

City and County of San Francisco

Office of the Controller

FY 2012-13 Six-Month Budget Status Report



February 12, 2013



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Summary

The Controller's Office provides periodic budget status updates to the City's policy makers during the course of each fiscal year, as directed by Charter Section 3.105. This report provides the most recent expenditure and revenue information and projections for the fiscal year end. Expenditure and revenue information and projections as of December 31, 2012 are included, incorporating more current information up to the date of publication as available.

Table 1. FY 2012-13 Projected General Fund Variances to Budget (\$ Millions)

A. FY 2012-13 Starting Balance	
FY 2011-12 Ending Fund Balance	\$ 220.3
Appropriation in the FY 2012-13 Budget	(104.3)
Subtotal Starting Balance	116.0
B. Current Year Revenues and Expenditures	
Citywide Revenue Surplus	72.1
Baseline Contributions	(9.5)
Departmental Operations	(18.9)
Pending & Approved Supplemental Appropriations	(6.4)
Projected Use of General Reserve	32.2
Subtotal Current Year Revenues and Expenditures	69.4
C. Withdrawals from / (Deposits) to Reserves	(11.4)
D. FY 2012-13 Projected Ending Balance	
	174.0
Balance Appropriated in the FY 2013-14 Budget	(103.6)
Replenishment of General Reserve	(32.2)
E. Projected Surplus / (Shortfall)	\$ 38.3

A. General Fund Starting Balance

The General Fund available fund balance at the end of FY 2011-12 was \$220.3 million. The budget appropriated \$104.3 million in FY 2012-13 and \$103.6 million in FY 2013-14, or \$12.4 million more than appropriated.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, Citywide revenues have improved by \$72.1 million compared to revised budget, primarily due to higher than expected prior year revenue increasing the base for current year growth projections, 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	1,078.0	1,092.0	14.0
Payroll & Business Registration Tax	452.8	460.5	7.7
Sales Tax - Local 1% and Public Safety	200.7	203.1	2.4
Hotel Room Tax	194.0	198.3	4.4
Utility User & Access Line Taxes	134.9	134.0	(0.9)
Parking Tax	76.5	80.0	3.5
Property Transfer Tax	203.5	224.7	21.2
Interest Income	6.8	10.5	3.7
1991 Realignment Sales Tax/VLF	150.9	164.9	14.0
Motor Vehicle In-Lieu	-	0.8	0.8
Transfers In from Other Funds	156.6	157.9	1.3
State Revenue Loss Reserve	(15.0)	(15.0)	-
Total Citywide Revenues	2,639.6	2,711.6	72.1

Baseline Contributions

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 \$9.5 million compared to budget. Projected discretionary revenues increase the Children's Baseline funding requirement from \$115.2 million in the adopted budget to \$118.2 million, which is \$10.7 million below the \$128.9 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)	2,320.3	2,377.3	57.1
MTA Baseline 9.2% ADR	213.3	218.5	5.2
Library Baseline 2.3% ADR	53.0	54.3	1.3
Public Education Fund Baseline 0.3% ADR	6.7	6.9	0.2
Total Baseline Transfers	273.1	279.8	6.7
80% Parking Tax in Lieu Transfer to MTA	61.2	64.0	2.7
Total Baselines and In-Lieu Transfers	334.3	343.8	9.5

Departmental Operations

We project a net departmental operations shortfall of \$18.9 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2012-13 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Net Shortfall Departments			
Public Health (1)	\$ (15.6)	\$ (30.3)	\$ (45.9)
Sheriff	(0.5)	(1.4)	(1.9)
City Attorney	-	(1.1)	(1.1)
Fire Department	(2.1)	1.0	(1.1)
Public Defender	-	(0.8)	(0.8)
Emergency Management	-	(0.6)	(0.6)
Subtotal Departments with Net Deficits	\$ (18.2)	\$ (33.1)	\$ (51.3)
Net Surplus Departments			
Human Services Agency	\$ 0.8	\$ 18.2	\$ 19.0
City Planning	4.3	0.2	4.5
Recreation & Park	3.8	-	3.8
Assessor/Recorder	1.1	-	1.1
Juvenile Probation	0.9	-	0.9
Controller	-	0.8	0.8
Other Net Surplus	(2.0)	4.4	2.4
Subtotal Departments with Net Surpluses	\$ 8.9	\$ 23.5	\$ 32.4
Combined Total	\$ (9.3)	\$ (9.6)	\$ (18.9)

(1) Net deficit assumes increased General Fund transfer of \$35.0 million to Laguna Honda Hospital and San Francisco General Hospital.

Based on these projections, supplemental appropriations would be required to cover anticipated shortfalls in the Department of Public Health, Sheriff's Department, and Public Defender. In addition, while the \$1.1 million projected shortfall at the Fire Department will be balanced by a like amount of Public Safety Sales Tax revenue, the Department will likely require a supplemental appropriation 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.

Pending and Approved Supplemental Appropriations

A supplemental appropriation for the Treasurer/Tax Collector using \$2.6 million of the General Reserve was recently approved. Pending supplemental appropriations include \$3.2 million of surplus current year revenue for City Planning and \$0.6 million of General Reserve for the District Attorney and Commission on the Status of Women.

Projected Use of General Reserve

This report assumes use of the entire \$32.2 million General Reserve to support the supplemental appropriation of \$2.6 million for the Treasurer/Tax Collector, \$0.6 million for the District Attorney and Commission on the Status of Women, and to address shortfalls identified in this report at the Department of Public Health and other departments. Any uses of the Reserve will require a budget year deposit of an equal amount into the reserve to maintain required funding level, as shown in section D of Table 1 above.

C. Withdrawals from / Deposits to Reserves

A total of \$11.4 million is projected to be deposited into reserves, including a \$4.9 million to the Citywide Budget Savings Incentive Reserve due to projected FY 2012-13 departmental expenditure savings, \$3.8 million to the Recreation and Park Savings Incentive Reserve from surplus revenue at that department, and an increase of \$2.7 above budget in the amount of transfer tax deposited into the Budget Stabilization Reserve. A discussion of the status of reserves is included in Appendix 3.

D. Projected Ending Fund Balance: \$174.0 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2012-13 of \$174.0 million, \$70.4 million above the \$103.6 million assumed in FY 2013-14.

E. Projected Surplus/(Shortfall): \$38.3 Million

Of the projected ending fund balance of \$174.0 million, \$103.6 million has been assumed in the FY 2013-14 budget, and \$32.2 million is required to bring the General Reserve to required levels, leaving a projected surplus of \$38.3 million.

