City and County of San Francisco

Office of the Controller

FY 2011-12
Six-Month
Budget Status Report

February 13, 2012

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FY 2011-12 Six-Month Budget Status Report **February 13, 2012**

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 provides expenditure and revenue information and projections as of December 31, 2011, incorporating more current information up to the date of publication as available.

Table 1. FY 2011-12 Projected General Fund Variances to Budget, $M

	Surplus (Shortfall)
A. Better than anticipated starting balance	**$ 8.1**
B. Citywide Revenues and Baselines	
Citywide Revenue Surplus	122.3
General Fund Impact of Baseline Revenue Transfers	(15.8)
Subtotal Citywide Revenues and Baselines	**106.5**
C. Departmental Operations	**10.6**
D. Changes to Reserves	
Withdrawals from General Reserve	9.7
Deposit to Budget Savings Incentive Reserve	(4.8)
Subtotal Reserve Deposits and Withdrawals	**4.9**
E. Pending Supplemental Appropriations	**(1.0)**
F. Ending Surplus (Shortfall)	**$ 129.1**

A. General Fund Starting Balance

The General Fund available fund balance at the end of FY 2010-11 was $168.5 million. The FY 2011-12 budget assumed and appropriated $159.4 million of this balance, leaving a surplus of $9.1 million available at the beginning of the current fiscal year. Of that amount, $1.0 million was used in a supplemental appropriation providing a spending plan for funds received in a 2010 settlement related to closure of the Potrero Power Plant, leaving $8.1 million available prior year fund balance.

B. Citywide Revenues and Baseline Transfers

As shown in Table 2, Citywide revenues have improved by $122.3 million compared to revised budget, primarily due to a recovery in local economic activity resulting in improved outlooks for real property transfer tax, property tax, payroll tax, sales tax and hotel tax. More information on these revenue trends is provided in Appendix 1.

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

	Revised Budget	6-Month Projection	Surplus (Shortfall)
Property Tax	1,028.7	1,060.0	31.3
Payroll & Business RegistrationTax	389.9	409.7	19.8
Sales Tax - Local 1% and Public Safety	175.9	188.1	12.3
Hotel Room Tax	165.9	177.4	11.6
Transfers In from Other Funds	158.5	159.8	1.4
1991 Realignment Sales Tax/VLF	143.7	147.4	3.7
Utility User & Access Line Taxes	136.7	131.0	(5.7)
Property Transfer Tax	118.8	162.5	43.7
Parking Tax	72.0	75.4	3.4
Interest Income	6.1	7.8	1.8
Motor Vehicle In-Lieu	1.7	0.8	(0.9)
Total Major Citywide Revenues	**2,397.7**	**2,520.0**	**122.3**

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 $15.8 million compared to budget. Projected discretionary revenues increase the Children’s Baseline funding requirement from $103.2 million in the adopted budget to $108.7 million, which is $7.4 million below the $116.1 million appropriated in the budget.

Table 3. General Fund Baseline and In-Lieu Transfers ($ Millions)

	Revised Budget	6-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	**2,074.6**	**2,185.1**	**110.5**
MTA Baseline 9.2% ADR	190.7	200.9	10.2
Library Baseline 2.3% ADR	47.4	49.9	2.5
Public Education Fund Baseline 0.3% ADR	6.0	6.3	0.3
Total Baseline Transfers	**244.1**	**257.2**	**13.0**
80% Parking Tax in Lieu Transfer to MTA	**57.6**	**60.3**	**2.7**
Total Baselines and In-Lieu Transfers	**301.7**	**317.5**	**15.8**

C. Departmental Operations

We project a net departmental operations surplus of $10.6 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

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

Net Shortfall Departments	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Public Health	$ 27.8	$ (34.3)	$ (6.5)
City Attorney	-	(3.2)	(3.2)
Police	(0.6)	-	(0.6)
Recreation & Park	(0.1)	-	(0.1)
Subtotal Departments with Net Deficits	**$ 27.2**	**$ (37.5)**	**$ (10.4)**
Net Surplus Departments			
Human Services Agency	$ (18.2)	$ 34.1	$ 15.9
Assessor/Recorder	0.5	1.0	1.5
Controller	0.6	0.7	1.3
Adult Probation	-	0.8	0.8
Sheriff	(0.6)	0.8	0.2
Other Net Surplus	(0.1)	1.4	1.3
Subtotal Departments with Net Surpluses	**$ (17.8)**	**$ 38.8**	**$ 20.9**
Combined Total	**$ 9.3**	**$ 1.2**	**$ 10.6**

Based on these projections, supplemental appropriations would be required to cover anticipated shortfalls in the Department of Public Health and City Attorney's Office. In addition, while the Police Department and Fire Department are projected to end the year within expenditure budget overall, they will likely require supplemental appropriations to shift funding from savings in permanent salaries and other categories to cover over-expenditures in overtime, pursuant to San Francisco Administrative Code Section 3.17, adopted by the Board of Supervisors in September, 2011. 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

This report assumes $9.7 million in withdrawals from the General Reserve to support supplemental appropriations required to respond to anticipated shortfalls in the Department of Public Health and services of the City Attorney's Office. The report also assumes a $4.8 million deposit to the Citywide Budget Savings Incentive Reserve due to projected FY 2011-12 expenditure savings in other departments. A discussion of the status of reserves, including the General Fund Reserve, is included in Appendix 3.

E. Pending Supplemental Appropriations

A supplemental appropriation using $1.0 million of available starting balance for the Small Business Revolving Loan Fund in the Office of Economic and Workforce Development is pending before the Board of Supervisors. Assuming this legislation is approved, the projected year-end balance will be reduced by $1.0 million.

