MAYOR'S BUDGET OFFICE

BOARD OF SUPERVISORS
BUDGET ANALYST

OFFICE OF THE CONTROLLER

March 15, 2006

The Honorable Gavin Newsom, Mayor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Three-Year Budget Projection for General Fund Supported Operations**
FY 2006-07 through FY 2008-09

Dear Mayor Newsom and Members of the Board of Supervisors:

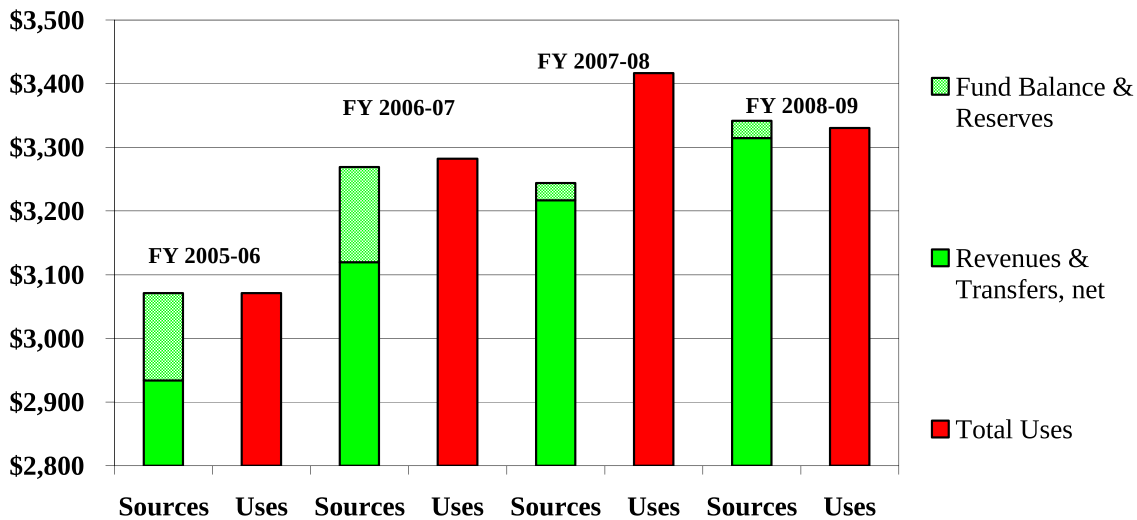
The San Francisco Administrative Code Section 3.6 requires a three-year budget report to be issued annually by the Controller, the Mayor's Budget Director, and the Budget Analyst for the Board of Supervisors. This report projects budgetary sources and uses for General Fund Supported operations for FY 2006-07 through FY 2008-09 as follows.

General Fund Supported Operations, Millions	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**
Projected Surplus / (Shortfall)	**$ (12.5)**	**$ (172.8)**	**$ 11.4**

Table A on the following page highlights the projected budgetary surpluses and shortfalls over the next three years. **The projected budget shortfall is $12.5 million for FY 2006-07**, which is a level considerably lower than past years in large part due to strong revenue growth. **The projected shortfall of $12.5 million assumes use of the entire $137.3 million currently projected FY 2005-06 year-end fund balance. The $137.3 million assumes that three supplemental appropriations will be adopted: (a) Police overspending in the amount of $5.66 million; (b) Elections in the amount of $1.41 million; and, (c) SF General Hospital and Laguna Honda Hospital which is backed by MediCal and Patient Revenues and does not require General Fund Support. To the degree any additional supplemental appropriations are approved between now and year-end, the projected shortfall of $12.5 million will grow commensurately.**

For FY 2007-08, a shortfall of $172.8 million is projected. This is largely the result of the assumed use of all available fund balances during FY 2006-07. Then, assuming that the FY 2007-08 shortfall of $172.8 million is bridged with on-going solutions, FY 2008-09 is projected to have an $11.4 million surplus. **While some fiscal year periods may reflect either projected surpluses or shortfalls based on the current levels of service as assumed in this report, all final budgets must be balanced.** As in the past, this report assumes that any prior-year projected shortfalls are balanced with ongoing solutions, including a combination of increased revenues and decreased expenditures. The following table provides a comparison of sources and uses for the current year and the projection for the next three years.