F. Other Funds

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

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

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 5 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

G. Redevelopment Agency Dissolution Effects Uncertain

The dissolution of Redevelopment Agencies became effective February 1, 2012 after the court upheld Assembly Bill 26 (First Extended Session), originally passed at the end of June 2011. The State enacted AB 1484 in June 2012 to clarify implementation details of ABx1 26.

Questions remain about the status of projects considered enforceable obligations and the amount of funds the State Department of Finance (DOF) may allow the Successor Agency to the San Francisco Redevelopment Agency to retain to fulfill those obligations. AB 1484 allows for the DOF to review the Agency's planned uses of funds every six months. It is possible the State will require a significant portion of the Agency's fund balances be surrendered and distributed to the County's affected taxing entities (City and County of San Francisco, County Office of Education, SFUSD, City College, BART, and BAAQMD).

The City and Successor Agency continue to work with the State on these matters. Until these major issues are resolved, the impact of the dissolution on the General Fund cannot be completely determined. Further discussion of these matters will be provided in the Controller's Nine-Month Budget Status Report due in early May 2013.

H. 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 that property tax appeal decisions may require assumptions regarding set-asides for future refunds to be revised.
- The potential for liability associated with litigation against the City, including but not limited to lawsuits regarding disabled access to City facilities and services and as well as online travel companies' duty to remit hotel taxes on the retail prices of hotel rooms.
- The potential for across the board cuts to national spending may further jeopardize revenues assumed in the FY 2012-13 and FY 2013-14 budget. Until this issue is resolved by Congress the impact can not be estimated.

I. Additional Projections will be Provided in the Five Year Financial Plan Update and Nine-Month Budget Status Report

The Five Year Financial Plan will provide revenue and expenditure projections for Fiscal Year 2013-14 through FY 2017-18 on March 1, 2013. The Controller's Office will update this report with the Nine-Month Budget Status Report, scheduled to be published in early May, 2013.

J. Six-Month Overtime Report

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-month and Nine-month Budget Status Reports, and annually. Table A - 6 presents budgeted, actual, and projected Citywide overtime.

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
6. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$63.0 million above budget. Of this total, \$72.1 million is due to improvements in citywide revenue as discussed in this Appendix, offset by shortfalls in departmental operations discussed in Appendix 2.

The FY 2012-13 budget assumed continued moderate recovery in tax revenues throughout the fiscal year. Tax revenues projected to recover beyond budgeted levels include property, payroll, and property transfer taxes. These gains are partially offset by shortfalls in federal and state subventions, access line tax, and charges for services. Selected revenues are discussed below.

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

GENERAL FUND (\$ Millions)	FY 2011-12		FY 2012-13		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,059.2	\$ 1,078.1	\$ 1,078.0	\$ 1,092.0	\$ 14.0
BUSINESS TAXES					
Business Registration Tax	8.6	8.7	8.7	8.8	0.1
Payroll Tax	426.7	444.1	444.1	451.7	7.6
Total Business Taxes	435.3	452.8	452.8	460.5	7.7
OTHER LOCAL TAXES					
Sales Tax	117.1	121.7	121.7	121.9	0.2
Hotel Room Tax	188.7	194.0	194.0	198.3	4.4
Utility Users Tax	91.7	91.9	91.9	93.7	1.8
Parking Tax	76.6	76.5	76.5	80.0	3.5
Real Property Transfer Tax	233.6	203.5	203.5	224.7	21.2
Stadium Admission Tax	2.6	2.7	2.7	2.7	-
Access Line Tax	41.0	43.0	43.0	40.3	(2.7)
Total Other Local Taxes	751.3	733.3	733.3	761.6	28.4
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	9.2	9.5	9.5	9.5	-
Franchise Tax	15.8	15.9	15.9	16.1	0.2
Total Licenses, Permits & Franchises	25.0	25.3	25.3	25.6	0.2
FINES, FORFEITURES & PENALTIES	8.4	7.2	7.2	7.2	0.0
INTEREST & INVESTMENT INCOME	10.5	6.8	6.8	10.5	3.7
RENTS & CONCESSIONS					
Garages - Rec/Park	10.7	7.3	7.3	10.1	2.8
Rents and Concessions - Rec/Park	12.6	12.1	12.1	13.1	1.0
Other Rents and Concessions	3.3	2.0	2.0	2.0	-
Total Rents and Concessions	26.7	21.4	21.4	25.2	3.8
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	183.8	196.7	199.8	197.6	(2.2)
Other Grants & Subventions	12.5	2.1	2.8	3.3	0.5
Total Federal Subventions	196.4	198.8	202.6	200.8	-1.7
State Government					
Social Service Subventions	97.8	125.2	125.4	129.3	3.9
Health & Welfare Realignment - Sales Tax	111.9	112.2	112.2	126.2	14.0
Health & Welfare Realignment - VLF	28.1	38.6	38.6	38.6	-
Health & Welfare Realignment - CalWORKs MOE	25.5	25.6	25.6	25.6	-
Health/Mental Health Subventions	73.9	106.0	105.8	96.1	(9.7)
Public Safety Sales Tax	76.6	79.0	79.0	81.2	2.2
Motor Vehicle In-Lieu	0.8	-	-	0.8	0.8
Other Grants & Subventions	64.2	29.7	29.8	29.8	-
State Revenue Loss Reserve	0.0	-15.0	-15.0	-15.0	-
Total State Grants and Subventions	478.6	501.3	501.5	512.7	11.2
CHARGES FOR SERVICES:					
General Government Service Charges	37.0	37.6	37.6	43.0	5.4
Public Safety Service Charges	23.5	24.2	24.2	23.2	(1.0)
Recreation Charges - Rec/Park	13.4	13.1	13.1	13.1	-
MediCal,MediCare & Health Service Charges	49.3	65.4	65.4	57.5	(7.9)
Other Service Charges	11.6	14.3	14.8	14.8	-
Total Charges for Services	134.8	154.7	155.2	151.7	-3.5
RECOVERY OF GEN. GOV'T. COSTS	11.1	12.1	12.1	12.1	(0.0)
OTHER REVENUES	15.5	18.3	22.7	20.7	-2.0
TOTAL REVENUES	3152.8	3210.1	3218.8	3280.5	61.7
TRANSFERS INTO GENERAL FUND:					
Airport	34.0	34.9	34.9	36.2	1.3
Other Transfers	83.6	121.1	121.7	121.7	-
Total Transfers-In	117.6	156.0	156.6	157.9	1.3
TOTAL GENERAL FUND RESOURCES	\$ 3,270.4	\$ 3,366.1	\$ 3,375.38	\$ 3,438.41	\$ 63.0