F. Ending Available General Fund Balance: $129.1 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2011-12 of $129.1 million, or $7.9 million above the prior five-year average of $121.2 million. Pursuant to the financial policy on the use of nonrecurring revenues adopted by the Board of Supervisors in 2011 (Administrative Code section 10.61), any ending available General Fund balance above the prior five-year average would be considered a "nonrecurring revenue," and may only be used for nonrecurring expenditures. This policy may be temporarily suspended through a two-thirds vote of the Board of Supervisors.

G. 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 5 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

H. Impacts of Redevelopment Agency Dissolution Are Still Being Evaluated

The FY 2011-12 State Budget called for the dissolution of Redevelopment Agencies, with unencumbered fund balances and proceeds of surplus nongovernmental assets distributed to property tax beneficiaries. After litigation, the dissolution of Redevelopment Agencies became effective February 1, 2012. Pursuant to a resolution of the Board of Supervisors, the City and County of San Francisco became the successor agency to the San Francisco Redevelopment Agency.

The City is working with the State to clarify the status of various projects to determine to what degree they constitute enforceable obligations and the amount of funds that may be retained to fulfill these obligations. In addition, there are certain activities of the former San Francisco Redevelopment Agency that will cease to be considered enforceable obligations once existing contracts expire. The Mayor and Board of Supervisors will have to decide whether to continue these activities using other funding sources. Until these major issues are resolved, the impact of the dissolution on the General Fund cannot be determined. Further discussion of these matters will be provided in the Controller's Nine-Month Budget Status Report due in early May, 2012.

I. Projection Uncertainty Remains

In addition to uncertainties surrounding the impact of the dissolution of the San Francisco Redevelopment Agency, other projection uncertainties include:

- The potential for continued fluctuations in general tax revenues.
- The potential for property tax appeal decisions that may require the Controller's Office to revise our assumptions regarding set-asides for future refunds.
- The outcome of litigation challenging the State's ability to reduce In-Home Support Services hours and to reduce Medi-Cal provider rates to skilled nursing facilities

J. Additional Projections will be Provided in the Joint Report and Nine-Month Budget Status Report

The "Joint Report" of the Mayor's Office, Controller's Office and Board of Supervisors Budget Analyst will provide revenue and expenditure projections for Fiscal Year 2012-13 through FY 2015-16 in early March, 2012. The Controller's Office will update this report with the Nine-Month Budget Status Report, scheduled to be published in early May, 2012.

K. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Status of Reserves
4. Salaries and Benefits Reserve Update
5. 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 $116.3 million above budget. Of this total, -$6.0 million relates to departmental operations discussed in Appendix 2 and $122.3 million is due to improvements in citywide revenue as discussed in this Appendix.

The FY 2011-12 budget assumed continued moderate recovery in tax revenues throughout the fiscal year. Tax revenues projected to recover beyond budgeted levels include property, payroll, sales, hotel, and property transfer taxes. These gains are partially offset by shortfalls in state health and social service subventions, utility users tax, and charges for services. Selected revenue streams are discussed below.

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

GENERAL FUND ($ Millions)	FY 2010-11 Year End Actual	FY 2011-12 Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	**$ 1,061.9**	**$ 1,028.7**	**$ 1,028.7**	**$ 1,060.0**	**$ 31.3**
BUSINESS TAXES					
Business Registration Tax	8.1	8.4	8.4	8.4	-
Payroll Tax	383.0	381.5	381.5	401.4	**19.8**
Total Business Taxes	**391.1**	**389.9**	**389.9**	**409.7**	**19.8**
OTHER LOCAL TAXES					
Sales Tax	106.3	106.6	106.8	114.3	**7.5**
Hotel Room Tax	158.9	165.9	165.9	177.4	**11.6**
Utility Users Tax	91.7	95.6	95.6	89.8	**(5.7)**
Parking Tax	72.7	72.0	72.0	75.4	**3.4**
Real Property Transfer Tax	135.2	118.8	118.8	162.5	**43.7**
Stadium Admission Tax	2.4	2.3	2.3	2.3	-
Access Line Tax	40.9	41.1	41.1	41.1	-
Total Other Local Taxes	**608.2**	**602.3**	**602.5**	**662.9**	**60.5**
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	9.4	8.6	8.6	8.6	-
Franchise Tax	15.8	15.7	15.7	15.7	-
Total Licenses, Permits & Franchises	**25.3**	**24.3**	**24.3**	**24.3**	-
FINES, FORFEITURES & PENALTIES	**6.9**	**7.7**	**7.7**	**7.7**	-
INTEREST & INVESTMENT INCOME	**8.2**	**6.1**	**6.1**	**7.8**	**1.8**
RENTS & CONCESSIONS					
Garages - Rec/Park	12.4	10.1	10.1	9.0	**(1.1)**
Rents and Concessions - Rec/Park	8.8	10.7	10.7	11.7	**1.0**
Other Rents and Concessions	2.2	2.1	2.1	2.1	-
Total Rents and Concessions	**23.4**	**22.9**	**22.9**	**22.8**	**(0.1)**
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	184.5	205.8	198.4	198.4	-
Other Grants & Subventions	26.7	3.0	8.4	8.4	-
Total Federal Subventions	**211.3**	**208.8**	**206.8**	**206.8**	-
State Government					
Social Service Subventions	143.6	142.5	130.2	110.1	**(20.1)**
Health & Welfare Realignment - Sales Tax	100.3	101.4	101.4	106.6	**5.3**
Health & Welfare Realignment - VLF	42.9	42.3	42.3	40.8	**(1.6)**
Health & Welfare Realignment - CalWORKs MOE			25.5	27.4	**1.9**
Health/Mental Health Subventions	69.7	114.4	114.3	87.5	**(26.8)**
Public Safety Sales Tax	68.4	69.1	69.1	73.9	**4.8**
Motor Vehicle In-Lieu	5.3	1.7	1.7	0.8	**(0.9)**
Other Grants & Subventions	26.2	13.1	19.0	18.9	**(0.1)**
State Budget Reduction Placeholder	-	(15.0)	(11.6)	(11.6)	-
Total State Grants and Subventions	**456.5**	**469.6**	**491.8**	**454.3**	**(37.5)**
CHARGES FOR SERVICES:					
General Government Service Charges	35.1	36.3	36.2	36.5	**0.3**
Public Safety Service Charges	22.4	22.2	22.3	21.1	**(1.2)**
Recreation Charges - Rec/Park	12.6	12.1	12.1	12.1	-
MediCal,MediCare & Health Service Charges	52.2	58.0	58.1	56.9	**(1.1)**
Other Service Charges	11.5	14.7	14.6	14.6	-
Total Charges for Services	**133.8**	**143.3**	**143.2**	**141.2**	**(2.0)**
RECOVERY OF GEN. GOV'T. COSTS	**10.3**	**10.4**	**10.4**	**10.4**	-
OTHER REVENUES					
Laguna Honda SB 1128 Reimbursement	-	-	10.2	50.8	40.6
Other Revenues	8.5	18.8	18.2	18.8	0.6
Total Other Revenues	**8.5**	**18.8**	**28.4**	**69.6**	**41.2**
TOTAL REVENUES	**2,945.1**	**2,932.7**	**2,962.6**	**3,077.5**	**114.9**
TRANSFERS INTO GENERAL FUND:					
Airport	30.2	30.3	30.3	31.7	**1.4**
Other Transfers	76.9	126.9	128.2	128.2	-
Total Transfers-In	**107.1**	**157.2**	**158.5**	**159.8**	**1.4**
TOTAL GENERAL FUND RESOURCES	**$ 3,052.2**	**$ 3,089.9**	**$ 3,121.07**	**$ 3,237.37**	**$ 116.3**

