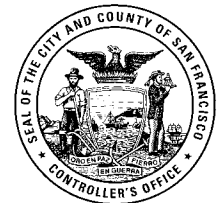


**FY 2011-12 Revenue Letter:**

**Controller's Discussion  
of the Mayor's FY 2011-12  
Proposed Budget**



June 14 2011



# City and County of San Francisco

## Office of the Controller

Controller's Discussion of the Mayor's FY 2011-12 Proposed Budget

June 14, 2011

Charter Section 9.102 requires that the Controller provide the Board of Supervisors with an opinion regarding the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget and the reasonableness of such estimates and subsequent revisions. On June 1, 2011, Mayor Edwin Lee issued his FY 2011-12 Proposed Budget to the Board of Supervisors. An overview of the revenues is provided in Table 1.

**Overall, the Proposed Budget appears to be reasonable given the information currently available, with one important cautionary note.** The budget contains a \$17.5 million allowance for potential reductions to State revenues as the State attempts to close its own shortfall. Depending on the choices taken by the Legislature and the Governor, the potential reductions in State revenues to San Francisco could be larger than the amount reserved for State reductions.

### Overview

As shown in Table 1, the Proposed Budget of \$6.8 billion in sources across all funds represents a \$266 million, or 4.1% increase from prior year. Excluding use of prior year fund balance and reserves, regular revenues are budgeted to increase by \$217 million or 3.4%. General Fund regular revenues are projected to increase 6.3%. As discussed in Appendix 1, the increases in General Fund revenues are primarily due to the continued effects of the economic recovery on local and State tax revenues, partially offset by the end of federal American Recovery and Reinvestment Act (ARRA) funding.

- **Local tax revenue estimates are reasonable given current economic assumptions.** Local tax revenues appear reasonable, based on the budget's assumption that the economic downturn in San Francisco bottomed out during FY 2009-10 and that the slow recovery underway in FY 2010-11 will continue for most tax revenues. The Controller's Office will monitor developments in our local economy carefully throughout the budget year.
- **\$17.5 million allowance for future State funding cuts and realigned program responsibilities.** As of this writing, the California State budget has not been passed, and the Governor's May Revise budget proposal anticipates substantial shifts of State public safety responsibilities to local Sheriff and Adult Probation Departments. Specifically, the State budget assumes that the cost of this transfer will be funded by State sales tax and vehicle license fee extensions that require legislative and/or voter approval. If the revenues are not approved, the State is likely to make offsetting cuts to local government programs. The Mayor's Proposed Budget does not assume new State

revenues to support public safety realignment and includes a \$15 million General Fund allowance for further State budget cuts beyond those assumed in departmental budgets, along with a \$2.5 million reserve in the Children’s Fund that is available to backfill potential State cuts to children’s programs.

**Table 1. Overview of Budget Sources (\$ millions)**

**All Funds**

	FY 2010-11		FY 2011-12		Change	
	Budget		Proposed		\$	%
Fund Balance	\$ 191	\$	248	\$	56	29.5%
Reserves	20		13		(7)	-35.2%
Regular Revenues	6,351		6,568		217	3.4%
Transfers, net	n/a		n/a		n/a	n/a
<b>Total All-Funds Sources</b>	<b>\$ 6,563</b>	<b>\$</b>	<b>6,829</b>	<b>\$</b>	<b>266</b>	<b>4.1%</b>

**General Fund**

	FY 2010-11		FY 2011-12		Change	
	Adopted		Proposed		\$	%
Fund Balance	\$ 80	\$	153	\$	73	91.9%
Reserves	20		13		(7)	-35.0%
Regular Revenues	2,754		2,927		173	6.3%
Transfers, net	114		157		43	37.7%
<b>Total GF Sources</b>	<b>\$ 2,967</b>	<b>\$</b>	<b>3,250</b>	<b>\$</b>	<b>283</b>	<b>9.3%</b>

- **Fee and fine increases requiring Board approval are projected to increase \$0.3 million.** Appendix 3 presents fee increases that are included in companion legislation to the Budget and require approval by the Board of Supervisors. To the extent the Board does not approve these items, the associated sources would not be available.
- **\$204 million in one-time sources are used to balance the General Fund budget, of which \$12 million is designated for one-time expenditures.** As detailed in Appendix 4, the proposed budget includes \$153.4 million in prior year fund balance, \$4.4 million in use of prior year reserves, and \$46.1 million in other one-time sources in the General Fund. Of this amount, \$12 million is designated for one-time expenditures related to the America’s Cup event.
- The anticipated \$153.4 million available fund balance represents an increase of \$17.3 million over the Controller’s Nine-Month Report Projection, including \$12.2 million of additional property tax revenue from supplemental and escape assessments and \$4 million of additional anticipated Real Property Transfer Tax revenue.

The Rainy Day Reserve currently contains \$33.4 million. After the budgeted withdrawal of \$8.4 for the San Francisco Unified School District, \$25.1 million will remain available for subsequent years.

- **Voter-approved budgetary baselines and set-asides are funded at voter-approved levels, with limited exceptions.** Appendix 5 provides details on voter-approved mandates that determine some minimum levels of revenues, expenditures or service levels for various programs. Items of interest include:
  - **Children’s Baseline:** The Children’s baseline is funded above required levels by \$12.6 million, primarily due to the budgeted transfer of \$8.4 million Rainy Day Reserve funds to the San Francisco Unified School District, as well as \$4.2 million of General Fund beyond the amount required.
  - **Police Staffing:** The Proposed Budget includes funding authority for 2,102 fully duty officer positions outside the Airport, or 131 more than the Charter requirement of 1,971 and 208 more than the adjusted requirement of 1,894 officers if the Chief of Police certifies that 77 positions have been civilianized since FY 2003-04. The Department’s June 2011 statistics indicate that after taking into account officers on modified duty and medical and other leave, the Department is operating close to the adjusted baseline. Given that the FY 2011-12 budget anticipates approximately 100 retirements or other separations with no planned hiring, it appears likely that the number of full duty officers will fall below the baseline during the budget year.
  - **Treatment on Demand:** The measure requires that the City not reduce funding, staffing or the number of substance abuse treatment slots available for as long as slots are filled or sought. This requirement appears to be met.
- **\$87 million in expenditures in the Proposed Budget are reserved by the Controller.** Most of these are reserved pending sale of debt, as detailed in Appendix 6.
- **Budget shortfall for FY 2012-13 will likely approach or exceed \$350 million, which could drop to \$140 million if first round of anticipated balancing initiatives are implemented.** While ongoing solutions proposed in the budget will reduce the \$458 million shortfall for FY 2012-13 projected in the May 2011 Five Year Financial Plan, a significant shortfall will remain. The FY 2012-13 budget will need to accommodate the anticipated \$210 million increase in expenditure requirements and the loss of \$192 million in one-time sources used in the Mayor’s FY 2011-12 Proposed Budget (excluding those designated for one-time expenditures). Base growth in revenues and other budgetary sources in FY 2012-13 was projected in the Five Year Financial Plan at \$35 million, and recent trends indicate that growth could be modestly higher. As a result, a reasonable updated estimate of the FY 2012-13 shortfall would be roughly \$350 million, prior to any solutions implemented to reduce the shortfall.

The FY 2012-13 shortfall could be reduced by \$115 million through savings measures envisioned in the Five Year Financial Plan, including postponing planned capital expenditures (\$45 million), limiting non-personnel inflationary budget increases (\$45 million), postponing 25% of Public Education Enrichment Fund annual expenditures (\$15 million), and capping growth in non-General Fund hotel tax allocations (\$10 million). These would bring the shortfall down to the neighborhood of \$235 million.