Property Tax revenue in the General Fund is projected to be \$14 million above budget. Most of the improvement is due to \$4.5 billion more than expected in the assessed value of secured property. The increase from the original budget in secured regular property taxes is reduced somewhat by adjustments to other property tax revenues. The amount to be set aside for prior year property tax appeals and other adjustments was increased by \$9.1 million (reducing General Fund revenue by the same amount) based upon updated information about assessment appeals outcomes. Supplemental and escape property tax assessment revenue estimates have decreased by \$10 million (a General Fund impact of \$5.3 million) to reflect the level of effort needed to staff Assessment Appeals Board (AAB) hearings, which increased 28% year-over-year in the first six months of FY 2012-13. These changes will increase property tax set asides for special revenues by \$1.9 million, as shown below.

Uncertainties remain regarding the fiscal impacts of State legislation ABx-1 26 resulting in the February 1, 2012 dissolution of the San Francisco Redevelopment Agency and AB 1484 “clean-up” legislation. It is possible, based upon future determinations by the State’s Department of Finance, that the Successor Agency to the San Francisco Redevelopment Agency may request a higher amount of tax increment for the June 1, 2013 tax distribution. Up to \$26.8 million of residual redevelopment-related tax increment in FY 2012-13 could be claimed by the Agency beyond what is currently assumed, which would reduce current year General Fund property tax revenue by \$15.1 million.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	44.7	45.4	0.7
Open Space Fund	37.3	37.8	0.6
Library Preservation Fund	37.3	37.8	0.6
Total	119.2	121.1	1.9

Business Tax revenues are projected to be \$7.7 million over budget, or 6.0% above prior year actual revenues. Bureau of Labor Statistics data on private employment and average weekly wages in the first two quarters of 2012 indicate total wages increased by 8.4% and 10.2% over the same quarter prior year. The projection assumes rates of growth in the last two quarters tapers off to approximately 5%. These projected rates of growth in calendar year taxable payroll may result in an increase in FY 2012-13 revenue slightly above budgeted growth of 6%. True-up payments for tax year 2012 are due at the end of February 2013, and the data available at that time will be reflected in projections in the Nine-Month Report.

Local Sales Tax revenues are projected to be \$0.2 million over budget, or 5.5% over prior year actual revenues. Cash collections in the first quarter were up 4.1% from the same period prior year, due to higher gas and jet fuel prices, but also to increased taxable sales at restaurants, general retail, building materials, and new car sales. After six consecutive quarters of double-digit gains in local sales tax revenue, the growth rate has flattened, and is projected to slow to 3.4% in Q3 and 3.6% in Q4. In addition, new state laws affecting sales tax reporting for on-line retailers (in particular, Amazon.com) are anticipated to increase local sales tax collections by approximately \$1.2 million, or 1.1%.

Hotel Room Tax revenues allocated to the General Fund are projected to be \$4.4 million (2.3%) over budget and 5.1% 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 2012-13 was approximately 11% over the same period prior year, and reflecting an all-time high of approximately \$194 per night. This current period RevPAR growth is on top of healthy increases of 26% in FY 2011-12 and 15% in FY 2010-11. Current projections assume RevPAR increases of 6% through the remaining months of the fiscal year, consistent with industry forecasts for the San Francisco market area.

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 \$1.8 million over budget and 2.2% over prior year actual revenues. Changes are driven by a projected 7.3% increase in telephone user taxes, partially offset by decreased gas and electric user tax revenues due to reduced PG&E gas and electric revenues from commercial customers. Water user tax revenue represents a small portion of UUT but is projected to increase 11.9% from prior year due to continued annual rate increases.

Parking Tax revenues are projected to be \$3.5 million over budget or 4.4% above prior year revenues. Continued recovery in business activity and employment as reflected in increases to payroll and sales tax projections is driving increases in parking tax revenues. Enforcement efforts begun in December 2010 towards parking lot operators who do not hold Certificates of Authority to collect parking tax continue to have a positive effect on both compliance and revenues. 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 16.1110.

Real Property Transfer Tax revenues are projected at \$224.7 million in FY 2012-13, \$21.2 million over budget and 3.8% below prior year actual revenues. Strong demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, residential) has continued into FY 2012-13, due, in large part, to the continued strengthening of underlying market fundamentals, such as strong tenant demand, rental rates, and occupancy rates, and the relative attractiveness of San Francisco real estate compared with other investment options worldwide.

For the first six months of the fiscal year, high-value transactions (those greater than \$20M, representing larger commercial sales) totaled \$3.7 billion, generating \$93.8 million in revenue. Transactions under \$20M accounted for \$5.8 billion in sales and \$55.2 million in revenue, for a total of \$149M in RPTT collections.

This revenue is one of the General Fund's most volatile sources and is highly dependent on a number of factors including investor interest, economic cycles, interest rates, and credit availability, all of which have been favorable for San Francisco real estate in the past 18 months. The pace of sales for the final two quarters is projected to decline from prior year,

resulting in year-end revenue 3.7% below FY 2011-12 actuals, and consistent with the value of commercial properties known to be on the market and anticipated to close by fiscal year end.

Access Line Tax revenues are projected to decline 1.8% from prior year, or \$2.7 million under budget. The budget assumed the bottoming out of revenue in FY 2011-12 from declines in the previous two years would stabilize. However, FY 2011-12 ended slightly weaker than projected, and year to date revenues through January were approximately 1.8% below prior year.

Interest & Investment Income is projected to be \$3.7 million over budget and flat from prior year actual revenues. Average monthly pooled interest rates through December were 20% below prior year, however, revenues through December were 24% above prior year actual revenues due to increased cash in the pool.

State Grants and Subventions are projected to be \$11.2 million above budget due to a number increases, including a net \$3.9 million improvement in social service subventions, the December 2012 distribution of \$14.0 million in unbudgeted Health and Welfare Realignment Social Services Caseload growth for fiscal years FY 2007-08 through FY 2011-12, an additional \$6.5 million in Short-Doyle mental health subventions, and \$3.0 of increased public safety sales tax and VLF distributions. These increases were partially offset by the loss of \$16.2 million in State Plan Amendment revenues at the Department of Public Health.