Property Tax revenue in the General Fund is projected to be $31.3 million above budget. $20.9 million of the improvement is due to an improved outlook from the Assessor's Office for supplemental and escape tax assessments. $2.2 million of the improvement is due to penalties and interest receipts anticipated to come in higher than budgeted. The remaining $8.2 million improvement is due to an updated analysis of amounts required to be set aside for property tax appeals and current year roll corrections and other factors. Projected property tax set asides to special revenue funds are shown in the table below.

Please note that uncertainties remain regarding the fiscal impact of State legislation resulting in the February 1, 2012 dissolution of the San Francisco Redevelopment Agency. An updated consideration of those impacts on General Fund property tax revenues will be provided in the Nine-Month budget status report scheduled for early May, 2012.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	42.7	44.3	1.6
Open Space Fund	35.6	36.9	1.3
Library Preservation Fund	35.6	36.9	1.3
Total	**113.9**	**118.1**	**4.2**

Business Tax revenues are projected to be $19.8 million over budget, or 4.8% above prior year actual revenues. Bureau of Labor Statistics data indicate higher than expected growth in private employment and average weekly wages in the first two quarters of 2011, indicating total wages increased by 11.8% and 10.7% over the same quarter prior year. The projection assumes rates of growth in the last two quarters of 2011 taper off from these high levels, to 6.1% in the third quarter and 5.6% in the fourth quarter. These projected rates of growth in calendar year taxable payroll result in a 4.8% increase in FY 2011-12 revenue, given the timing of payroll tax payments. True-up payments for tax year 2011 are due at the end of February 2012, and will be factored into projections in the Nine-month report to the extent they are available.

Local Sales Tax revenues are projected to be $7.5 million over budget, or 7.5% over prior year actual revenues. Cash collections for the first quarter of FY 2011-12 increased 12.8% from the same quarter prior year, due in large part to higher gas and jet fuel prices, but also to increased taxable sales at restaurants and in general retail and construction. This was the fourth consecutive quarter of double-digit gains in local sales tax revenue. The current projection assumes growth in the remaining three quarters of FY 2011-12 slows to 7.5% in the second quarter and approximately 5% in the second half of the year, resulting in revenues exceeding FY 2007-08 prior peak by $2.9 million.

Hotel Room Tax revenues allocated to the General Fund are projected to be $11.6 million (7%) over budget and 11.7% over prior year actual revenues. The average monthly increase in Revenue per available Room (RevPAR, which is the combined effect of occupancy, average daily room rates, and room supply) during the first 6 months of FY 2011-12 was 18% over the same period prior year. Current projections assume continued, albeit slower, RevPAR increases through the remaining months of the fiscal year that result in an annual increase of 11% over FY 2010-11.

General Fund allocations of hotel tax grow more quickly since all other allocations are fixed by the administrative provisions of the budget.

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.

Utility Users Tax revenues are projected to be $5.7 million under budget and 2.0% below prior year actual revenues. Changes are driven by a projected 3.6% decrease in gas and electric user tax from prior year actual revenues because of an exceptionally warm and dry winter through December and flat natural gas prices. Telephone user taxes are projected to end the year 1.5% below prior year revenues as certain carriers have stopped collecting the tax on cell phone data plans. Water user tax revenue represents a small portion of UUT but is projected to increase 13.2% from prior year actual revenues due to continued annual rate increases.

Parking Tax revenues are projected to be $3.4 million (4.1%) over budget and $2.7 million (3.7%) above prior year actual revenues. Parking tax revenues are strongly correlated with business activity and employment. The recovery in business activity and employment as reflected in increases to payroll and sales tax projections is driving increases in parking tax revenues. Additionally, beginning in December 2010, the City increased enforcement efforts towards parking lot operators who do not hold Certificates of Authority to collect parking tax, increasing both compliance and revenues.