Other balancing initiatives envisioned by the Plan that require further legislative action and voter approval include pension and benefit reform (preliminary estimate \$35 million general fund savings in FY 2012-13 from a Charter proposal submitted by the Mayor to the Board in May 2011) and a proposed 1/2 cent local sales tax measure submitted by

the Mayor to the Board in June 2011 (\$60 million). If approved along with the other initiatives listed above, this would bring the FY 2012-13 shortfall down to an estimated \$140 million.

This preliminary outlook will change as we learn more about what will happen with the State budget and as we monitor trends in our tax revenues dependent on the local economy.

## **Conclusions**

The Proposed Budget appears to be reasonable given the information currently available, and with cautionary notes regarding contingent revenues and uncertainty from the State budget situation. Replacement of one-time sources and rising health benefit and retirement contribution costs are likely to place stresses on future year budgets. The Controller's Office will continue to work closely with the Mayor and the Board of Supervisors to share information and calculate the ongoing adjustments that will be necessary to ensure that the City's budget remains balanced.

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## Appendix 1. General Fund Regular Revenues

Table 1-1 provides a summary of the Mayor's FY 2011-12 Proposed Budget's assumptions regarding General Fund revenues and the change compared to the FY 2010-11 budget. Notes are provided below.

**Table 1-1. General Fund Regular Revenues (\$ millions)**

Sources of Funds	FY 2010-11	FY 2010-11	FY 2011-12	Change from	Notes
	Budget	9-Month	Proposed Budget	FY 2010-11 Budget	
Property Taxes	\$ 984.8	\$ 1,019.0	\$ 1,028.4	\$ 43.6	1
Business Taxes	342.4	369.4	389.9	47.5	2
Sales Tax	98.0	101.4	103.5	5.4	3
Hotel Room Tax	157.2	148.9	165.7	8.5	4
Utility Users Tax	97.5	93.6	95.6	(1.9)	5
Parking Tax	65.3	69.1	72.0	6.7	6
Real Property Transfer Tax	70.9	128.9	118.8	47.9	7
Stadium Admissions Tax	2.3	2.3	2.3	0.0	
Access Line Tax	37.3	40.0	41.1	3.8	8
Licenses, Permits & Franchises	23.2	23.8	24.3	1.1	
Fines and Forfeitures	3.8	5.5	5.6	1.8	
Interest & Investment Income	9.5	6.8	6.1	(3.5)	9
Rents & Concessions	22.3	23.9	22.9	0.5	
Intergovernmental - Federal	236.6	236.9	208.3	(28.3)	10
State - Public Safety Sales Tax	63.8	68.1	69.1	5.3	11
State - Health & Welfare Realignment	138.2	139.0	143.7	5.6	12
State - Other	232.9	245.6	257.3	24.4	13
Charges for Services	136.7	132.7	143.3	6.6	
Recovery of Gen. Govt. Costs	9.4	9.4	10.4	1.0	
Other Revenues	21.5	19.3	18.8	(2.6)	
<b>Regular Revenues</b>	<b>2,753.7</b>	<b>2,883.6</b>	<b>2,927.1</b>	<b>173.5</b>	

**1. Property Taxes.** The FY 2011-12 General Fund share of property tax revenue is projected to be \$1,028.4 million, which is 4.4% (\$43.6 million) more than the FY 2010-11 budget and 0.9% (\$9.4 million) more than the FY 2010-11 Nine-Month Report projection.

Preliminary working roll estimates from the Assessor's Office indicate FY 2011-12 secured tax roll growth of 0.6% from the FY 2010-11 certificate value. This very modest growth is due to a modest 0.753% Proposition 13 roll inflation factor based on the California Consumer Price Index rise between November 2009 and November 2010, offset by negative adjustments enrolled by the Assessor because of real estate market price declines.

The FY 2011-12 working roll is based on valuations assessed as of January 2011. Property owners will have an opportunity to request appeals of those assessments through September

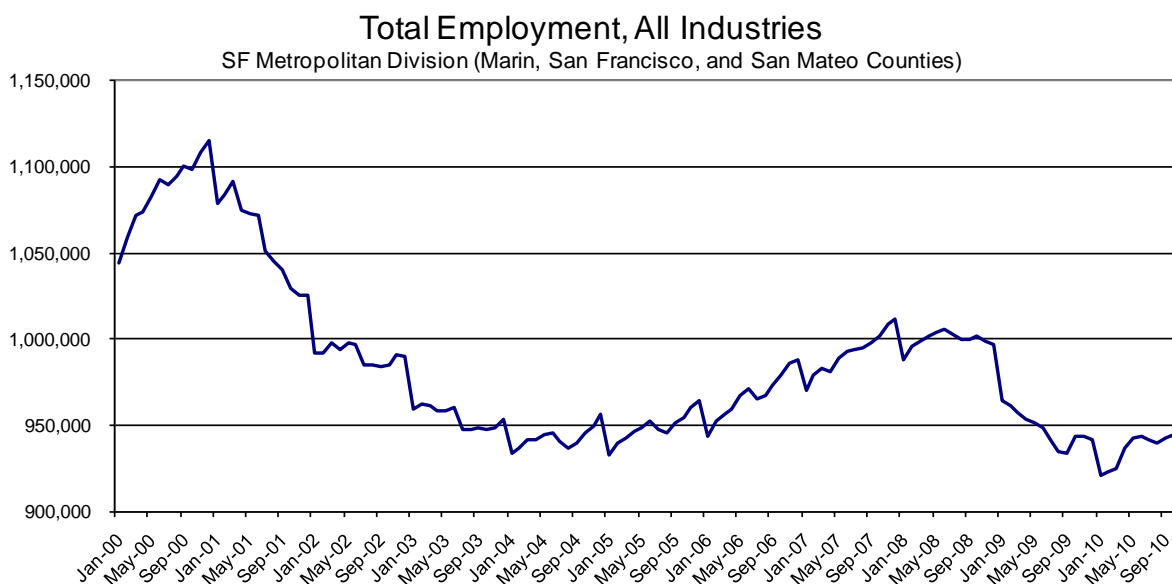
15, 2011. The Proposed Budget continues to set aside funds to allow for potential reductions in assessed valuation of commercial properties that may occur through the appeals process in FY 2011-12, along with reserves carried forward from the prior year to allow for potential refunds based on appeals that continue to be pending from prior years.

Other factors affecting property tax revenue include:

- \$39 million General Fund share budgeted for property tax supplemental and escape assessments that the Assessor expects to process in FY 2011-12. This is an increase of \$14 million compared to the \$25 million budgeted for FY 2010-11.
- \$16 million budgeted for penalties and interest revenue from payments of delinquent property taxes, representing an increase of \$5.2 million from the amount budgeted for FY 2010-11 budget.
- \$136 million budgeted gross tax increment to be provided to the Redevelopment Agency from the increase in assessed valuations in redevelopment project areas (tax increment). This represents an increase of \$22 million from FY 2010-11, largely due to tax increment derived from new construction in the Mission Bay North and South redevelopment areas and increased debt service requirements related to citywide low-income housing projects.

**2. Business Taxes.** Business taxes are budgeted at \$389.9 million, which is \$47.5 million (13.9%) more than the FY 2010-11 budget and \$20.5 million (5.5%) more than FY 2010-11 Nine-Month Report projections. Business tax revenues include \$8.4 million in business license registration fees and \$381.5 million in payroll taxes. Average monthly employment in the San Francisco Metropolitan District declined 0.9% in 2010 from 2009, as illustrated in Table 1-2.