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	25.1	24.8	0.04	0.3	0.3	1
Superior Court	33.2	33.2	-	-	-	
District Attorney	37.6	37.6	-	-	-	
Emergency Management	44.4	45.0	-	(0.6)	(0.6)	2
Fire Department	303.7	302.7	(2.1)	1.0	(1.1)	3
Juvenile Probation	35.1	35.1	0.9	-	0.9	4
Public Defender	26.7	27.5	-	(0.8)	(0.8)	5
Police	421.3	421.3	-	-	-	
Sheriff	149.7	151.1	(0.5)	(1.4)	(1.9)	6
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	75.3	75.3	-	-	-	
Economic & Workforce Development	33.1	31.1	(2.0)	2.0	-	7
Board of Appeals	0.9	0.9	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	30.1	30.0	-	0.1	0.1	
Human Services	666.8	648.7	0.8	18.2	19.0	8
Environment	1.0	1.0	-	-	-	
Human Rights Commission	1.2	1.2	-	-	-	
County Education Office	0.1	0.1	-	-	-	
Status of Women	3.7	3.7	-	-	-	
COMMUNITY HEALTH						
Public Health	871.8	902.1	(15.6)	(30.3)	(45.9)	9
Public Health General Fund	654.0	649.3	(15.6)	4.7	(10.9)	
Subsidy Transfer to SF General Hospital Fund	150.7	191.5	-	(40.8)	(40.8)	
Subsidy Transfer to Laguna Honda Hospital Fund	67.0	61.2	-	5.8	5.8	
CULTURE & RECREATION						
Asian Art Museum	7.9	7.9	-	-	-	
Arts Commission	11.6	11.6	-	-	-	
Fine Arts Museum	13.0	13.0	-	-	-	
Law Library	0.7	0.7	-	-	-	
Recreation and Park	80.3	80.3	3.8	-	3.8	10
Academy of Sciences	4.0	4.0	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	62.5	62.5	-	-	-	
Assessor / Recorder	21.5	21.5	1.1	-	1.1	11
Board of Supervisors	13.0	12.7	-	0.3	0.3	12
City Attorney	9.1	10.2	-	(1.1)	(1.1)	13
Controller	14.8	14.1	-	0.8	0.8	14
City Planning	27.7	27.5	4.3	0.2	4.5	15
Civil Service Commission	0.6	0.6	-	-	-	
Ethics Commission	7.9	7.9	-	-	-	16
Human Resources	12.2	12.2	-	-	-	
Health Service System	0.6	0.6	-	-	-	
Mayor	11.3	11.3	-	-	-	
Elections	11.6	11.6	-	-	-	
Retirement System	2.0	2.0	-	-	-	
Technology	3.1	3.1	-	-	-	
Treasurer/Tax Collector	24.5	24.5	-	-	-	17
GENERAL CITY RESPONSIBILITIES						
	187.6	185.8	-	1.8	1.8	
TOTAL GENERAL FUND	3,289.0	3,298.7	(9.3)	(9.6)	(18.9)	

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 a net surplus of \$0.3 million. Expenditure savings of \$0.3 million are expected due to lower than expected salary and benefits costs. The Department also projects a slight revenue surplus of \$0.04 million due to increased collection of probation fees.

2. Emergency Management

The Department of Emergency Management projects to end the fiscal year with a net deficit of \$0.6 million due to higher than budgeted salary and benefits expenditures. The Department is identifying one-time savings to offset the projected deficit.

3. Fire Department

The Fire Department currently projects a potential net deficit of \$1.1 million due to a \$2.1 million shortfall in ambulance system revenue. The Department projects \$1.0 million in expenditure savings in non-personnel work orders. The Fire Department expects to receive a \$1.1 million increase in projected Prop 172 Public Protection Sales Tax revenue as referenced in Table A1-1. A supplemental appropriation request is expected, to shift funding from savings in regular salaries to cover over-expenditures in overtime, pursuant to Administrative Code Section 3.2.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.9 million, primarily driven by an increase in federal Title IV-E revenue. Expenditures are projected to be on budget.

5. Public Defender

The Public Defender projects a \$0.8 million year-end deficit in salaries. The department is preparing a supplemental appropriation request to address this shortfall.

6. Sheriff

The Sheriff's Department projects to end the fiscal year with a net deficit of \$1.9 million. A \$0.5 million shortfall is projected due to \$0.4 million in decreased state funding for the boarding of prisoners as a result of Public Safety Realignment and \$0.7 million in decreased funding for the U.S. Marshall program, partially offset by \$0.5 million in unbudgeted Federal Criminal Alien Assistance Program (SCAAP) revenue and an additional \$0.1 million from the Sheriff Work Alternative Program (SWAP). The Department projects a net expenditure deficit of \$1.4 million due to over expenditures of \$1.7 million in premium pay and \$3.5 million in overtime, offset by projected savings of \$2.5 million in salaries and benefits, and \$0.3 million in materials and supplies. The Department expects to request a supplemental appropriation to close their deficit and shift savings in regular salaries to cover overtime expenditures pursuant to Administrative Code Section 3.17.

7. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year within budget. The reduced scope of America's Cup activities will reduce expenditures, and related reimbursements, by \$2.0 million.

8. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$19.0 million surplus due to an \$18.2 million projected expenditure savings and \$0.8 million in projected increases in state and federal reimbursements. Due to lower than expected caseloads, the Agency is projecting revenue shortfalls of \$1.7 million for Foster Care and Adoption Aid programs, as well as \$3.5 million for other Aid programs. Revenue shortfalls are off-set by projected expenditure savings of \$3.1 million in Adoption and Foster Care Aid and \$6.9 million in other Aid programs. Although a decrease in the projected number of cases and the associated decrease in expenditures usually result in a decrease in the amount of eligible state and federal reimbursements, the Agency is projecting an increase in state and federal reimbursements for In Home Supportive Services (IHSS) due to changes in State reimbursement policy. As a result of the policy change, the Agency is projecting a \$5.0 million revenue surplus with associated expenditure savings of \$2.8 million. The Agency is also projecting a revenue surplus of \$1.0 million and expenditure savings of \$5.4 million in all other non-Aid programs due to salary under-spending and contract savings. Additionally, the City received an unbudgeted allocation of \$14 million in Social Services Caseload growth for fiscal years FY 2007-08 through FY 2011-12 in December 2012.