Real Property Transfer Tax revenues are projected to be $43.7 million over budget and 20.2% above prior year actual revenues. Increases in FY 2011-12 include the annualization of the value of Proposition N, passed by voters in November 2010, which became effective in December 2010. Proposition N 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 valued at over $10 million. Revenues continue to benefit from the provisions of Proposition N of November 2008, which increased some rates and enhanced the City's ability to collect taxes, penalties and interest on unrecorded transactions. This revenue has traditionally been one of the General Fund's most volatile taxes and is highly dependent on a number of factors including investor interest, economic cycles, interest rates, and credit availability. Class A office and premium hotel space in gateway cities such as San Francisco are currently attractive investments compared to other options.

Access Line Tax revenues are projected to be on budget. Year to date revenues through December were approximately 2.3% above prior year actual revenues. This rate of increase is projected to slow over the second half of FY 2011-12 reflecting strong growth over the same period during FY 2010-11.

Interest & Investment Income is projected to be $1.8 million (29.5%) over budget and 4.1% below prior year actual revenues. This is largely due to the projected average monthly pooled interest rate of 1.2%, which is 22.4% above budgeted rates, as well as higher cash balances from improved revenues.

State Grants and Subventions are projected to be $37.5 million under budget, due largely to a projected $46.9 million shortfall in state social service and mental health subventions discussed in Appendix 2, partially offset by changes from budget in the following items:

Public Safety Sales Tax revenues are projected to be $4.8 million over budget and 8% over prior year actual revenues. Revenues through January 2012 are up 14% over the same time prior year due to an improvement in the statewide sales tax base for this subvention. Current projections assume a 6.3% increase in State sales tax revenue available for this allocation, as well as a 1.7% increase in San Francisco's share of these revenues.

Health & Welfare Realignment – Sales Tax revenues are projected to be $5.3 million over budget and 6.3% above prior year actual revenues, due to a 6.3% projected increase in statewide sales tax.

Health & Welfare Realignment – Vehicle License Fee revenues are projected to be $1.6 million under budget and 5.0% below prior year actual revenues. Increases in new vehicle registrations are projected to be up 8.3% from the prior year due to strong new car sales, however, this is not enough to overcome the erosion in the amortized values of existing vehicles, which declined dramatically during the recession and generate over 80% of VLF revenue.

Health & Welfare Realignment – CalWORKs MOE revenues are projected to be $1.9 million over budget due to year to date receipts and projected growth in state sales tax. The State's FY 2011-12 budget reallocated a portion of state sales tax and state and local VLF revenues to the Local Revenue Fund for a number of realigned programs. Counties receive Local Revenue Fund revenue for mental health programs and can then use existing county medical health funding to pay for a higher share of CalWORKs grant costs. San Francisco's CalWORKs MOE allocations are recalculated every year and are directly tied to what the county would have received under the 1991 realignment formula for distribution of funding for mental health services.

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	18.6	17.8	-	0.8	0.8	1
Superior Court	33.2	33.2	-	-	-	
District Attorney	35.5	35.4	(0.1)	0.1	-	
Emergency Management	42.6	42.6	-	-	-	
Fire Department	278.4	277.9	(0.5)	0.5	-	2
Juvenile Probation	32.5	32.5	0.8	-	0.8	3
Public Defender	26.0	26.0	-	-	-	
Police	396.8	396.8	(0.6)	-	(0.6)	4
Sheriff	146.6	145.8	(0.6)	0.8	0.2	5
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	62.7	62.7	-	-	-	
Economic & Workforce Development	21.4	21.4	-	-	-	
Board of Appeals	0.9	0.9	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	31.7	31.7	-	-	-	
Human Services	671.4	637.3	(18.2)	34.1	15.9	6
Environment	1.4	1.4	-	-	-	
Human Rights Commission	0.7	0.7	-	-	-	
County Education Office	0.1	0.1	-	-	-	
Status of Women	3.3	3.3	-	-	-	
COMMUNITY HEALTH						
Public Health	834.5	818.8	27.8	(34.3)	(6.5)	7
Public Health General Fund	617.1	612.6	12.4	4.5	16.9	
SF General Hospital Realignment	50.1	-	(0.5)	-	(0.5)	
Subsidy Transfer to SF General Hospital Fund	120.8	147.3	21.6	(26.5)	(4.9)	
Subsidy Transfer to Laguna Honda Hospital Fund	46.5	58.8	(5.7)	(12.3)	(18.0)	
CULTURE & RECREATION						
Asian Art Museum	7.2	7.2	-	-	-	
Arts Commission	9.5	9.5	-	-	-	
Fine Arts Museum	11.6	11.6	-	-	-	
Law Library	0.8	0.7	-	0.1	0.1	
Recreation and Park	74.2	74.2	(0.1)	-	(0.1)	
Academy of Sciences	4.0	4.0	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	64.2	64.2	-	-	-	
Assessor / Recorder	21.8	20.8	0.5	1.0	1.5	8
Board of Supervisors	11.7	11.7	0.1	-	0.1	
City Attorney	8.7	11.9	-	(3.2)	(3.2)	9
Controller	15.3	14.6	0.6	0.7	1.3	10
City Planning	24.2	23.9	(0.3)	0.3	-	
Civil Service Commission	0.5	0.5	-	-	-	
Ethics Commission	12.0	11.8	-	0.1	0.1	11
Human Resources	13.4	13.4	-	-	-	
Health Service System	0.6	0.6	-	-	-	
Mayor	8.3	8.3	-	-	-	
Elections	14.9	14.9	-	-	-	
Retirement System	1.9	1.9	-	-	-	
Technology	3.3	3.3	-	-	-	
Treasurer/Tax Collector	24.3	24.1	-	0.2	0.2	
GENERAL CITY RESPONSIBILITIES	171.7	171.7	-	-	-	12
TOTAL GENERAL FUND	**3,142.6**	**3,091.2**	**9.3**	**1.2**	**10.6**	

Notes to General Fund Department Budget Projection

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

1. **Adult Probation**
   The Adult Probation Department projects to end the fiscal year with expenditure savings of $0.8 million from salary and fringe benefits due to delayed hiring for the Public Safety Realignment implementation plan.