**Table 1-2. San Francisco Metropolitan Division Employment, January 2000 to April 2011**



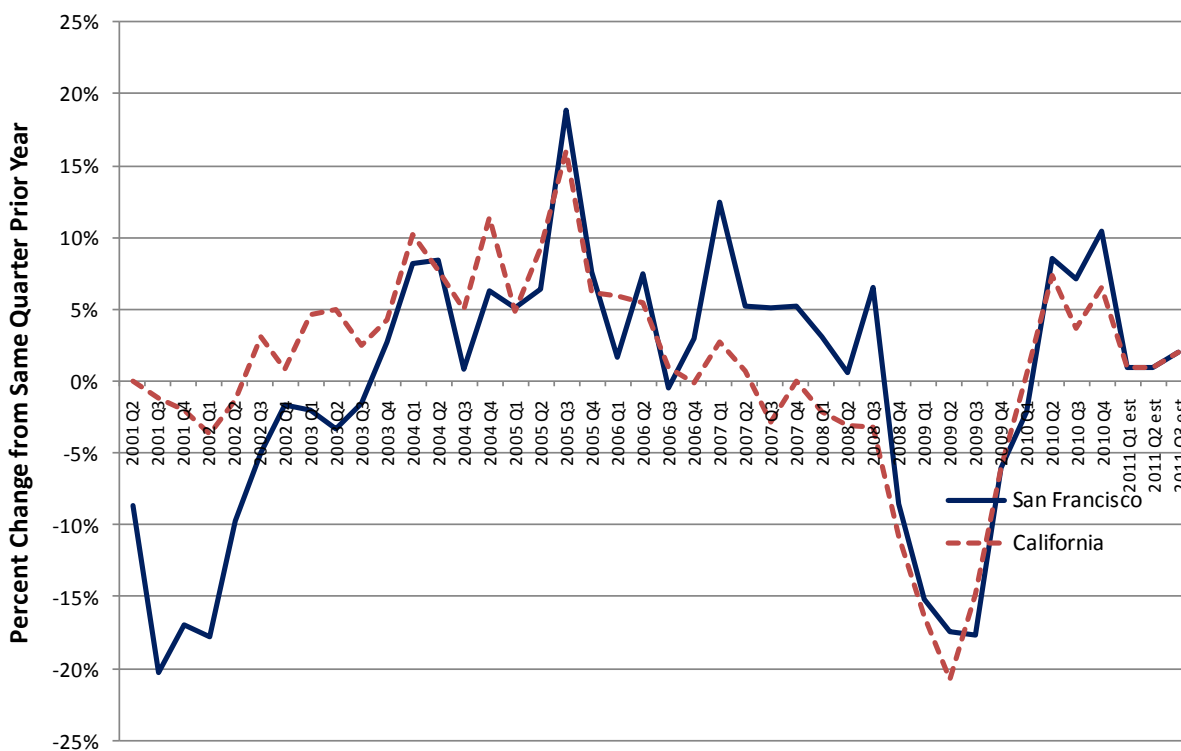
Source: California FDD. [www.calmis.ca.gov](http://www.calmis.ca.gov)

Total taxable payroll in San Francisco is estimated to have increased 4.2% from 2009 to 2010 because the 1% decline in private sector employment was more than offset by an increase of over 5% in wages as existing employees worked more hours. The Proposed Budget assumes an increase in total taxable payroll of 5.2% in 2011. The 2011 projected increase is the combined effect of a 3.2% increase in average weekly wages and a 2.0% increase in employment, representing a continued but slow labor market recovery. The Budget also assumes a \$0.6 million increase in collections of delinquent business tax revenue due to referral of delinquent accounts to outside collection agencies and substantial underreporting penalties.

While San Francisco’s employer base includes a range of financial, business and professional services firms, restaurants and hotels, and nonprofit and government organizations, its payroll tax payor base is much narrower. The California Constitution prohibits taxation of certain financial corporations, nonprofit and government employers are exempt, and all firms with less than \$250,000 in taxable payroll (including sole proprietorships with no payroll) are exempt as small businesses. As a result, only about ten percent of registered businesses in the City pay payroll tax, and within that group the City relies on a single sector—business and professional services—for more than 40% of revenue. This concentration means that tax receipts can change more quickly and at different rates than data on total employment and wages may indicate.

**3. Sales Tax.** Local sales tax in FY 2011-12 is expected to generate \$103.5 million in revenue, an increase of \$5.4 million (5.5%) from the FY 2010-11 original budget and \$2.1 million (2.0%) more than the FY 2010-11 year-end projections. Table 1-3 below shows historical changes in quarterly sales tax receipts for both the City and State.

**Table 1-3: Historical Changes in Local and State Sales Tax Receipts  
2001 Q2 through 2012 Q2 Projection**





The rate of recovery greatly improved in FY 2009-10 and slowed down again in FY 2010-11. While San Francisco came late to the recession compared to the state as a whole, it is projected to recover at a similarly modest pace during the next year. The budget assumes increases in both business and personal spending. The level of recovery in this line item will depend on job growth, business activity and tourism. The profound, and, we expect, lasting shift that retail consumers have made in their purchases of discretionary taxable goods will constrain sales tax revenue growth for several years.

**4. Hotel Room Tax.** Total hotel tax revenue is estimated to be \$220.0 million in FY 2011-12, a 3.5% increase budget to budget and a 7.1 % increase from the FY 2010-11 Nine-Month Report projection. The FY 2010-11 budget included an assumption of \$6M in additional hotel tax revenue due to a November 2010 ballot measure which would have clarified hotel tax remittance obligations. However, neither of the measures (Propositions J and K) passed, and these funds are not assumed in the budget.

Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (ADR) and room supply. Monthly occupancy rates averaged 80.1% in FY 2010-11 through March, higher than the prior peak of 78.6% in FY 2007-08, while ADR averaged \$171, nearly 9% below the FY 2007-08 peak. Double-digit increases in RevPAR during the first calendar quarter of 2011 are expected to slow through FY 2010-11 year end. The Proposed Budget assumes an annual increase in RevPAR of approximately 7.1% due to growth in ADR. Table 1-4 provides a recent history of RevPAR levels.

**Table 1-4: Revenue Per Available Room (RevPAR)**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Change - \$	Change - %
<b>July</b>	\$ 156	\$ 167	\$ 131	\$ 140	\$ 9	7%
<b>August</b>	162	167	134	153	19	15%
<b>September</b>	175	178	152	165	13	9%
<b>October</b>	184	171	174	172	(2)	-1%
<b>November</b>	146	122	107	111	4	4%
<b>December</b>	100	112	85	105	21	24%
<b>January</b>	117	102	96	123	26	27%
<b>February</b>	142	91	102	134	32	31%
<b>March</b>	141	110	117	135	18	15%
<b>April</b>	139	116	117			
<b>May</b>	146	114	131			
<b>June</b>	169	121	129			
<b>Average YTD</b>	\$ 148	\$ 131	\$ 123	\$ 138		
<b>\$ Change from PY</b>	\$ 13	\$ (17)	\$ (8)	\$ 15		
<b>% Change from PY</b>	9.3%	-11.6%	-6.1%	11.9%		

General Fund hotel tax totals \$165.7 million, of which \$142.0 million is unallocated. This is an increase of \$8.5 million or 6.4% from the FY 2010-11 budget and 13.4% from the Nine-Month Report projection. Debt service payments on the Redevelopment Agency's hotel tax revenue bonds have declined due to refinancing of the debt during FY 2010-11. Table 1-5 below illustrates how hotel room tax revenues are allocated pursuant to the Municipal Code as well as the FY 2011-12 Proposed Budget. Note that the Proposed Budget assumes the growth in hotel tax will go to the General Fund, while other agencies' allocations remain flat.