Table A2.2. Human Services Agency (\$ Millions)

Program	Sources		Uses Savings /		Net Surplus / (Deficit)
	Surplus / (Shortfall)		(Deficit)		
IHSS State Reimbursement	\$	5.0	\$	2.8	\$ 7.8
Adoption and Foster Care Aid		(1.7)		3.1	1.4
Other Aid Programs		(3.5)		6.9	3.4
All Other Programs		1.0		5.4	6.4
Total All Programs	\$	0.8	\$	18.2	\$ 19.0

9. Public Health

The Department of Public Health projects ending the fiscal year with a net General Fund deficit of \$45.9 million. This deficit may be partially offset by year end if potential revenues from prior-year settlements and other reimbursements are received in the current year. Overall revenues are projected to be \$22.7 million less than budgeted and expenditures are projected to be \$23.1 million higher than budgeted.

Table A2.3. Department of Public Health by Fund (\$ Millions)

	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	(15.6)	4.7	(10.8)
Laguna Honda Hospital	16.8	(11.0)	5.8
San Francisco General Hospital	(24.0)	(16.8)	(40.8)
Total - All Funds	(22.7)	(23.1)	(45.9)

Public Health General Fund

Department of Public Health General Fund programs, including primary care, mental health, substance abuse, jail health and population health, show a revenue shortfall of \$15.6 million. This includes \$16.2 million from a proposed State Plan Amendment to retroactively reimburse counties for uncompensated mental health expenditures which has yet to receive federal approval, partially offset by \$6.5 million in other favorable Short Doyle Medi-Cal operating revenues. Primary Care patient revenues are \$5.8 million below budget. Expenditures are \$4.7 million below budget due to \$2.4 million in primary care salary and benefit savings, and \$6.2 million savings in non-personal services and work orders in the population health division.

The Mayor’s Office will continue to work with the Department of Public Health to reduce its overexpenditures and more accurately project its revenues. A supplemental appropriation of up to \$45.9 million will be requested, including additional General Fund support to bring its budget into balance over the next quarter.

Laguna Honda Hospital

The Department projects a \$5.8 million net surplus for Laguna Honda Hospital. A revenue surplus of \$16.8 million includes an expected \$14.7 million in increased Medi-Cal revenue, an increase of \$4.3 million in tobacco settlement funds, and an increase of \$0.1 million in other patient revenue, offset by a \$3.1 million shortfall in Medicare revenue. The Department projects an \$11.0 million expenditure deficit, primarily due to \$8.1 million in projected over expenditures in salary and benefits, in addition to \$3.0 million in projected over expenditures for materials and supplies, including pharmaceuticals.

San Francisco General Hospital

The Department projects a \$40.8 million deficit for San Francisco General Hospital. Patient revenues are projected at \$8.2 million below budget due in part to declining reimbursements associated with the recent transition of seniors and persons with disabilities into managed care. The revenue deficit also assumes the department will not receive \$30.5 million in revenues associated with intergovernmental transfer (IGT) programs that have not received

federal approval. However, the department shows an equal corresponding expenditure savings since it will not have to make the transfers, and therefore this shortfall does not impact the department's bottom line general fund support. Revenue shortfalls are partially offset by \$14 million in favorable capitation revenues due to expansion of the managed care population. Expenditures are over budget by \$16.8 million, and are primarily due to higher than budgeted personnel costs driven by patient census and other factors. However, several factors could improve this projection by year end. SFGH is monitoring the possibility of a favorable prior-year settlement of \$15 to \$20 million in federal revenue, which has not been received as of the writing of this report. In addition, two proposals are under consideration by the federal government that would restore reimbursement for county governments under the Medi-Cal Section 1115 Waiver. However, it is uncertain whether these revenues will be finalized and received within the current fiscal year

10. Recreation and Parks

The Recreation and Parks Department projects to end the fiscal year with a surplus of \$3.8 million due to \$2.8 million in surplus garage revenue and \$1.0 million in Candlestick Park concession revenue.

11. Assessor Recorder

The Assessor Recorder projects to end the fiscal year with a net surplus of \$1.1 million. The Department projects a revenue surplus of \$1.1 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. Expenditures are expected to be on budget.

12. Board of Supervisors

The Board of Supervisors projects expenditure savings of \$0.3 million due to salary step savings. The department expects revenues to match budget.

13. City Attorney

The City Attorney's Office projects a net \$1.1 million year-end shortfall. This is due to \$1.3 million in increased litigation expenses for General Fund departments above budgeted work order amounts, partially offset by the recently approved Gross Receipts legislation, which includes \$0.2 million for the City Attorney's Office. Potential salary savings and increased work order recoveries in the second half of the year may address the projected shortfall.

14. Controller

The Controller's Office City Services Auditor division projects personnel, fringe benefit, and contractual savings of \$757,000 to fund the budgeted beginning fund balance to support the division's FY13-14 budget.

15. City Planning

The City Planning Department projects to end the fiscal year with a net surplus of \$4.5 million. The Department projects a revenue surplus of \$4.3 million primarily driven by a 3% increase in the volume of cases and building permits. The application intake fees are assessed based on estimated construction costs, and the Department is seeing a growing number of larger scale projects, thereby increasing revenue. The Department projects \$0.2 million in salary savings. The Department is requesting a supplemental appropriation of \$3.2 million for staffing and other expenditures to reduce the backlog of cases and building permits to be reviewed and funding currently underfunded commitments

16. Ethics Commission

The Ethics Commission projects expenditures and revenues to be on budget. The Election Campaign Fund began the fiscal year with a balance of \$5.6 million, of which \$1.2 million has been withdrawn in the current fiscal year for public campaign financing payments for the November 2012 Supervisorial elections. This results in a projected fiscal year-end fund balance of \$4.4 million.

17. Treasurer/Tax Collector

The Treasurer/Tax Collector projects to end the fiscal year on balance. The Department projects \$0.3 million in expenditure savings primarily due to salary savings. The salary savings is offset by a \$0.3 million shortfall in revenue, due to the decreased pooled interest revenue which is credited by actual expenses in Cashier, Banking, and Investments. A recently approved supplemental appropriation for implementation of the new gross receipts tax approved by voters in November 2012 will use \$2.6 million of General Fund Reserve.

Appendix 3. Status of Reserves

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year end balances are displayed in Table A3.1 and discussed in detail below.