2. **Fire Department**
   The Fire Department projects total expenditures to be on budget. However, based on current projections, the Department will be required to request a supplemental appropriation to shift funding from savings in fringe benefits and other categories to cover over-expenditures in overtime, pursuant to Administrative Code Section 3.17.

3. **Juvenile Probation**
   The Juvenile Probation Department projects to end the fiscal year with a net surplus of $0.8 million. The Department projects a revenue surplus of $0.8 million primarily driven by an increase in State Juvenile Probation and Camps Funding (JPCF) revenue. The Department projects expenditures to be on budget; however, the Department could face $0.4 million in additional expenditures if it is required to remit a fee to the State Division of Juvenile Justice for juvenile offenders in State custody that was included in the Governor's "trigger cuts." To date the State has assessed but has not attempted to collect the fee.

4. **Police Department**
   The Police Department projects to end the fiscal year with a net deficit of $0.6 million. The Department projects a revenue shortfall of $0.6 million primarily driven by a shortfall in car park solicitation revenue. The Department projects total expenditures to be on budget. However, the Department projects a $1.5 million over-expenditure in overtime pay primarily due to providing support for Occupy SF. This shortfall will require a supplemental appropriation to shift funding from other categories to cover the projected deficit in overtime spending pursuant to Administrative Code Section 3.17.

5. **Sheriff**
   The Sheriff's Department projects to end the fiscal year with a net surplus of $0.2 million. The Department projects a $0.6 million revenue shortfall due to decreased State funding for the boarding of prisoners as a result of Public Safety Realignment. In their FY 2011-12 budget, the Sheriff's Department received $0.8 million on Mayor's reserve to increase their electronic monitoring capacity in the event that the jail population increased at a rapid rate. Although the daily jail population has increased since the start of this fiscal year, as of the writing of this report it has not increased to a level that warrants the release of this reserve. Therefore, the Department projects expenditure savings of $0.8 million.

6. **Human Services Agency**
   The Human Services Agency projects to end the fiscal year with a $15.9 million surplus. Projected expenditure savings of $34.1 million are partially offset by an associated $18.1 million revenue shortfall in state and federal reimbursements. The Agency is projecting a $7.7 million net surplus in Aid programs, primarily due to lower than expected caseloads in County Adult Assistance Program (CAAP) and CalWORKs, and lower than expected expenditures in Adoptions, Foster Care, Foster Care Childcare, and In Home Supportive Services. As the

projected number of cases and associated expenditures decrease, the amount of eligible state and federal reimbursements decreases. The Agency is also projecting an $11.2 million net surplus in other operations due to $4.0 million in salary under-spending, and $5.4 million in contract and project savings as well as $1.8 million in unused funding for Adult Day Health Centers that were originally eliminated by the State but later restored through a legal settlement. The Board of Supervisors had approved a supplemental appropriation using $3.4 million of Reserves for State Budget Impacts to restore funding for Adult Day Health Centers. Following the legal settlement, a another supplemental appropriation was introduced to redirect $1.6 million of these unneeded funds to the Department of Public Health to offset federal funding reductions to Ryan White AIDS/HIV programs. This projection assumes that the legislation is approved.

7. Public Health

The Department of Public Health projects to end the fiscal year with a net deficit of $6.5 million. Revenues are projected to be $27.8 million greater than budget due to a net increase of $21.6 million in patient revenues and other operating revenues at San Francisco General Hospital and $40.6 million in State SB1128 reimbursement revenue for Laguna Honda Hospital Debt Service. These surpluses are offset by a revenue shortfall of $34.4 million at Laguna Honda Hospital and Public Health General Fund operations, primarily driven by State and Federal revenue reductions. Expenditures are projected to be $34.3 million above budget at the hospitals. The Department will request a supplemental appropriation to cover the projected shortfall using General Fund Reserve, surplus patient revenues and the Laguna Honda reimbursement revenue.

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

Fund	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Public Health General Fund	$ (28.2)	$ 4.5	$ (23.7)
Laguna Honda Hospital	(5.7)	(12.3)	(18.0)
San Francisco General Hospital	21.6	(26.5)	(4.9)
SF General Realignment Revenue	(0.5)	-	(0.5)
Laguna Honda Debt Service Reimbursement (SB 1128)	40.6	-	40.6
Total All Funds	**$ 27.8**	**$ (34.3)**	**$ (6.5)**

Non-Hospital Operations in the General Fund

The Department of Public Health projects a $23.7 million deficit in its non-hospital operations in the General Fund, primarily due to decreased revenues of $26.8 million in mental health, and resulting from a delay in the effective date for a State Plan Amendment, to draw federal matching funds for the Short-Doyle program. The State Plan Amendment is now scheduled to be implemented in FY 2012-13. The Department is projecting smaller variances in other divisions including surpluses of $2.7 million in primary care and $0.8 million in substance abuse, offset by deficits of $0.6 million in health at home, $0.7 million in jail health, and $0.6 million in public health.

In addition, the Department expects to receive $67.6 million in Medi-Cal reimbursements for costs incurred in constructing the new Laguna Honda Hospital. Of this amount, $27.0 million is expected to be set aside for future debt service payments, leaving a $40.6 million surplus that can be used as a source for the supplemental appropriation.