**Table 1-5: FY 2011-12 Hotel Room Tax Revenue Allocation (\$ millions)**

	9-Month Estimate	Municipal Code Allocation	Proposed Allocation	from PY Budget	from 9-Month
General Fund Unallocated (discretionary)	\$ 125.2	\$ 101.3	\$ 142.0	6.4%	13.4%
Grants for the Arts - Recurring	11.2	21.0	11.2	0.0%	0.0%
Grants for the Arts - Non-Recurring	0.2	0.3	0.2	0.0%	0.0%
Fine Arts Museum	5.6	6.6	5.6	0.0%	0.0%
Asian Art Museum	2.2	2.6	2.2	0.0%	0.0%
Academy of Sciences - Steinhart Aquarium	1.2	-	1.2	0.0%	0.0%
Administration (Tax Collector)	0.1	0.2	0.1	0.0%	0.0%
Cultural Centers	1.5	2.6	1.5	0.0%	0.0%
Cultural Equity Endowment	1.7	2.9	1.7	0.0%	0.0%
War Memorial & Performing Arts	8.8	12.6	8.8	0.0%	0.0%
Moscone / Convention Facilities	34.1	47.6	34.1	0.0%	0.0%
Convention & Visitors Bureau	7.6	11.0	7.6	0.0%	0.0%
Low-Income Housing - Capital Projects	-	7.5	-	n/a	n/a
Low-Income Housing - Rental Assistance	0.5	0.6	0.5	0.0%	0.0%
Yerba Buena Gardens (Redevelopment Agency)	5.6	3.3	3.3	-22.9%	-41.0%
<b>Total</b>	<b>\$ 205.5</b>	<b>\$ 220.0</b>	<b>\$ 220.0</b>	<b>3.5%</b>	<b>7.1%</b>
Budgeted in General Fund	\$ 148.9	\$ 137.5	\$ 165.7	5.4%	11.3%
Budgeted in Non-General Fund	51.0	79.2	51.0	0.0%	0.0%
Budgeted in SF Redevelopment Agency	5.6	3.3	3.3	-22.9%	-41.0%
<b>Total, All Entities</b>	<b>\$ 205.5</b>	<b>\$ 220.0</b>	<b>\$ 220.0</b>	<b>3.5%</b>	<b>7.1%</b>

**5. Utility Users Tax.** Utility user tax revenue is budgeted at \$95.6 million in FY 2011-12, \$1.9 million (1.9%) less than the FY 2010-11 Original Budget but \$2.0 million (2.1%) over the FY 2010-11 9-Month Report projection. Telephone user taxes are projected to grow by 1.5% over FY 2010-11 projected actuals, keeping pace with population growth in San Francisco. Gas and electric user taxes are budgeted to grow by 3% reflecting growth in private employment and CPI anticipated during FY 2011-12.

**6. Parking Tax.** Parking tax is budgeted at \$72.0 million, an increase of \$6.7 million (10%) compared to the FY 2010-11 budget, and a \$2.1 million increase from the 9-Month Report FY 2010-11 projection. Parking tax revenues are correlated with business activity, employment, and rate increases. The recovery in business activity and employment have largely driven this increase, however, it is also related to the annualization of parking rate increases that went into effect in April 2010. In addition, the budget includes \$0.8 million in new revenue from parking tax collections at colleges and universities beginning January 1, 2012. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

**7. Real Property Transfer Tax.** Real property transfer tax is budgeted at \$118.8 million, which is \$47.9 million (67.5%) more than the FY 2010-11 budget and \$10.1 million less than the FY 2010-11 9-Month Projection of \$128.9 million. Table 1-6 summarizes recent history for this revenue by transaction size and illustrates the high levels of revenue generated in FY 2005-06 and FY 2006-07 from sales of high value (largely commercial) properties. The value of such transactions fell by over 50% in FY 2008-09 due to severe downturn, rebounded in FY 2009-10, and is projected to near prior peak levels in FY 2010-11, due in part to tax rate increases in November 2008 and 2010, as well as an increase in the number transactions in these new tax brackets.

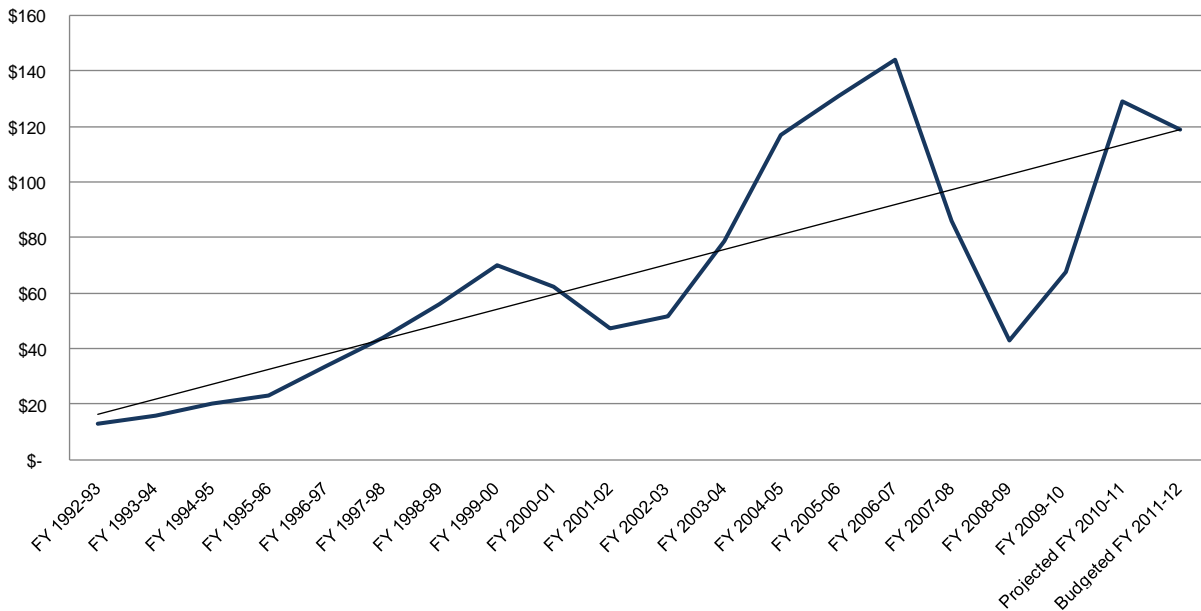
**Table 1-6. Real Property Transfer Tax Revenues by Transaction Size (\$ millions)**

Tax Rate	@ 0.50%		@ 0.68%		@ 0.75%		@ 1.5%		@ 2.5%		Total Revenue
	<\$250K	>\$250K	>\$250K	>\$250K	>\$1 M	>\$1 M	>\$5 M	>\$5 M	>\$10 M	>\$10 M	
FY 2005-06	\$ 0.5	\$ 31.4	\$ 98.3	N/A	N/A	\$ 130.2					
FY 2006-07	0.4	29.3	114.3	N/A	N/A	144.0					
FY 2007-08	0.5	24.7	61.0	N/A	N/A	86.2					
FY 2008-09	0.8	19.8	27.1	1.3	N/A	48.9					
FY 2009-10	1.7	24.1	25.8	32.1	N/A	83.7					
FY 2010-11 Projection	0.9	19.1	27.2	52.4	29.3	128.9					
FY 2011-12 Budget	0.8	17.6	25.1	48.3	27.0	118.8					

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 from 1.5% to 2.5% for transactions values at over \$10 million. In FY 2010-11 through April, 99 transactions of over \$5 million and 19 transactions of over \$10 million occurred. The Proposed Budget assumes revenues revert to the long term trend line, as illustrated in Table 1-7.

