls on hiring resulting in \$3 million in employee salary and benefit savings compared to budget along with savings on contracts and other expenditures.

5. Human Rights Commission

The Human Rights Commission is projected to end the year with a net deficit of \$0.3 million due to under-recoveries from work orders with other City departments. The Controller's Office and Mayor's Office are working with departments to resolve these discrepancies.

6. Public Health

The Department of Public Health projects to end the fiscal year with a net deficit of \$50.4 million. This represents a \$13.5 million deficit increase from the Six-Month Report largely driven by \$17 million in Hospital Fee reimbursements the Department no longer expects to receive offset slightly by higher Skilled Nursing Facility rates at Laguna Honda Hospital. A supplemental appropriation request is currently pending with the Board of Supervisors to address the overexpenditures. Table A2.2 below shows the departmental projections by fund.

Table A2.2. Department of Public Health by Fund (\$ Millions)

Fund	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Public Health General Fund	\$ (25.0)	\$ 1.2	\$ (23.8)
Laguna Honda Hospital	14.9	(10.7)	4.1
San Francisco General Hospital	(15.1)	(14.2)	(29.2)
SF General Realignment	(1.5)	-	(1.5)
Total All Funds	\$ (26.8)	\$ (23.7)	\$ (50.4)

Non-Hospital Operations in the General Fund

The Department of Public Health projects a \$23.8 million deficit in General Fund non-hospital operations, of which \$18.6 million is due to a delay in the effective date for a State Plan Amendment to draw federal matching funds for the Short-Doyle program. Additionally there were reductions to the enhanced Federal Medical Assistance Percentages (FMAP) associated with the federal stimulus program as well as a \$1.6 million deficit in personnel costs. The Department is projecting slight variances in other divisions, including deficits of \$0.8 million in health at home, \$0.7 million in jail health, \$0.8 million in substance abuse and \$1.2 million in public health.

Laguna Honda Hospital

The Department projects a \$4.1 million surplus for Laguna Honda Hospital, made up of a projected \$14.9 million revenue surplus primarily due to increases in Skilled Nursing Facility base rates retroactive to August 1, offset by a \$10.7 million deficit in expenditures due to \$6.6 million in personnel costs, \$2.5 million in pharmaceutical costs, and \$1.6 million in unbudgeted security costs.

San Francisco General Hospital

The Department of Public Health projects a \$29.2 million deficit for the San Francisco General Hospital. The Department estimates a \$44.8 million revenue surplus comprised of a \$24.1 million favorable variance in Medi-Cal Waiver funding and \$20.8 million in net patient revenue, offset by deficits of \$56.5 million in funding from SB188/AB1383 Hospital Fees and \$3.4 million in managed care revenues. Expenditure shortfalls are due to personnel and unbudgeted security costs.

7. Recreation and Park

The Recreation and Park Department projects to end the fiscal year with a \$0.3 million revenue surplus. This surplus consists of higher than anticipated special event permits, facilities rentals, program fees, and Candlestick Park revenues offset by a shortfall in concessions. The Department is also anticipating a \$0.2 million expenditure shortfall due to litigation expenses. A supplemental appropriation request is currently pending with the Board of Supervisors for the increased litigation expenses.

8. City Administrator

The City Administrator projects to end the fiscal year with a net deficit of \$0.1 million. Slight expenditure savings are offset by increased litigation expenses in the Mayor's Office on Disability. A supplemental appropriation request is currently pending with the Board of Supervisors for the increased litigation expenses.

9. City Attorney

The City Attorney projects a \$1.0 million shortfall at the end of the fiscal year due to underrecoveries from other departments.

10. Controller

The Controller projects to end the year with a savings of \$2.0 million largely due to savings of \$1.3 million in City Services Auditor from the last fiscal year is no longer required, and will revert to the General Fund balance by year end. Also, the Controller's Office current year savings in salaries and fringe benefits has increased by \$0.4 million to a total of \$0.7 million since the 6-month report due to the City's hiring freeze and delays in testing and recruitment.

Appendix 3. Salary and Benefits Reserve Update

Table A3-1. Salary and Benefits Reserve (\$ millions)

SOURCES

Adopted AAO Salary and Benefits Reserve	\$ 11.7
Remaining FY 2008-09 Salary and Benefits Reserve Balance	4.2
Total Sources	\$ 15.9

USES

Transfers to Departments

Police Wellness, Premium, and Compensatory Time Payouts	\$ 6.0
Fire Wellness, Premium, and Compensatory Time Payouts	2.5
SEIU as needed temp healthcare	1.0
Various Depts - Local 21 Life Insurance	0.5
Police Other	0.4
Police Recruitment Committee	0.3
Visual Display Terminal Insurance	0.2
Total Transfers to Departments	\$ 10.8

Remaining Allocations

Citywide retirement/severance payouts	\$ 2.1
Various, Training, Tuition Reimbursement, and Premium Payouts	\$ 0.8
Other Year-end Payouts	\$ 2.2
Total Remaining Allocations	\$ 5.1

Total Uses	\$ 15.9
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Net Surplus / (Shortfall)	\$ 0.0
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Appendix 4. Other Funds Highlights