Laguna Honda Hospital

The Department projects an $18.0 million deficit for Laguna Honda Hospital, which will require a supplemental appropriation. Revenues are projected to be below budget by $5.7 million. This deficit is caused primarily by the State decision to reduce Medi-Cal per diem rates for skilled nursing facilities to 10% below FY 2008-09 levels, resulting in $15.2 million in lost revenues to Laguna Honda Hospital. That reduction is currently the subject of litigation. The State-imposed rate reduction is offset by other favorable net patient revenues totaling $9.5 million. The Department projects a $12.3 million expenditure deficit due to $2.7 million in materials costs, including pharmaceuticals, and a $9.5 million expenditure increase in staffing costs.

San Francisco General Hospital

The Department projects a $4.9 million deficit for San Francisco General Hospital. The Department estimates a $21.6 million revenue surplus comprised of $9.6 million in favorable net patient revenues, $16.0 million in favorable Medicaid Disproportionate Share Hospital (DSH) and Safety Net Care Pool Revenues, offset by a $4.0 million shortfall in State Health Care Initiative revenues and a loss of $0.5 million in State Health and Welfare Realignment funds. Expenditures over budget of $26.5 million are due to higher than budgeted personnel costs driven by patient census and other factors. San Francisco General Hospital will request a supplemental appropriation of $26.5 million, partially funded by $21.6 million in revenues greater than budget.

8. Assessor Recorder

The Assessor Recorder projects to end the fiscal year with a net surplus of $1.5 million. The Department projects a revenue surplus of $0.5 million primarily driven by an increase in recording fees as a result of State Senate Bill 676, which increased the maximum allowable base recording fees to be charged. The Department projects $1.0 million in expenditure savings driven by a decrease in salary and fringe benefits as a result of delayed hiring and positions being held on Budget and Finance Committee reserve.

9. City Attorney

The City Attorney's Office projects a $3.2 million year-end shortfall due to increased litigation expenses for General Fund departments above budgeted work order amounts, including $0.9 million for the Planning Department, $0.8 million for the Recreation and Park Department, and $0.3 million for the Department of Emergency Management. The Mayor's Office and Controller's Office will continue to work with the departments on a plan to cover the over-expenditures in City Attorney costs. If they are unable to cover the shortfalls, a supplemental appropriation will be required using General Fund Reserve or other sources.

10. Controller

The Controller projects to end the year with a net surplus of $1.3 million due to $0.7 million in personnel and project expenditures savings in City Services Auditor and $0.6 million in expired check revenue.

11. Ethics Commission

The Ethics Commission is projected to end the fiscal year with a net surplus of $0.1 million. The Department projects revenues to be on budget, and projects $0.1 million in expenditure savings primarily in salaries and fringe benefits. In addition, the Election Campaign Fund began the fiscal year with a balance of $9.7 million. $2.0 million has been withdrawn from the fund in the current fiscal year for public campaign financing payments for the November 2011 Mayoral election, and the Department projects an additional $0.4 million to be withdrawn for the November 2012 Supervisorial elections by the end of the fiscal year. This results in a projected fiscal year-end balance of $7.3 million. The total 2011 Mayoral election public campaign financing payments that have been paid to date is $4.7 million, including $2.7 million in payments that were made in FY 2010-11.

Appendix 3. Status of Reserves

General Reserve: To date, there have been no appropriations from the budgeted $25.0 million General Fund Reserve. This report assumes $9.7 million in withdrawals from the General Reserve to support anticipated supplemental appropriations to address departmental shortfalls ($6.5 million for the Department of Public Health and $3.2 million for services of the City Attorney's Office).

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support minimum reserve requirements established by the policy. For the upcoming budget years 2012-13 and 2013-14, the policy requires that the General Reserve shall be no less than 1.0% and 1.25% of budgeted regular General Fund revenues, respectively.

Budget Savings Incentive Reserve: The Citywide Budget Savings Incentive Reserve (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. At FY 2010-11 year-end, the Reserve received $8.7 million from expenditure savings. To date, none of those funds have been withdrawn. This report assumes that the reserve will receive a further $5.3 million in deposits due to departmental expenditure savings projected for FY 2011-12, bringing the total available in the reserve to $14.0 million.

Recreation and Parks Savings Incentive Reserve: The Recreation and Parks Saving Incentive Reserve, established by Charter Section 16.107(c), is funded by the retention of year-end net expenditure savings by the Recreation and Park Department. This Reserve ended FY 2010-11 with $6.2 million, of which $4.4 million was appropriated in the FY 2011-12 Annual Appropriation Ordinance, leaving $1.8 million remaining. No further deposits to the Reserve from FY 2011-12 net expenditure savings are projected by the Recreation & Park Department at this time.

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 $33.4 million. As prescribed in the FY 2011-12 budget, $8.4 million was withdrawn from the Reserve for the benefit of the San Francisco Unified School District to offset the impact of declining State aid. As a result, the projected year-end balance for the Rainy Day Economic Stabilization Reserve is $25 million.

Budget Stabilization Reserve: Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of Real Property Transfer Taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above that appropriated as a source in the subsequent year's budget. The first deposit into the Reserve representing its current balance of $27.2 million was made from FY 2010-11 surplus unassigned fund balance. Transfer tax revenues in the current year, adjusted for rate increases in

November 2008 and November 2010, are not projected to exceed the deposit threshold of $86.4 million at this time.

Salary and Benefits Reserve: Administrative Provisions Section 10.4 of the FY 2011-12 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 fiscal year starting balance of $20.7 million ($7.2 million was carried forward from FY 2010-11 and $13.5 million was appropriated in the FY 2011-12 Annual Appropriation Ordinance). As of February 13, 2012, the Controller's Office has transferred $0.9 million to individual City departments and anticipates transferring the remaining amount to City departments by year-end, as detailed in Appendix 4.