In April 2010, the Board of Supervisors and Mayor approved the Controller’s proposed financial policies, submitted in accordance with the provisions of Proposition A, passed in November 2009. These policies included the creation of a Budget Stabilization Reserve to be funded with a portion of volatile revenues, beginning in FY 2011-12, including transfer tax revenue in excess of the prior five-year average, adjusted for any rate increases during the period. The transfer tax revenue in the Proposed Budget is \$21.0 million below five-year adjusted average value of \$86.1 million, above which deposits to the reserve would be required.

**Table 1-7. Real Property Transfer Tax Revenues (\$ millions)**



**8. Access Line Tax.** Access Line Tax revenues are budgeted at \$41.1 million, an increase of \$3.8 million (10.3%) from the FY 2010-11 budget and a 3% increase from the Nine-Month Report projection for FY 2010-11 of \$40.1 million. The same trends that are increasing telephone user tax revenue are affecting this source. Additionally, the budget reflects a proposed inflationary increase to the Access Line Tax rate of 1.52% as required under Business and Tax Regulations Code Section 784.

**9. Interest & Investment Income.** General Fund interest and investment income is projected to decrease \$3.5 million (36.6%) from the FY 2010- budget and \$0.7 million (10.6%) from the FY 2010-11 Nine-Month Report projection. This assumes average net monthly interest rates will decrease 24%, from 1.05% in FY 2010-11 to 0.8% in FY 2011-12, and that average cash levels of unallocated General Fund revenue will remain flat.

**10. Intergovernmental – Federal.** Federal support for the General Fund is projected to decrease by \$28.3 million (12.0%), primarily due to the loss of American Recovery and Reinvestment Act (ARRA) federal stimulus funds.

**11. State - Public Safety Sales Tax.** Public Safety (Proposition 172) sales tax revenue is expected to increase \$5.3 million (8.2%) from the FY 2010-11 budget and \$1.0 million (1.5%) from Nine-Month Report projections. These revenues are allocated to counties by the State separately from the local one percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the County Ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The Proposed Budget assumes no change in the County Ratio and a 2% increase in state sales taxes in the Public Safety Augmentation Fund.

**12. State – Health & Welfare Realignment.** Realignment allocations from the State are derived from statewide sales tax and motor vehicle license fee (VLF) receipts. Total General Fund realignment revenues are expected to increase \$5.6 million from FY 2010-11 budgeted levels. Sales tax realignment revenues are projected to increase \$7.1 million (7.6%) from the FY 2010-11 budget and increase \$3.9 million (4.0%) from FY 2010-11 projected receipts. VLF revenues are expected to decrease \$1.6 million (3.6%) from the FY 2010-11 budget and increase \$0.8 million (2.0%) from projected FY 2010-11 receipts. The budget assumes a 4% increase in statewide sales tax receipts from the continued recovery in taxable sales, and assumes that FY 2010-11 VLF allocations affected by the delay in DMV processing of renewals during the state legislature's budget hearings will be resolved and revenue accrued to the current year, so that FY 2011-12 allocations reflect modest 2% growth in the value of vehicles upon which the VLF is assessed

**13. State – Other.** Other State funding is projected to increase by \$24.4 million (10.5%). This is primarily due to a reduction in the State revenue loss allowance from -\$30 million in the FY 2010-11 budget to -\$15 million in the FY 2011-12 budget. Additionally, the budget includes a \$7.5 million General Fund increase in federal Short-Doyle Medi-Cal funds drawn down through the State due to pending State plan amendments that would improve reimbursement rates. The budget does not include potential additional State funding that may be provided to fund public safety realignment. State legislative language currently prevents the State from implementing realignment without providing associated funding to local governments.

## Appendix 2. San Francisco General Hospital and Laguna Honda Hospital Revenues and General Fund Support

San Francisco General Hospital and Laguna Honda Hospital operations are included in the Department of Public Health. These hospital operations are budgeted in Enterprise funds outside the General Fund, but receive substantial transfers in from the General Fund and are considered “General Fund Supported” enterprises. As a result, any surpluses or shortfalls in the hospitals are ultimately felt by the General Fund as reductions or increases in transfer in requirements.

As shown in Table 2-1, San Francisco General Hospital and Laguna Honda Hospital revenues are budgeted to increase a net \$14.1 million (1.8%) from the FY 2010-11 budget. This increase includes the loss of some major revenue streams, offset by new ones, as discussed in the notes below.

**Table 2-1 San Francisco General and Laguna Honda Hospital Revenues (\$ millions)**

Sources of Funds	FY 2010-11	FY 2011-12	Change	Notes
	Budget	Proposed Budget		
Rents & Concessions	0.6	0.6	-	
Intergovernmental - Federal	16.7	9.9	(6.8)	1
State - Health & Welfare Realignment	50.2	50.1	(0.1)	
State - Other	30.3	34.0	3.7	2
Charges for Services	678.5	694.8	16.3	3
Recoveries from City Departments	1.2	1.4	0.1	
Other Revenues	18.1	19.0	0.9	
<b>Regular Revenues</b>	<b>795.7</b>	<b>809.8</b>	<b>14.1</b>	

**1. Intergovernmental-Federal.** The net \$6.8 million reduction is made up of a \$16.7 million reduction in federal stimulus funds tied to Medi-Cal formula funding, offset by \$9.9 million in new stimulus funds tied to the implementation of electronic medical records.

**2. State-Other.** The \$3.7 million increase is due to State Health Care Initiative revenues.

**3. Charges for Services.** This category includes insurance reimbursements, including Federal and State Medi-Cal reimbursements for hospital services. The \$16.3 million increase includes the net effects of:

- \$88.0 million loss of State AB1383 Hospital Fee revenues included in the FY 2010-11 budget. Additional funding from this program requires State action and federal approval to extend the program.
- \$79.0 million in new funding for initiatives funded by the Delivery System Reform Initiative Pool (DSRIP) established under a Medi-Cal waiver obtained by the State. Of this amount, half (\$39.5 million) is returned to the State through an intergovernmental transfer.
- \$25.3 million net increase in other payments for services based on current trends.

### Appendix 3. Fee Revenues

The Mayor's FY 2011-12 Proposed Budget assumes approval of a small number of fee increases. Table 3-1 highlights key assumptions and associated revenue changes. The table does not include the effect of automatic CPI adjustments or increasing patient rates at the Department of Public Health. Legislation to automatically adjust City Planning's CEQA fees for inflation is not expected to result in increased revenue.

**Table 3-1. Key General Fund Fee Changes Assumed in the FY 2011-12 Budget (\$ millions)**

<b>Department</b>	<b>Fee Description</b>	<b>Value</b>
City Planning	Capping initial permit fees at 50% of project cost.	0.01
Human Services	Public Guardian fee for the Representative Payee program	0.33
<b>Total</b>		<b>\$ 0.34</b>

The Proposed Budget also assumes \$1.3 million in additional ambulance fee revenue predicated upon the passage of State legislation to reinstate the Fire Department as the primary provider of emergency ambulance transports in the City.

#### Appendix 4. Use of Fund Balance, Prior Year Reserves and Other One-Time Sources

The Proposed Budget includes \$316.9 million in one-time sources in all funds, including fund balance, the use of reserves, and other non-recurring revenues. The General Fund value is \$203.8 million, as noted in Table 4-1 below.

**Table 4-1. Total One-Time Sources, Including Fund Balance and Reserves (\$ millions)**

	<b>General Fund</b>	<b>Non-General Fund</b>	<b>All Funds</b>
Use of Fund Balance	\$ 153.4	\$ 94.5	\$ 247.9
Use of Reserves	4.4	8.4	12.8
Non-Recurring Revenues	46.1	10.1	56.2
<b>Total</b>	<b>\$ 203.8</b>	<b>\$ 113.0</b>	<b>\$ 316.9</b>

#### Prior Year Fund Balance

Each year, the budget includes the City's estimated year-end surplus from the prior year as a source of funds. The reconciliation of the FY 2010-11 year-end surplus will not be finalized until the independent audit is completed around November 2011. The Mayor's FY 2011-12 Proposed Budget assumes available General Fund fund balance of \$153.4 million, \$17.3 million more than projected in the Nine-Month Report. The increase is largely due to increased property tax revenue. Table 4-2 below summarizes key components of estimated fund balance.