Table 4-1. Other Fund Highlights, \$ Millions

	Prior Year		FY 2010-11					
	FY 2009-10 Year-End Available Fund Balance	Fund Balance Used in FY 10-11 Budget	Starting Available Fund Balance	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Operating Surplus / (Deficit)	Estimated Year-end Fund Balance	Note
<u>SELECT SPECIAL REVENUE FUNDS</u>								
Building Inspection Operating Fund	\$6.0	\$0.0	\$6.0	\$1.6	\$2.0	\$3.6	\$9.7	1
Children's Fund	\$0.2	\$0.0	\$0.2	\$1.2	\$0.5	\$1.7	\$1.9	2
Convention Facilities Fund	\$5.1	\$0.0	\$5.1	\$0.0	\$3.3	\$3.3	\$8.4	3
Golf Fund	\$0.0	\$0.0	\$0.0	(\$2.2)	\$2.2	\$0.0	\$0.0	4
Library Preservation Fund	\$16.0	\$3.7	\$12.3	\$2.7	\$1.8	\$4.5	\$16.8	5
Local Courthouse Construction Fund	\$0.2	\$1.0	(\$0.8)	(\$0.3)	\$0.0	(\$0.3)	(\$1.1)	6
Open Space Fund	\$2.5	\$1.6	\$0.9	\$0.4	\$1.4	\$1.8	\$2.7	7
<u>SELECT ENTERPRISE FUNDS</u>								
Airport Operating Fund	\$97.8	\$25.9	\$71.9	(\$0.2)	\$20.8	\$20.6	\$92.5	8
MTA – Operating Funds	\$5.7	\$0.0	\$5.7	(\$5.2)	\$0.0	(\$5.2)	\$0.5	9
Port Operating Fund	\$31.4	\$9.9	\$21.5	\$5.5	\$1.5	\$7.0	\$28.5	10
PUC – Hetch Hetchy Operating Fund	\$95.1	\$31.1	\$64.0	\$0.6	\$17.0	\$17.6	\$81.6	11
PUC – Wastewater Operating Fund	\$15.4	\$0.0	\$15.4	(\$5.5)	\$22.0	\$16.5	\$31.9	12
PUC – Water Operating Fund	\$40.1	\$0.0	\$40.1	(\$44.3)	\$15.7	(\$28.6)	\$11.5	13

Select Special Revenue Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$6.0 million in available fund balance. The Department projects operating revenues net of refunds to be \$1.6 million over budget and an expenditure savings of \$2 million. This results in a projected fiscal year-end available fund balance of \$9.7 million.

2. Children's Fund

The Children's Fund began the fiscal year with a fund balance of \$0.2 million. Current year revenues are projected to be \$1.2 million better than budget due to the projected increases in Property Tax revenue. The fund is also projecting \$0.5 million in expenditure savings resulting in a projected fiscal year-end available fund balance of \$1.9 million.

3. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$5.1 million in available fund balance. The Department projects revenues to be on budget and expenditure savings of \$3.3 million due to Moscone Center debt service savings. The net result is an operating surplus of \$3.3 million and a projected fiscal year-end available fund balance of \$8.4 million.

4. Golf Fund

The Golf Fund began the fiscal year with no available fund balance. The Department projects that revenue shortfalls due to inclement weather will be offset by expenditure savings including a \$0.7 million reduced payment to the Open Space fund. The net result is a zero operating surplus and no available fiscal year-end fund balance.

5. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$12.3 million in available fund balance. The Department projects a revenue surplus of \$3.7 million due to increases in the Property Tax allocation and the General Fund baseline contribution. The Department projects expenditure savings of \$1.8 million primarily due to savings in employee salaries and benefits. Pursuant to San Francisco Charter Section 16.109, the Department would also return the General fund share of savings, resulting in a reduction to the required baseline contribution of \$1.0 million, for a total revenue surplus of \$2.7 million. The net result is an operating surplus of \$4.5 million and a projected fiscal year-end available fund balance of \$16.8 million.

6. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a fund balance shortfall of \$0.8 million due to the prior year-end fund balance of \$0.2 million being insufficient to support the \$1.0 million appropriated in the FY 2010-11 budget. Parking fine surcharges and court filing fee revenue are projected to be \$0.3 million less than budget for a combined fiscal year-end available fund balance deficit of -\$1.1 million.

Parking fine surcharge revenues and a designated share of Court filing fees are applied toward \$4 million annually in debt service on Certificates of Participation sold to support construction of the 400 McAllister Street Courthouse. Under the terms of agreements with the State of California, the City and County of San Francisco is responsible for debt service on this

Courthouse. The Six-Month Report assumed a General Fund supplemental appropriation would be required to support this fund. However, after further discussion with the State, it has been determined that the Fund can borrow from the Treasurer's pooled funds in the short term, and pay back that borrowing after FY 2016-17 when debt service requirements drop and the Fund is expected to run an operating surplus. Accordingly we no longer anticipate the need for a current year General Fund transfer.