Table A: High-Level Summary for General Fund Supported Operations
Projected Budgetary Surplus / (Shortfall), in millions



GENERAL FUND SUPPORTED OPERATIONS	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Fund Balance - General Fund	$ 118.0	$ 137.3	$ 25.0	$ 25.0
Fund Balance - Other GFS Funds	7.6	0.8	-	-
Reserves	11.6	11.6	2.0	2.0
Revenues & Transfers, net	2,934.0	3,119.7	3,216.9	3,314.8
Total Sources	**$ 3,071.2**	**$ 3,269.4**	**$ 3,243.9**	**$ 3,341.8**
% Change from Prior Year		***6.5%***	***-0.8%***	***3.0%***
Personnel - Salaries & Fringes	1,628.9	1,740.5	1,800.3	1,849.1
All Other Non-Personnel Costs	1,442.2	1,541.4	1,628.9	1,666.6
Required Budget Balancing from Prior Year			(12.5)	(185.3)
Total Uses	**$ 3,071.2**	**$ 3,281.9**	**$ 3,416.7**	**$ 3,330.5**
% Change from Prior Year		***6.9%***	***4.1%***	***-2.5%***
Projected Surplus / (Shortfall)	**$ -**	**$ (12.5)**	**$ (172.8)**	**$ 11.4**
as % of Total Uses		***-0.4%***	***-5.1%***	***0.3%***

Our projections reflect the estimated cost of providing the current level of City services through current business practices for General Fund Supported operations. These projections are not intended to commit the City to future spending levels. Actual funding decisions will be subject to availability of funds as well as policy decisions of the Mayor and Board of Supervisors. Key assumptions to note in this year's Joint Report are included below. Based on these assumptions, key budgetary changes in sources and uses are highlighted in Table B on page 5.

Assumptions Contained in the Budget Projection

- For employees covered by labor Memoranda of Understanding (MOU) that are set to expire on June 30, 2006, we have assumed:

  Beginning in FY 2006-07, the City will resume full pick-up of the 7.5 percent employee retirement contribution for miscellaneous employees. **No salary increases, except for the annualization of increases granted in FY 2005-06, which result in increased salary costs of 2.40 to 4.40 percent depending on the labor contract, will be provided.** The combined average total compensation cost increase, including salary and city pick-up of employee retirement contribution, is 9.4 to 9.9 percent for open MOUs in FY 2006-07. Additional compensation increases granted over and above this 9.4 to 9.9 percent total compensation increase would correspondingly increase projected revenue shortfalls in FY 2006-07. For the next two years, wage increases are assumed to be equal to projected inflation of 2.1 and 1.6 percent respectively.

  If an additional compensation increases equal to the level of inflation projected for the San Francisco Bay Area were to occur for FY 2006-07, the shortfall would increase by $15.7 million in FY 2006-07. As in the past, the inflation projections, which are an estimated 1.7 percent, are from the California Department of Finance and are consistent with those assumed in the Governor's Proposed State budget for the San Francisco Bay Area. Our Joint Report acknowledges that any compensation increase in future fiscal years will be determined ultimately through the collective bargaining process.

- For employees covered by currently closed MOUs (including Police, Fire, and the Deputy Sheriffs Association), our projection includes current (and proposed, for the Deputy Sheriffs Association) labor MOU provisions.

- The Charter-mandated employer-share retirement contribution rate will decrease from 6.58 percent in FY 2005-06 to 6.24 percent in FY 2006-07 for Miscellaneous, Police and Fire employees. Cost savings related to the change in mandatory employer retirement contribution rates are projected to be $3.6 million in FY 2006-07, followed by projected savings of $2.6 million and $2.1 million in FY 2007-08 and FY 2008-09 respectively. The CalPERS retirement contribution rate is also set to decrease slightly in FY 2006-07 (going from 20.850 percent to 18.824 percent) for covered public safety personnel, resulting in projected savings of $1.5 million in FY 2006-07, followed by projected savings of $0.1 million in FY 2007-08 and level costs in FY 2008-09.

- For all three years, we have assumed that the City's operating costs will reflect inflationary cost increases for contract services, materials and supplies. This results in projected increases costs of $13.9, $17.4 and $13.6 million for FY 2006-07, FY 2007-08, and FY 2008-09 respectively. These increases are tied to inflationary increases of 1.7, 2.1 and 1.6 percent as projected by the California Department of Finance for the San Francisco Bay Area.

- Consistent with the Governor's Proposed State Budget, our projection includes continuation of property tax shifts implemented in prior years for the Educational Revenue Augmentation Fund (ERAF I and ERAF II) of $264.3 million annually, the expiration of the ERAF III shift which would yield increased property tax revenues for the City of $25.2 million in FY 2006-07, and net increased funding allocations of $0.9 million in FY 2006-07. The Governor's Proposed State budget changes, which will impact San Francisco, are summarized on page 18.

- We do not assume a General Fund backfill of any Federal funding reductions for various grant programs such as Homeland Security Urban Area Safety Initiative (UASI), Community Development Block Grant and Ryan White AIDS programs.