**Table 4-2. FY 2010-11 Projected Year-End Surplus General Fund Fund Balance Available to Support the Mayor's FY 2011-12 Proposed Budget (\$ millions)**

	<b>Mayor's Proposed FY 2011-12</b>
<b>Nine-Month Report Fund Balance Projection</b>	<b>\$ 136.0</b>
Allocation to Rec & Park Budget Savings Incentive Reserve*	(0.9)
Property Tax Supplemental & Escape Revenue	12.2
Real Property Transfer Revenue	4.0
Reduction in Public Health Supplemental	1.6
Controller's Office Workorder Closeouts	0.5
<b>Subtotal - Changes Since 9-Month Report</b>	<b>17.3</b>
<b>Total Available Fund Balance</b>	<b>\$ 153.4</b>

\*Correction made after 9-Month Report publication.

Mayor's Proposed Budget also includes the use of \$94.5 million in balance in funds other than the General Fund. Of this total, \$66.8 million represents enterprise department funding and \$27.7 million is for departments supported in whole or part by special revenue funds. Table 4-3 summarizes key components of the use of fund balance outside the General Fund.

**Table 4-3. FY 2010-11 Non-General Fund Fund Balance Used to Support the Mayor's FY 2011-12 Proposed Budget (\$ millions)**

<b>Department</b>	<b>Fund</b>	<b>Mayor's Proposed FY 2011-12</b>	
ADM	SURETY BOND SELF-INSURANCE FUND	\$	0.13
ADM	CONVENTION FACILITIES OPERATING-NONPROJECT		8.4
AIR	1992 SFIA ISSUE 15 AMT BONDS		0.7
AIR	1998 COMMERCIAL PAPER - SERIES 3 AMT		0.1
AIR	2000 SFIA ISSUE 24A AMT BONDS		1.1
AIR	2004 SFIA ISSUE 31A AMT BONDS		0.3
AIR	SFIA-CAPITAL PROJECTS-OPERATING FUND		0.4
AIR	AIRPORT OPERATING FUND		31.1
CHF	CHILDREN'S FUND-NON PROJECT		1.9
CRT	COURTS' SPECIAL REVENUE FUND-ANNUAL PROJEC		1.0
DAT	DA-SPECIAL REVENUE FUND		0.6
DBI	DPW-STRONG MOTION ADMIN FUND		0.2
HHP	HETCHY OPERATING-NON-PROJ-CONTROLLED FUND		21.8
LIB	PUBLIC LIBRARY PRESERVATION FUND		1.4
MYR	AFFORDABLE HOUSING FUND-FEES		0.8
POL	SFPD-NARC FORF & ASSET SEIZURE FUND		1.4
PRT	PORT-OPERATING-NON-PROJ-CONTROLLED FUND		11.4
REC	DOWNTOWN PARK FUND		0.3
REC	MARINA YACHT HARBOR-NONPROJECT		0.1
REC	OPEN SPACE & PARK-NON PROJ-CONTROLLED		1.5
REC	OPEN SPACE-CONTINUING PROJECTS		0.3
REC	R&P CAPITAL IMPROVEMENTS-LOCAL FUND		0.5
RNT	RENT ARBITRATION BOARD FUND		1.1
TIS	DTIS-OPERATING-ANNUAL PROJECT FUND		2.8
TIS	TELECOMMUNICATION-NON PROJ-CONTROLLED		4.2
WAR	WAR MEMORIAL-OPERATING NONPROJECT		1.0
<b>Total Appropriated Fund Balance</b>		<b>\$</b>	<b>94.5</b>



## Prior Year Reserves

The Mayor's FY 2011-12 Proposed Budget includes using \$12.8 million in reserves established in prior years. A summary of these reserved funds is outlined in Table 4-4 below.

**Table 4.4 Use of Prior Year Reserves (\$ millions)**

Use of Prior Year Reserves (\$ millions)	General Fund	Other Funds	All Funds
Rainy Day Reserve Allocated to School District	-	8.4	8.4
Recreation & Park's Budget Savings Incentive Reserve	4.4	-	4.4
<b>Total</b>	<b>\$ 4.4</b>	<b>\$ 8.4</b>	<b>\$ 12.8</b>

**Rainy Day Reserve.** The FY 2010-11 year-end balance of the Rainy Day Reserve's Economic Stabilization Account is projected to be \$33.4 million. The Mayor's Proposed Budget assumes no use of the Account in FY 2011-12 for the City. Charter Section 9.113.5 allows the Board of Supervisors and Mayor to appropriate funds from the Reserve to the San Francisco Unified School District if the Controller projects that inflation-adjusted per-pupil revenues for the District will be reduced in the budget year and the District has noticed a significant number of layoffs. The Proposed Budget assumes \$8.4 million will be withdrawn from the Economic Stabilization Account and allocated to the District. This figure may be revised as additional information on State revenue becomes available.

The Charter allows policymakers to appropriate up to 50% of the balance of the Economic Stabilization Account, but no more than the shortfall in total General Fund revenues, for any lawful governmental purpose in the upcoming budget year. FY 2011-12 General Fund revenues, adjusted for policy changes made to increase them, are currently projected to be \$47.8 million above the withdrawal threshold for the City and \$94.8 below the deposit threshold.

**Recreation & Park's Savings Reserve.** The Mayor's Proposed Budget assumes the use of \$4.4 million from the Recreation and Park Department's Budget Savings Incentive Reserve. Any savings must be retained by the Recreation & Park Department and be dedicated to one-time expenditures under San Francisco Charter Section 16.107.

**Budget Stabilization Reserve.** The financial policies adopted by the Board of Supervisors in April 2010 created a new Budget Stabilization Reserve to augment the Rainy Day Reserve's ability to mitigate the impact of multi-year revenue downturns. The Reserve will be funded through the dedication of 75% of volatile revenues to the new reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget. Real Property Transfer Tax would have to be \$31 million above budgeted levels after adjustments for rate increases for deposits to be required in FY 2011-12.

## Key One-Time/Non-recurring Revenues & Transfers-In

The Mayor's FY 2011-12 Proposed Budget includes a number of one-time or nonrecurring sources other than the Prior-Year Fund Balance and Reserves discussed above. Table 4-5 summarizes key one-time revenue and transfer-in sources. Of the \$46.1 million in one-time revenues to General Fund operations, \$18.5 million is from federal and state subventions.

**Table 4-5. Key One-Time/Nonrecurring Sources (\$ millions)**

	General Fund	Non-General Fund	All Funds
<b>Gifts and Grants</b>			
America's Cup Planning Cost Reimbursement*	\$ 12.0	\$ -	\$ 12.0
Private Industry Council Asset Transfer	-	0.1	0.1
<b>Transfers</b>			
Transfer in from Convention Facilities Fund	11.9	-	11.9
<b>Federal &amp; State Subventions</b>			
Mental Health State Plan Amendment Revenue	18.5	-	18.5
<b>Other</b>			
Taxi Medallion Sales	-	10.0	10.0
PUC Lease of Civic Center Garage Spaces	1.5	-	1.5
Settlement Revenue for Consumer Protection Enforcement	1.5	-	1.5
Outside Collections Agency Revenue	0.4	-	0.4
Back rent for cell towers on Fire Department property	0.3	-	0.3
<b>Total Non-Recurring Revenues</b>	<b>\$ 46.1</b>	<b>\$ 10.1</b>	<b>\$ 56.2</b>

\*This one-time source will be used to cover one-time expenses.