Table A3.1 FY 2012-13 Reserve Balances (\$ millions)

	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance
General Reserve	\$ 32.2	\$ -	\$ (32.2)	\$ -
Budget Savings Incentive Fund	22.4	4.9	(8.4)	19.0
Recreation and Park Savings Incentive Reserve	4.9	3.8	(1.7)	7.0
Rainy Day Economic Stabilization Reserve	31.1	-	(7.8)	23.3
Rainy Day One-Time Reserve	3.0	-	-	3.0
Budget Stabilization Reserve	74.3	20.5	-	94.8
Salary and Benefits Reserve	20.2	-	(20.2)	-
State Revenue Loss Reserve	15.0	-	(15.0)	-

General Reserve: To date, there has been a \$2.6 million appropriation from the General Fund Reserve for the Treasurer/Tax Collector to implement administration of the gross receipts tax, approved by voters in November 2012. A supplemental appropriation of \$0.6 million for domestic violence services at the District Attorney’s Office and the Department on the Status of Women has been introduced. This report assumes the remainder of the reserve, or \$28.9 million, will be used to address departmental shortfalls identified in this report, including the \$45.9 million shortfall at the Department of Public Health. Current year use of the Reserve will require fiscal year 2013-14 deposits to maintain required funding levels.

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 budget years 2013-14 and 2014-15, the policy requires the General Reserve to be no less than 1.25% and 1.5% of budgeted regular General Fund revenues, respectively. The current balance of the reserve is \$32.2 million.

Budget Savings Incentive Fund: The Citywide Budget Savings Incentive Fund (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 2011-12 year-end, the Reserve balance was \$22.4 million from expenditure savings. Projected deposits of \$4.9 million and budgeted uses of \$8.4 million result in a projected year end balance of \$19.0 million. Note that the current budget appropriated \$9.9 million of the balance for use in FY 2013-14.

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 new revenue and net expenditure savings by the Recreation and Parks Department. This Reserve ended FY 2011-12 with \$4.9 million, of which \$1.7 million was appropriated for FY 2012-13 uses and \$3.8 million is projected to be deposited, leaving a projected ending balance of \$7.0 million. Note that the current budget also appropriated \$2.3 million in uses for FY 2013-14.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of 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 \$31.1 million. At the time the FY 2012-13 budget was prepared, the estimated reserve balance was \$25.1 million, and the budget assumed a \$6.3 million withdrawal from the Reserve for the benefit of the San Francisco Unified School District to offset the impact of declining State aid. However, due to higher than expected year end revenues, \$6.0 million was deposited into the reserve at FY 2011-12 year end, bringing the current balance to \$31.1 million. On January 15, 2013, the Mayor introduced legislation to increase the allocation to \$7.8 million, or 25% of the current reserve balance, an increase of \$1.5 million over budget, resulting in a projected year-end balance \$23.3 million.

Rainy Day One-Time Reserve: Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth in good years, which can be used to one-time expenses. This Reserve began the year with \$3.0 million. No deposits or withdrawals are expected in FY 2012-13.

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 current balance of the Reserve is \$74.3 million, which includes \$47.1 million deposited in FY 2011-12. Transfer tax revenues in the current year, adjusted for rate increases in November 2008 and November 2010, are projected to exceed the deposit threshold by \$27.4 million, resulting in a \$20.5 million deposit to the reserve, \$2.7 million more than budgeted. The projected ending balance for FY 2012-13 is \$94.8 million.

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 \$20.2 million (\$7.1 million carried forward from FY 2011-12 and \$13.1 million appropriated in the FY 2012-13 Annual Appropriation Ordinance). As of February 5, 2013, the Controller's Office has transferred \$1.4 million to 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: No uses of the \$15 million budgeted allowance for State budget cuts have been approved, however, the Mayor has introduced an ordinance appropriating \$7.1 million to fund increased admissions at the Juvenile Probation Department, Department of Public Health mental health bed costs, backfill state cuts to child care programs of the Human Services Agency, and renovations of the Bayview Opera House previously funded by the Redevelopment Agency, leaving a balance \$7.8 million. Uncertainty remains regarding State and Federal budget effects 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	13.1
Remaining FY 2011-12 Salary and Benefits Reserve Balance	7.1
Total Sources	20.2
USES	
Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1 & Q2)	1.0
Various Training, Tuition & Other Reimbursements	0.3
Visual Display Terminal Insurance (Q1 & Q2)	0.1
Total Transfers to Departments	1.4
Anticipated Allocations	
Police Wellness, Premium, and Compensatory Time payouts	11.0
Citywide Premium, Retirement and Severance payouts	2.0
Fire Wellness, Premium, and Compensatory Time payouts	1.6
Various Training, Tuition, and Other Reimbursements	1.6
Sheriff's Department	1.0
Retiree Health	1.0
SEIU as needed temporary employees healthcare (Q3 & Q4)	0.6
Visual Display Terminal Insurance (Q3 & Q4)	0.1
Total Remaining Allocations	18.9
Total Uses	20.2
Net Surplus / (Shortfall)	(0.0)

Appendix 5. Other Funds Highlights

Table A5-1. Other Fund Highlights, \$ Millions

	Prior Year		FY 2012-13					
	FY 2011-12 Year-End Available Fund Balance	Fund Balance Used in FY 12-13 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	\$29.7	\$0.0	\$29.7	\$5.7	\$2.0	\$7.7	\$37.4	1
Children's Fund	\$7.0	\$0.6	\$6.4	\$0.7	\$0.2	\$0.9	\$7.3	2
Children's Fund - Public Education Special Fund	\$2.1	\$0.7	\$1.4	\$0.0	(\$1.4)	(\$1.4)	\$0.0	3
Convention Facilities Fund	\$30.0	\$10.0	\$20.0	\$0.0	\$0.0	\$0.0	\$20.0	
Golf Fund	\$0.0	\$0.0	\$0.0	(\$0.8)	\$0.8	\$0.0	\$0.0	4
Library Preservation Fund	\$17.7	\$0.2	\$17.4	\$0.2	\$1.3	\$1.5	\$18.9	5
Local Courthouse Construction Fund	(\$2.6)	\$1.0	(\$3.7)	(\$0.8)	\$0.0	(\$0.8)	(\$4.5)	6
Open Space Fund	\$5.3	\$2.6	\$2.7	\$0.6	\$0.0	\$0.6	\$3.3	7
Telecomm. & Information Systems Fund	\$7.5	\$3.0	\$4.5	\$0.0	(\$0.9)	(\$0.9)	\$3.6	8
General Services Agency-Central Shops Fund	(\$0.1)	\$0.0	(\$0.1)	\$0.0	(\$1.0)	(\$1.0)	(\$1.1)	9
<u>SELECT ENTERPRISE FUNDS</u>								
Airport Operating Fund	\$99.3	\$44.2	\$55.1	\$6.8	\$19.7	\$26.5	\$81.6	10
MTA – Operating Funds	\$45.4	\$0.0	\$45.4	\$11.1	\$1.0	\$12.1	\$57.5	11
Port Operating Fund	\$27.0	\$9.2	\$17.8	\$5.1	\$7.5	\$12.6	\$30.4	12
PUC – Hetch Hetchy Operating Fund	\$76.1	\$36.5	\$39.6	(\$2.6)	\$8.1	\$5.5	\$45.1	13
PUC – Wastewater Operating Fund	\$64.7	\$0.0	\$64.7	\$1.7	\$7.3	\$9.0	\$73.7	14
PUC – Water Operating Fund	\$21.0	\$3.8	\$17.2	\$13.1	\$13.0	\$26.1	\$43.3	15