7. Open Space Fund

The Open Space Fund began FY 2010-11 with \$0.9 million available fund balance above the \$1.6 million appropriated in the budget. Property Tax set-aside revenues are anticipated to be \$1.1 million over budget. These surplus revenues are expected to be partially offset by a \$.9 million decreased revenue transfer in from the Golf Fund. Closing inactive capital project balances is anticipated to generate \$1.4 million of savings, resulting in a projected fiscal year-end available fund balance of \$2.7 million.

Select Enterprise Funds

8. Airport Operating Fund

The Airport Operating Fund began the fiscal year with \$71.9 million in available fund balance. The Department is projecting a net revenue shortfall of \$0.2 million, which consists of a \$16.2 million increase in operating revenues, including a \$14.4 million increase in nonairline revenue, primarily concessions and parking, and a \$1.8 million increase in aviation revenues, primarily from terminal rentals. However, this increase is offset by a shortfall in non-operating revenues consisting of a \$5.1 million projected shortfall in interest income, a \$5.1 million use of fund balance to cover last year's appropriations carried forward into the current year, and a \$6.1 million difference between airline rates and the budgeted use of fund balance for deferred aviation revenue. The Department projects expenditure savings of \$20.8 million primarily driven by a \$16.2 million in nonpersonnel services, \$3.3 million in services of other departments, \$2.6 million in employee salaries and benefits, and \$2.5 million in materials and supplies. The expenditure savings is partially offset by a \$3.4 million increase in debt service payments and a \$1.4 million increase in the annual service payment due to higher concession revenues. This results in a projected net surplus of \$20.6 million and a fiscal-year end available fund balance of \$92.5 million.

9. Municipal Transportation Agency (MTA) – Operating Funds

MTA began the fiscal year with \$5.7 million in available operating fund balance. As of the April 5, 2011 SFMTA Board of Directors Policy and Governance meeting, the Agency projected a net revenue shortfall of \$8.2 million. This consisted of a \$14.8 million shortfall in Parking and Traffic fees and fines and \$0.5 million in advertising due to the tabling of an advertising contract amendment. These revenue shortfalls are partially offset by a revenue surplus of \$7.4 million in transit fares and \$6.7 million in the General Fund Baseline. Since the April 5, 2011 meeting, General Fund Baseline projections improved by \$3 million, resulting in a net revenue shortfall of \$5.2 million.

Absent additional cost-saving actions, the Agency projected a net expenditure deficit of \$12.6 million, primarily due to overtime costs related to backfilling for early retirements, furloughs and special events, such as the Major League Baseball 2010 World Series. This would have resulted in overspending the entire available fund balance by \$12.1 million. The Agency plans to eliminate the \$12.6 million projected expenditure deficit through ensuring that hiring and

overtime is limited to essential front line positions, limiting new contracts only to those with a service impact, and reducing rent by maximizing use of space across facilities. This would result in a \$0.5 million fiscal year-end available operating fund balance.

10. Port Operating Fund

The Port Operating Fund began the fiscal year with \$21.5 million in available fund balance above the \$9.9 million appropriated in the budget. The Port projects an operating surplus of \$7.0 million in the current year, including a \$5.5 million revenue surplus due to better than expected commercial and industrial rents, parking, and other revenues. The \$1.5 million in expenditure savings is due principally to salary savings generated by a delay in filling several vacant positions, lower than anticipated rent expenses for the lease of the Port offices at Pier 1, and lower than previously anticipated interdepartmental work order charges. This results in a projected fiscal year-end available fund balance of \$28.5 million.

11. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$64 million available fund balance above the \$31.1 million appropriated in the budget. The Department projects a net revenue surplus of \$0.6 million including a \$11.7 million due to greater Western Systems Power Pool and excess power sales, offset by the non-receipt of Clean Renewable Energy Bonds from the Federal government, lower than expected natural gas prices, and lower power consumption than assumed in the budget. Expenditure savings are projected to be \$17 million, including \$6.9 million in power purchases, \$4.0 million in General reserve contingency, and \$2.3 million due to lower than expected natural gas prices. This results in a projected net surplus of \$17.6 million and a fiscal year-end available fund balance of \$81.6 million.

12. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$15.4 million in available fund balance. Revenues are projected to be \$5.5 million lower than budget due to lower than projected water consumption and lower interest revenues. This shortfall is projected to be offset by \$1.1 million in expenditure savings and \$20.9 million use of expenditure reserves. This results in a projected net savings of \$16.5 million and a fiscal year-end available fund balance of \$31.9 million.

13. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with an available fund balance of \$40.1 million. Revenues are projected to be under budget by \$44.3 million, due to lower wholesale and retail revenues (\$25.5 million and \$9.8 million, respectively), lower Federal Interest Subsidy (\$5.9 million), lower quarries and mining revenues (\$3.8 million), delayed bond sale scheduled for July 2011 (\$1.2 million), and lower water sales to City departments (\$1.1 million). Expenditures are expected to be under budget by \$15.7 million, largely due to debt service savings from delayed debt issuance compared to budget. This results in a projected net shortfall of \$28.6 million and a projected fiscal year-end available fund balance of \$11.5 million.

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