## Appendix 5. Baselines & Mandated Funding Requirements

The Mayor's FY 2011-12 Proposed Budget includes funding for baselines and other mandated funding requirements. The San Francisco Charter establishes baseline funding levels for a number of city services. These baselines are indexed to overall growth or reduction in aggregate General Fund discretionary revenues. Revenue-driven baselines are based on projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending. Table 5-1 below identifies required and proposed levels of funding. The Children's Services baseline is anticipated to be overfunded by \$12.6 million due partly to the \$8.4 million anticipated release from the Rainy Day Reserve to the San Francisco Unified School District to offset per-pupil revenue declines.

**Table 5-1. Key Baseline & Mandated Funding Requirements (\$ millions)**

	FY 2010-11	FY 2011-12			Change	
	Original Budget	Required Baseline	Mayor's Proposed	Surplus/ (Shortfall)	\$	%
<b>Revenue-Driven Baselines</b>						
Municipal Transportation Authority	\$ 175.0	\$ 190.1	\$ 190.1	\$ -	\$ 15.1	9%
<i>MTA - Municipal Railway</i>	127.3	138.3	138.3	-	11.0	9%
<i>MTA - Parking &amp; Traffic</i>	47.7	51.9	51.9	-	4.1	9%
Children's Services	111.9	102.9	115.5	12.6	3.6	3%
Library Preservation	43.5	47.3	47.3	-	3.8	9%
Public Education Baseline Services	5.6	6.0	6.0	-	0.4	8%
<b>Property Tax Related Set-Asides</b>						
Municipal Symphony	2.0	2.0	2.0	-	0.0	0%
Children's Fund Set-Aside	41.1	42.7	42.7	-	1.6	4%
Library Preservation Set-Aside	34.2	35.6	35.6	-	1.3	4%
Open Space Set-Aside	34.2	35.6	35.6	-	1.3	4%
<b>Expenditure-Driven Baselines</b>						
Public Education Enrichment Funding	39.9	44.0	44.0	-	4.0	10%
<i>Unified School District</i>	25.3	28.5	28.5	-	3.2	13%
<i>First Five Commission</i>	14.7	15.5	15.5	-	0.8	5%
City Services Auditor	11.6	12.1	12.1	-	0.5	4%
Human Services Homeless Care Fund	13.7	13.7	13.7	-	0.0	0%
<b>Staffing and Service-Driven</b>						
Police Minimum Staffing		Requirement potentially not met during course of budget year				
Fire Neighborhood Firehouse Funding		Requirement met				
Treatment on Demand		Requirement met				
<b>Total Baseline Spending</b>	<b>\$ 512.8</b>	<b>\$ 531.9</b>	<b>\$ 544.5</b>	<b>\$ 12.6</b>	<b>\$ 31.7</b>	<b>6%</b>

**Municipal Transportation Baselines.** Charter section 8A.105 established a Municipal Transportation Fund to provide a predictable, stable and adequate level of funding for the Municipal Transportation Agency (MTA). Consistent with the Charter, in FY 2000-01 a base amount of funding was established. Charter subsection (c) (1) requires the Controller's Office to adjust the base amount from year to year by the percent increase or decrease in aggregate City discretionary revenues. Beginning in FY 2002-03, this Charter section also established a level of

funding (required baseline) for the Parking and Traffic Commission based upon FY 2001-02 appropriations.

Baseline amounts can vary if a new source of revenue is generated, in which case the baseline percentage of the new revenues flows to the MTA. Transfers will decline if revenues decrease. The Mayor's FY 2011-12 Proposed Budget includes funding for the Municipal Railway (MUNI) baseline at the \$138.3 million required level and the Parking and Traffic Baseline at the \$51.9 million required level.

**Children's Baseline.** Charter Section 16.108 establishes a fund for children's services. Consistent with the Charter, in FY 2000-01 a base amount of funding was established, which is adjusted by the percent increase or decrease in aggregate City discretionary revenues. The Mayor's FY 2011-12 Proposed Budget includes Children's Baseline funding of \$115.5 million. The required baseline for FY 2011-12 is \$102.9 million, which reflects surplus funding of \$12.6 million largely due to the Rainy Day Reserves allocation of \$8.4 million to the School District.

**Library Baseline.** Charter Section 16.109 establishes a Library Preservation Fund to provide library services and to construct, maintain, and operate library facilities. Consistent with the Charter, in FY 2006-07 a base amount of funding was established, which is adjusted by the percent increase or decrease in aggregate City discretionary revenues. The Mayor's FY 2011-12 Proposed Budget includes Library Baseline funding at the \$47.3 million required level.

**Public Education Services Baseline.** Charter Section 16.123-2 establishes a Public Education Enrichment Fund. Consistent with the Charter, in FY 2001-02 a base amount of funding was established, which is adjusted by the percent increase or decrease in aggregate City discretionary revenues. Proposition H, passed by voters in March 2003, required not only enhancement funding for public education but also baseline funding established pursuant to FY 2002-03 appropriation levels, which were to be adjusted in subsequent years according to changes in aggregate discretionary revenues. The Mayor's FY 2011-12 Proposed Budget includes \$6.0 million of funding for Public Education Services. These appropriations are shown in the budget in the Department of Children, Youth & Their Families.

**Municipal Symphony Baseline.** Charter Section 16.106(1) mandates that the City provide an appropriation equivalent to 1/8 of \$0.01 of each \$100 in assessed valuation of property tax for the symphony orchestra. The Mayor's FY 2011-12 Proposed Budget includes Municipal Symphony Baseline funding at the \$2.0 million required level. The appropriation is budgeted at the Arts Commission.

**Other Property Tax-Related Set-Asides.** Charter Sections 16.108, 16.109, and 16.107 mandate three property tax-related set-asides, including amounts equivalent to 3.0% of property tax revenues for Children's Services, 2.5% for Library Preservation and 2.5% for Open Space. The Mayor's FY 2011-12 Proposed Budget includes required funding of \$42.7 million for Children's Services and \$35.6 million for both Library Preservation and Open Space.

**Public Education Enrichment Funding.** The Mayor's FY 2011-12 Proposed Budget includes \$44.0 million for the Public Education Enrichment Fund. This funding, which was approved by voters in March 2004 through Proposition H and included in Charter Section 16.123-2, requires the City to support education initiatives with \$60 million in FY 2009-10, and with annual contributions in FY 2010-11 and thereafter equal to the City's total contribution the prior year, adjusted for the change in aggregate discretionary revenue. In any year, if the joint report prepared by the Controller, the Mayor's Budget Director, and the Board of Supervisors' Budget

Analyst projects a budgetary shortfall of \$100 million or more, the Mayor and the Board of Supervisors may reduce the City's contribution to the Public Education Enrichment Fund by up to 25%. The FY 2011-12 Proposed Budget includes this reduction. The City must pay back the \$15.5 million difference by 2018 unless voters extend the measure or authorize a substantially similar measure.

**City Services Auditor Baseline.** Charter Section F1.113 establishes the Controller's Audit Fund and a baseline amount. This baseline was approved by voters in November 2003 and mandates that 0.2% of the budget be used to fund audits of City services. The Mayor's FY 2011-12 Proposed Budget includes \$12.1 million for the City Services Auditor Baseline.