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$29.7 million in available fund balance. The Department projects operating revenues net of refunds to be \$5.7 million over budget, largely due to increases in plan review and building permit fee revenue. The combined effect of a 6.7% increase in permit volume and 56.6% increase in valuation is a 12% increase in revenue. The Department projects expenditure savings of \$2.0 million, primarily due to unfilled positions, resulting in a projected fiscal year-end available fund balance of \$37.4 million.

2. Children's Fund

The Children's Fund began the fiscal year with \$6.4 million in available fund balance. Current year revenues are projected to be \$0.7 million better than budget due to estimated increases in Property Tax set-aside revenue. \$0.2 million in expenditure savings are projected due to savings in expenditures for services from other departments. As a result, the projected fiscal year-end available fund balance is \$7.3 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund began the fiscal year with \$2.1 million in available fund balance. The entire balance is projected to be expended by year end due to appropriations of \$0.7 million in the original budget and \$1.4 million in a supplemental appropriation.

4. Golf Fund

The Golf Fund began the fiscal year with no available fund balance. The Recreation and Parks Department projects revenues to be \$0.8 million less than expected due to the weather conditions in November and December 2012. This reduced revenue is projected to be partially offset by salary and benefit savings of \$0.7 million, and a \$0.1 million reduction in the transfer to the Open Space fund. There is no available fund balance expected at year-end.

5. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$17.4 million in available fund balance. The Department projects a revenue surplus of \$2.0 million due to increases in the Property Tax allocation and the General Fund baseline contribution. The Department projects expenditure savings of \$1.3 million primarily due to savings in materials and supplies and other current expenses. Pursuant to San Francisco Charter Section 16.109, the Department would also return the General fund share of savings, resulting in a reduction to the required baseline contribution of \$1.8 million. The net result is an operating surplus of \$1.5 million and a projected fiscal year-end available fund balance of \$18.9 million.

6. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a fund balance shortfall of \$3.7 million after taking into account the \$1.0 million assumed in the FY 2012-13 budget. Current year revenues are expected to be about \$0.8 million under budget due to continued declines in parking ticket surcharges dedicated for this fund. This results in an anticipated year-end fund balance shortfall of \$4.5 million.

The fund supports debt service on the Certificates of Participation sold to support construction of the 400 McAllister Street courthouse 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 \$2.7 million in available fund balance. The Recreation and Park Department projects expenditures to be on budget and revenues to be \$0.6 million greater than budget due to increased Property Tax set-aside revenues. The net result is an operating surplus of \$0.6 million and a projected fiscal year-end available fund balance of \$3.3 million.

8. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$4.5 million. The Department projects \$0.9 million less in revenues, and expenditures to be on budget. Fund balance will be used to replace the reduced revenue, resulting in a fiscal year-end available fund balance of \$3.6 million.

9. Central Shops Fund

The Central Shops fund began the year with an available fund balance of -\$0.1 million. The City Administrator projects expenditures to exceed budget by \$1.0 million due to user departments over expending workorder budgets. The estimated available year-end fund balance shortfall is projected to be \$1.1 million.

Select Enterprise Funds

10. Airport Operating Fund

The Airport Operating Fund began the fiscal year with \$55.1 million in available fund balance. The Department is projecting a net revenue surplus of \$6.8 million, which consists of a \$9.3 million increase in concessions revenues and a \$4.1 million increase in aviation revenues, partially offset by a \$6.6 shortfall in non-operating revenue. The Department projects expenditure savings of \$19.7 million, driven by \$7.6 million in savings in non-personnel services, \$7.0 million in public safety costs, \$2.7 million in savings from services of other departments, \$1.3 million savings in materials and supplies, \$1.2 million savings in salaries and benefits, and \$1.2 million in debt service savings. The expenditure savings are partially offset by a \$1.3 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 \$26.5 million and a fiscal-year end available fund balance of \$81.6 million.

11. Municipal Transportation Agency (SFMTA) Operating Funds

SFMTA began the fiscal year with \$45.4 million in available fund balance. The Agency is projected to end the year with a net operating surplus of \$12.1 million, resulting in a projected year-end fund balance of \$57.5 million. The Agency projects a revenue surplus of \$11.1 million, including \$4.3 million surplus in Transit Fares, \$4.1 million in increased parking meter revenues, \$8.5 million in baseline tax transfers, and \$1.4 million from other

sources. These surpluses are offset by a shortfall of \$7.2 million in traffic fines. The increase in parking meter revenues and decreases in traffic fines is mainly due to parking management efforts underway at the SFMTA.

The Agency projects to end the year with savings of \$1.0 million in expenditures. Over expenditures of \$21.7 million in salaries and benefits are expected to be offset by \$4 million in debt service savings, \$3.3 million savings in claim payments, \$1.4 million in payments to other transit operators, and \$1.7 million in rent savings. Additionally, \$3.5 million in contracts, \$1.0 million in equipment and \$7.8 million in materials and supplies are expected to be mainly funded through non-operating sources (e.g. grants) that are currently in the operating budget.

12. Port Operating Fund

The Port Operating Fund began the fiscal year with \$17.8 million in available fund balance. The Department projects a \$5.1 million revenue surplus due to \$4.0 million in increased real estate from rent and parking revenue, a \$0.9 million increase in maritime revenues as a result of higher cruise, cargo and ship repair volume, and \$0.2 million in other operating revenue. The Department projects \$7.5 million in expenditure savings consisting of \$2.3 million in debt service savings, \$1.9 million in salaries and benefits savings, \$1.4 million in non-personnel expense savings, \$1.1 million in annual project savings, \$0.3 million in savings from services of other departments, and \$0.5 million savings in materials and supplies and other equipment. This results in a projected net operating surplus of \$12.6 million and a fiscal-year end available fund balance of \$30.4 million that will be used to support the Port's capital program and 15 percent operating reserve.

13. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$39.6 million in available fund balance, including the approved supplemental appropriation for the CleanPower SF program. The Department projects a net revenue shortfall of \$2.6 million due to lower power sales to City Departments and Districts municipal loads. This shortfall is offset by \$8.1 million in projected expenditure savings, resulting in a projected net operating surplus of \$5.5 million. This results the available fiscal year-end fund balance of \$45.1 million.

14. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$64.7 million in available fund balance. The Department projects revenue to be \$1.7 million higher than budget due to higher sewer service charges to City Departments and increases in miscellaneous income. The Department projects \$7.3 million in expenditure savings primarily due to refunding 2013A bonds and unspent general reserve. This results in a projected net operating surplus of \$9 million and a fiscal year-end available fund balance of \$73.7 million.

15. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with \$17.2 million in available fund balance. Water Department revenues are projected to be \$13.1 million higher than budget, primarily due to increases in retail water sales and wholesale water sales. Additionally, the Department projects \$13 million of expenditure savings primarily from 2012 Series C and D refunding debt issuances, resulting in a projected net surplus of \$26.1 million and a fiscal year-end available fund balance of \$43.3 million.

Appendix 6. Overtime Report

Department	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	July Through December 2012 Actual	Straight Line Projection	Surplus/ (Deficit)	FY 13 Projection Change from Prior Year Actuals	
	Actual	Actual	Actual	Adj. Revised Budget				\$ Million	Percent
MTA									
Municipal Railway	\$ 45.6	\$ 52.2	\$ 53.2	\$ 39.9	\$ 22.4	44.8	\$ (4.9)	\$ (8.4)	-15.8%
Parking & Traffic	2.3	2.1	2.5	1.5	1.3	2.6	(1.1)	0.1	2.2%
Subtotal - MTA	47.9	54.3	55.7	41.3	23.7	47.3	\$ (6.0)	\$ (8.3)	-14.9%
Police									
General Fund Operations	13.8	13.1	10.7	12.5	6.1	12.3	0.2	1.6	15%
Special Law Enforcement Services (10B)	10.5	8.6	10.4	13.3	6.6	13.3	-	2.9	28%
Grants & Other Non-10B Special Revenues	0.9	1.5	2.1	2.3	1.5	3.0	(0.7)	0.9	43%
Airport	1.7	1.4	1.8	1.8	0.9	1.9	(0.1)	0.1	8.0%
Subtotal - Police	26.9	24.6	24.9	29.8	15.2	30.4	(0.6)	5.5	22%
Public Health									
All Other Non-Hospital Operations	0.8	0.8	0.8	0.8	0.5	0.9	(0.2)	0.1	16.2%
SF General	2.9	4.2	5.1	4.5	2.8	5.7	(1.2)	0.6	11.3%
Laguna Honda Hospital	5.1	5.6	5.7	4.8	2.6	5.3	(0.5)	(0.4)	-7.1%
Subtotal - Public Health	8.9	10.6	11.6	10.1	5.9	11.9	(1.8)	0.3	2.6%
Fire									
General Fund Operations	21.0	27.7	32.6	36.0	21.5	43.0	(7.1)	10.4	31.8%
Grants & Other Special Revenues	0.0	-	-	-	-	-	-	-	0.0%
Airport	2.2	2.5	2.8	2.7	1.5	3.0	(0.4)	0.3	10.1%
Port	0.2	0.3	0.2	0.4	0.2	0.3	0.0	0.1	37.1%
Subtotal - Fire	23.5	30.5	35.6	39.0	23.2	46.4	(7.4)	10.8	30.2%
Sheriff									
General Fund Operations	6.6	5.3	7.6	5.9	4.0	7.9	(2.0)	0.3	4.1%
Special Law Enforcement Services (10B)	-	-	-	1.3	0.6	1.3	-	1.3	N/A
Grants & Other Non-10B Special Revenues	0.5	0.5	0.8	0.3	0.5	1.0	(0.7)	0.2	23.7%
Subtotal - Sheriff	7.1	5.8	8.4	7.5	5.1	10.2	(2.6)	1.8	21.4%
Subtotal - Top 5	114.3	125.8	136.2	127.8	73.1	146.2	(18.5)	10.0	7.4%
Public Utilities Commission	5.3	5.9	6.2	4.0	2.9	5.7	(1.7)	(0.5)	-7.3%
Recreation & Park	1.4	1.4	1.1	1.3	0.5	1.1	0.2	(0.0)	-3.0%
Human Services Agency	0.5	0.6	0.6	0.3	0.3	0.7	(0.4)	0.1	10.2%
Fine Arts Museum	1.0	0.8	0.9	0.1	0.4	0.8	(0.7)	(0.1)	-12.8%
Public Works	1.5	1.4	1.5	1.5	0.9	1.7	(0.3)	0.2	16.3%
Juvenile Probation	0.8	0.8	0.9	0.9	0.6	1.2	(0.3)	0.3	30.6%
Airport Commission	1.7	2.2	2.2	2.6	1.1	2.2	0.4	0.0	0.7%
Elections	0.4	0.4	0.4	0.4	0.3	0.6	(0.3)	0.2	53.6%
Emergency Management	1.4	1.4	1.2	1.1	0.5	1.1	0.0	(0.1)	-10.2%
All Other Departments	2.0	3.2	2.9	2.0	1.3	2.5	(0.5)	(0.4)	-12.7%
Total	130.0	144.0	154.1	141.9	81.9	163.8	(21.9)	9.7	6.3%
<i>Top 5 % of Total</i>	87.9%	87.4%	88.4%	90.0%	89.3%	89.3%			
Change from Prior Year Actual	\$ (12.0)	\$ 14.0	\$ 10.1	\$ (12.2)		\$ 9.7			
Total Gross Salaries (Cash Compensation)	\$ 2,595.8	\$ 2,529.6	\$ 2,634.5	\$ 2,767.2	\$ 1,344.2	\$ 2,688.4			
Overtime as a % of Total Gross Salaries	5.0%	5.7%	5.8%	5.1%	6.1%	6.1%			

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