Allowance for Other State Revenue Losses: Of the $15 million budgeted allowance for State budget impacts, $3.4 million has been appropriated to offset planned cuts in the State's Adult Day Health Care program, leaving a balance $11.6 million. Although the Adult Day Health Care reductions were mostly restored through a legal settlement, there is legislation pending before the Board of Supervisors to redirect a portion of that appropriation to offset reductions in Federal Ryan White HIV/AIDS program funding. Significant uncertainty remains regarding State and Federal budget impacts during the current fiscal year, including the impact of the dissolution of the San Francisco Redevelopment Agency. This report assumes no available balance in this account at the end of the fiscal year.

Appendix 4. Salary and Benefits Reserve Update

Table A4-1. Salary and Benefits Reserve ($ millions)

SOURCES		
Adopted AAO Salary and Benefits Reserve	$	13.5
Remaining FY 2010-11 Salary and Benefits Reserve Balance		7.2
Total Sources	**$**	**20.7**
USES		
Transfers to Departments		
SEIU as needed temporary employees healthcare (Q1 &Q2)	$	0.5
Various Training, Tuition & Other Reimbursements		0.3
Visual Display Terminal Insurance (Q1 & Q2)		0.1
Total Transfers to Departments	**$**	**0.9**
Anticipated Allocations		
Police Wellness, Premium, and Compensatory Time Payouts	$	9.0
Fire Wellness, Premium, and Compensatory Time Payouts		5.0
Sheriff Longevity Pay Premium		1.2
Citywide retirement/severance payouts		2.0
Other Premium Payouts		0.7
SEIU as needed temporary employees healthcare (Q3 & Q4)		0.5
Various Depts - Local 21 Life Insurance		0.5
Various,Training, Tuition & Other Reimbursements		0.4
Police Recruitment Committee		0.3
Police Home Owner & Rental Assistance Programs		0.1
Visual Display Terminal Insurance (Q3 & Q4)		0.1
Total Remaining Allocations	**$**	**19.7**
Total Uses	**$**	**20.7**
Net Surplus / (Shortfall)	**$**	**-**

Appendix 5. Other Funds Highlights

Table A5-1. Other Fund Highlights, $ Millions

	Prior Year		FY 2011-12					
	FY 2010-11 Year-End Available Fund Balance	Fund Balance Used in FY 11-12 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 AND INTERNAL SERVICES FUNDS</u>								
Building Inspection Operating Fund	$16.5	$0.0	$16.5	$2.1	$0.1	$2.3	**$18.7**	1
Children's Fund	$4.7	$1.9	$2.8	$1.2	$1.1	$2.3	**$5.1**	2
Convention Facilities Fund	$19.3	$8.4	$10.9	$0.0	$7.1	$7.1	**$18.0**	3
Golf Fund	$0.2	$0.0	$0.2	$0.0	$0.0	$0.0	**$0.2**	4
Library Preservation Fund	$18.3	$0.9	$17.3	$1.3	$0.4	$1.7	**$19.0**	5
Local Courthouse Construction Fund	($1.1)	$1.0	($2.1)	($0.6)	$0.0	($0.6)	**($2.7)**	6
Open Space Fund	$4.6	$1.8	$2.8	$1.3	$0.0	$1.3	**$4.1**	7
Telecomm. & Information Systems Fund	$9.0	$7.1	$1.9	$0.0	$2.7	$2.7	**$4.6**	8
<u>SELECT ENTERPRISE FUNDS</u>								
Airport Operating Fund	$94.2	$31.5	$62.8	($6.8)	$23.4	$16.7	**$79.5**	9
MTA – Operating Funds	$29.6	$0.0	$29.6	$14.6	$0.0	$14.6	**$44.2**	10
Port Operating Fund	$40.1	$12.2	$27.8	$5.5	$4.7	$10.2	**$38.0**	11
PUC – Hetch Hetchy Operating Fund	$88.4	$21.2	$67.2	($3.8)	$9.8	$6.0	**$73.2**	12
PUC – Wastewater Operating Fund	$41.0	$0.0	$41.0	($3.2)	$11.3	$8.1	**$49.1**	13
PUC – Water Operating Fund	$22.4	$0.0	$22.4	$4.7	$7.3	$12.0	**$34.4**	14

Select Special Revenue & Internal Services Funds

1. **Building Inspection Fund**
   The Building Inspection Department operating fund began the year with $16.5 million in available fund balance. The Department projects operating revenues net of refunds to be $2.1 million over budget and an expenditure savings of $0.1 million, resulting in a projected fiscal year-end available fund balance of $18.7 million.

2. **Children's Fund**
   The Children's Fund began the fiscal year with $2.8 million in available fund balance. Current year revenues are projected to be $1.2 million better than budget due to estimated increases in Property Tax set-aside revenue. $1.1 million in expenditure savings are projected, made up of $0.3 million savings in expenditures for services from other departments, and $0.8 million that is not expected to be spent on childcare services. As a result, the projected fiscal year-end available fund balance is $5.1 million.

3. **Convention Facilities Fund**
   The Convention Facilities Fund began the fiscal year with $10.9 million in available fund balance. The Department projects revenues to be on budget and expenditure savings of $7.1 million due to Moscone Center debt service savings. The net result is an operating surplus of $7.1 million and a projected fiscal year-end available fund balance of $18.0 million.

4. **Golf Fund**
   The Golf Fund began the fiscal year with $0.2 million in available fund balance. The Recreation and Park Department projects revenues and expenditures to be on budget, resulting in a fiscal year-end available fund balance of $0.2 million.

5. **Library Preservation Fund**
   The Library Preservation Fund began the fiscal year with $17.3 million in available fund balance. The Department projects a revenue surplus of $3.6 million due to increases in the Property Tax allocation and the General Fund baseline contribution. The Department projects expenditure savings of $0.4 million primarily due to savings in materials and supplies. 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 $2.3 million, for a total revenue surplus of $1.3 million. The net result is an operating surplus of $1.7 million and a projected fiscal year-end available fund balance of $19.0 million.