**Human Services Homeless Care Fund.** Also known as Care not Cash, the Human Services Homeless Care Fund, Proposition N, was passed by voters in November 2002 and first budgeted in FY 2003-04. Prop N established the Human Services Care Fund in Administrative Code Section 10.100-77. The City is required to credit the fund with the difference between the average annual maximum cash grant for each program and the average annual special allowance or other residual cash payment provided by the City for each individual in the program that the City expects will be provided with in-kind benefits in lieu of the full cash grant during the year. These funds are to be used on homeless outreach and service programs. In FY 2011-12, funding will equal \$13.7 million, unchanged from FY 2010-11 funding.

**Police Staffing Baseline.** San Francisco Charter Section 4.127 mandates a minimum staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated minimum staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work, pursuant to Charter Section 16.123 (Proposition C). This voter-approved proposition provides that the Mayor and Board may convert a position from a sworn officer to a civilian through the budget process. The Mayor's Proposed Budget assumes 77 positions have been civilianized since FY 2003-04. If those 77 positions were certified by the Chief of Police, the required baseline of 1,971 full-duty officers would be reduced to 1,894.

The Mayor's FY 2011-12 Proposed Budget includes net funding authority for 2,102 full-time equivalent (FTE) officers outside the Airport (including 57 positions funded in the form of overtime). The Department's current statistics from mid-June 2011 indicate that after taking into account officers on modified duty and medical and other leave, they have 1,817 active full duty officers outside the Airport. Adding in the 57 positions funded in the form of overtime brings this total to 1,874, or 20 positions below the adjusted baseline. This number will fluctuate each pay period as officers go in and out of leave and modified duty status, so it is possible that the Department could meet the Baseline during subsequent pay periods. However, given that the FY 2011-12 budget anticipates approximately 100 retirements or other separations with no planned hiring, it appears likely that the number of full duty officers will remain below the baseline during the budget year.

**Neighborhood Firehouse Baseline.** In November 2005, San Francisco voters passed the Neighborhood Firehouse Protection Act (Proposition F), which established new baseline service level requirements for San Francisco firehouse operations as detailed in Charter Section 2A.97. The Act included minimum baseline requirements for 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than 4 ambulances, and 4 Rescue Captains (medical supervisors). The \$220.7 million Neighborhood Firehouse baseline requirement has been met.

**Treatment on Demand Baseline.** In November 2008, voter-approved Proposition T created Section 19.23A of the Administrative Code, which required the Department of Public Health (DPH) to maintain an “adequate level of free and low cost medical substance abuse services and residential treatment slots” to meet the overall demand for these services. The measure requires the Department to report to the Board of Supervisors by February 1st of each year with an assessment of the demand for substance abuse treatment and present a plan to meet this demand. The measure also requires that the City not reduce funding, staffing or the number of substance abuse treatment slots available for as long as slots are filled or sought.

From FY 2008-09 through the FY 2011-12 Proposed Budget funding for DPH substance abuse services decreased from \$71.5 million to \$60.6 million. However, between FY 2008-09 and FY 2009-10 the number of direct treatment slots increased from 3,579 to 3,795 (FY 2010-11 data are not yet available). At the end of December 2010 (the most recently reported data), service providers reported via DATAR (Drug Abuse Treatment Access Reporting system) that 160 slots were available and 154 clients were waiting, which indicates an adequate level of treatment slots to meet overall demand.

## Appendix 6. Expenditure Reserves

Prior to certifying revenues, the Controller places certain items on reserve pending some additional action needed to secure the revenues. The chart below details reserves related to specific department revenues and the action required by the department to expend funds.

**Table 6-1. Controller’s Appropriation Reserves (\$ millions)**

<b>Department Reserve Description &amp; Follow-Up Action Required</b>	<b>Amount</b>
MTA--Municipal Transportation Agency--Materials and Supplies Pending revenue from the issuance of taxi medallions	\$ 10.0
MTA--Municipal Transportation Agency--Materials and Supplies Pending receipt of parking tax revenue from colleges and universities	0.6
PUC--Public Utilities Commission--Clean Water Capital Projects Pending sale of debt proceeds	33.3
PUC--Public Utilities Commission--Hetch Hetchy Water Capital Projects Pending sale of debt proceeds	10.0
PUC--Public Utilities Commission--Water Capital Projects Pending sale of debt proceeds	33.5
SHF--Sheriff--Electronic Monitoring Programs Pending rise in jail population resulting from State realignment	
	<b>\$ 87.3</b>

## Other Reserves Included in Proposed Budget

The Mayor's FY 2011-12 Proposed Budget also includes \$49.5 million in General Fund reserves as outlined in Table 6-4 below. These appear to be prudent and reasonably reflect anticipated Memoranda of Understanding (MOUs), litigation costs, and general contingency reserves.

**Table 6-4. Proposed Reserves (\$ millions)**

<b>General Fund</b>	<b>FY 2010-11 Original Budget</b>	<b>FY 2011-12 Proposed Budget</b>	<b>Change</b>
General Reserve	\$ 25.0	\$ 25.0	\$ -
Salaries & Benefits Reserve	11.7	13.5	\$ 1.8
Litigation Reserve	11.0	11.0	\$ -
<b>Total Reserves - General Fund</b>	<b>\$ 47.7</b>	<b>\$ 49.5</b>	<b>\$ 1.8</b>

**General Reserve.** Each year, the City sets aside funding to provide for revenue and expenditure uncertainties including funding for supplemental appropriations in the event that additional appropriation needs arise. The Mayor's FY 2011-12 Proposed Budget includes \$25.0 million in the General Reserve.

In April, 2010, the Board of Supervisors approved the Controller's proposed financial policies on reserves and the use of volatile revenues, which codified the practice of maintaining a General Reserve for current year issues. The policy requires the Reserve to be \$25 million in FY 2011-12, and will increase to 2% of General Fund revenues in FY 2016-17.

**Salaries and Benefits Reserve.** The Mayor's FY 2011-12 Proposed Budget provides \$13.5 million in the General Fund to cover costs related to adopted Memorandum of Understandings (MOUs) with labor organizations, a \$1.8 million increase to cover the costs that were covered through carryforward appropriations in FY 2010-11.

**Litigation Reserve.** The \$11.0 million litigation reserve proposed budget is intended to provide funding for potential judgments and claims that will need to be paid out by the City during the budget year, based on historical experience. The City also maintains a separate reserve funded from prior year appropriations for large cases pending against the City. The proposed level of funding is consistent with prior years funding and expenditures.



## Appendix 7: Downtown Park Fund

The San Francisco Planning Code requires that the Controller's Office file an annual report with the Board of Supervisors outlining the amount of money collected in the Downtown Park Fund. The Recreation and Park Commission and the City Planning Commission jointly administer this fund. The fund receives fee revenue and associated interest from a \$2 per square foot charge on the net addition of gross office floor area for specified C-3 Use District development. The fund is designated for the acquisition and development of public recreation and park facilities for use by the daytime population of the C-3 Use Districts.

As of FY 2009-10 year end, unappropriated fund balance was \$1.5 million. The FY 2010-11 budget appropriated \$1.2 million of fund balance for ADA remediation expenditures at Union Square Plaza. With interest earnings of \$0.1 million, a year end fund balance is projected to be \$0.4 million. The FY 2011-12 budget anticipates \$0.1 million in interest revenue and \$0.4 million of capital expenditures, resulting in a projected fund balance of \$0.1 million. Table 7-1 summarizes fund balance over a five-year period.

**Table 7-1, Downtown Park Fund History (\$ millions)**

<b>Fiscal Year</b>	<b>Sources</b>	<b>Uses</b>	<b>Fund Balance</b>
FY 2011-12 Budget	0.1	0.4	0.1
FY 2010-11 Projected	0.1	1.2	0.4
FY 2009-10 Actual	0.4	0.6	1.5
FY 2008-09 Actual	1.2	0.0	1.7
FY 2007-08 Actual	0.1	0.2	0.6

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