6. **Local Courthouse Construction Fund**
   The Local Courthouse Construction Fund began the year with a fund balance shortfall of $2.1 million after taking into account the $1 million assumed in the FY 2011-12 budget. Current year revenues are expected to be about $0.6 million under budget due to a decline in the number of parking tickets issued and an associated loss of parking ticket surcharge revenues dedicated for this fund. This results in an anticipated year-end fund balance shortfall of $2.7 million.

   The fund supports debt service on the Certificates of Participation sold to support construction of the 400 McAllister Street Courthouse Certificates of Participation and lease costs for the Community Justice Center at 575 Polk Street. The fund is expected to begin running an operating surplus in FY 2016-17, when debt service requirements are scheduled to drop by over $2 million per year.

7. **Open Space Fund**
The Open Space Fund began the fiscal year with $2.8 million in available fund balance. The Recreation and Park Department projects expenditures to be on budget and revenues to be $1.3 million greater than budget due to increased Property Tax set-aside revenues. The net result is an operating surplus of $1.3 million and a projected fiscal year-end available fund balance of $4.1 million.

8. **Telecommunication & Information Services Fund**
The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of $1.9 million. The Department of Technology projects revenues to be on budget and expenditure savings of $2.7 million in personnel and non-personnel costs, resulting in a projected net surplus of $2.7 million and a fiscal year-end available fund balance of $4.6 million.

Select Enterprise Funds

9. **Airport Operating Fund**
The Airport Operating Fund began the fiscal year with $62.8 million in available fund balance. The Department is projecting a net revenue shortfall of $6.8 million, which consists of a $9.6 million increase in operating revenues, including an $8.9 million increase in non-airline revenues, primarily from parking and concessions, and a $0.8 million increase in aviation revenues, primarily from landing fees. However, this increase is offset by a decrease in non-operating revenues consisting of a $2.2 million projected shortfall in interest income, a $20.7 million shortfall in the use of fund balance to cover last year's appropriations carried forward into the current year, slightly offset by the $6.5 million difference between the Airport's rates and charges use of fund balance and the approved budget. The Department projects expenditure savings of $23.4 million driven by $14.4 million in non-personnel services, $4.4 million in services of other departments, $1.5 million in materials and supplies, $1.3 million in light, heat, and power, $1.2 million in public safety costs, $1.1 million in debt service, and $0.9 million in salaries and fringe benefits. The expenditure savings are partially offset by a $1.4 million increase in the annual service payment to the City due to higher concession, parking, ground transportation, and car rental revenues. These factors result in a projected net surplus of $16.7 million and a fiscal year-end available fund balance of $79.5 million.

10. **Municipal Transportation Agency (SFMTA) Operating Funds**
SFMTA began the fiscal year with $29.6 million in available operating fund balance. The Agency is projected to end the year with a net operating surplus of $14.6 million, resulting in a projected year-end fund balance of $44.2 million. The Agency projects a revenue surplus of $14.6 million. This consists of a $12.4 million surplus in Transit Fares, $10.2 million in increased General Fund Baseline transfers, $5.0 million in increased parking meter revenues, and $3.1 million in additional revenues from rentals and fees. These surpluses are offset by a shortfall of $11.5 million in traffic fines and $4.6 million in reduced parking lot and garage revenue.

The Agency projects to end the year within its overall expenditure budget. However, salaries and benefits are expected to exceed budget by $48.0 million, which will be offset by reduced spending in non-personnel items, including $22.0 million in contracts and other services, $15.0 million in materials and supplies, $6.0 million in payments to other agencies, and $5.0 million in reduced spending for equipment and maintenance. By reducing spending in these non-labor categories, the Agency anticipates that there may be an impact on service, including deferred maintenance of the transit fleet and transit facilities.

11. Port Operating Fund

The Port Operating Fund began the fiscal year with $27.8 million in available fund balance. The Department projects a $5.5 million revenue surplus primarily driven by a $4.7 million increase in real estate revenues from rents and parking along with a $0.9 million increase in maritime revenues as a result of higher cruise volumes and other marine services. The Department projects $4.7 million in expenditure savings consisting of $1.4 million in non-personnel services, $1.2 million in annual projects, $1.0 million in salaries and fringe benefits, $0.7 million in services of other departments, and $0.5 million in debt service savings as a result of delays in issuing new debt for capital projects. However, the expenditure savings is partially offset by a $0.2 million shortfall in expenditure recoveries. This results in a projected net operating surplus of $10.2 million and a fiscal-year end available fund balance of $38.0 million.

12. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with $67.2 million available fund balance. The Department projects a net revenue shortfall of $3.8 million, due to lower power sales to City Departments and the termination of the Clean Renewable Energy Bonds. This shortfall is offset by $9.8 million in projected expenditure savings, resulting in a projected net operating surplus of $6.0 million and an available year-end balance of $73.2 million. In addition, the Department has submitted a supplemental appropriation using $19.5 million in fund balance to establish reserves for the CleanPower SF program. If this legislation is approved, the available fiscal year-end fund balance would be $53.7 million.

13. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with $41.0 million in available fund balance. A projected revenue shortfall of $3.2 million due to lower than budgeted water consumption and associated wastewater charges is projected to be offset by $11.3 million in expenditure savings. This results in a projected net operating surplus of $8.1 million and a fiscal year-end available fund balance of $49.1 million.

14. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with $22.4 million in available fund balance. Water revenues of $4.7 million are higher than budget, primarily due to property sales, although water sales are below budget. Additionally, there are expenditure savings of $7.3 million, resulting in a projected net surplus of $12.0 million and a fiscal year-end available fund balance of $34.4 million.

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