Table B: Three-Year Summary for General Fund Supported Operations
Projected Impact of Key Changes in Sources & Uses, in millions

	FY 2006-07	FY 2007-08	FY 2008-09
TOTAL BEGINNING SOURCES	**$ 3,071.2**	**$ 3,269.4**	**$ 3,243.9**
Change in Fund Balance & Prior-Year Reserves			
Fund Balance & Prior-Year Reserve	**12.5**	**(122.6)**	**0.0**
Change in Revenues, Transfers In, State Budget Shifts & Redevelopment			
General Tax, Recurring Revenue & Transfer In Sources	$211.7	$103.7	$102.7
Elimination of VLF One-Time 'Loan' Repayment in FY 2006-07	($29.7)	$0.0	$0.0
State Additional Portion of Property Taxes, ERAF III	$25.2	$0.0	$0.0
Other One-Time Revenues & Transfers In	($17.9)	$0.0	$0.0
Redevelopment Property Tax Increment, net General Fund impact	($3.5)	($6.5)	($4.8)
Subtotal, Revenues & Transfers In	**185.8**	**97.2**	**97.9**
TOTAL ENDING SOURCES	**3,269.4**	**3,243.9**	**3,341.8**
TOTAL BEGINNING USES (uses shown as negatives)	**$ (3,071.2)**	**$ (3,269.4)**	**$ (3,243.9)**
Salary & Benefit Cost Savings / (Increases)	**(1,628.9)**	**(1,740.5)**	**(1,800.3)**
Annualization of Partial-Year Position Funding	(5.6)		
Change in Work Days	1.4	(2.7)	1.4
MOU Costs, Prior-Year Annualizations of Increases, Salary & Fringes	(39.8)		
MOU Costs, Closed Public Safety Salary & Fringe Costs	(21.0)	(6.2)	(3.9)
MOU Costs, Open - Wage & Fringe Increases of 0%, 2.1% & 1.6%	0.0	(26.8)	(21.0)
MOU Costs - 7.5% Employer Pick-Up of Required Employee Contribution	(35.1)		
Health & Dental Benefits	(15.3)	(26.8)	(27.4)
Pension Savings from Contribution Rate Changes	5.1	2.7	2.1
Unemployment Insurance, Social Security & Flexible Benefit Program Benefits	(1.3)		
Salaries and Benefits Cost Savings / (Increases)	**(111.6)**	**(59.8)**	**(48.8)**
Subtotal - Salaries and Benefits Costs	**(1,740.5)**	**(1,800.3)**	**(1,849.1)**
Non-Personnel Cost Savings / (Increases)	**(1,442.2)**	**(1,541.4)**	**(1,628.9)**
Baseline & Other Mandated Spending Requirements	(8.1)	(35.5)	(27.2)
Capital, Facilities Maintenance & Equipment	0.0	0.0	0.0
CPI Inflation on Materials & Supplies and Contracts at CPI of 1.7%, 2.1%, 1.6%	(13.9)	(17.4)	(13.6)
Debt Service & Lease Financing Costs ($8M equipment lease program per year)	(3.3)	(0.2)	0.5
Litigation & Claims (Assumed Average Level of $11M)	(4.0)	0.0	0.0
One-Time Costs Removed from Base, net	4.6		
Utility Costs - Electricity, Natural Gas, Steam, Water, Sewer & Garbage Costs	(5.0)	(1.0)	(0.8)
Worker's Compensation	0.2	(1.8)	(1.8)
Departments & Commissions			
Administrative Services - Convention Facilities	0.8	(2.2)	(1.2)
Elections Department - Staffing	2.0	(3.5)	3.5
Ethics - Public Financing of Supervisorial & Mayoral Elections	(6.9)	5.4	(1.4)
Fire - Facilities Staffing Requirement (Prop F, 11/2005)	(8.4)		
General Services Agency - 311 Project	(8.3)		4.6
Human Resources - Collective Bargaining Costs	1.4	0.5	(2.0)
Human Services - Subtotal of All Program Costs	0.1	(1.3)	(2.3)
Museums - New Facility & Annualization	(0.5)	(1.1)	(0.2)
Police - Subtotal of All Program Costs	(12.2)	(9.8)	(1.9)
Public Health - Subtotal of All Program Costs	(34.6)	(19.6)	6.1
Recreation & Parks - Open Space Lease Revenue Bond Debt Service	(2.0)		
Sheriff - Jail Health Workorder Costs	(1.0)		
Non-Personnel Cost Savings / (Increases)	**(99.2)**	**(87.5)**	**(37.8)**
Subtotal - Non-Personnel	**(1,541.4)**	**(1,628.9)**	**(1,666.6)**
TOTAL ENDING USES	**(3,281.9)**	**(3,416.7)**	**(3,330.5)**
PROJECTED SURPLUS / (SHORTFALL)	**($12.5)**	**($172.8)**	**$11.4**

SUMMARY OF OUR PROJECTIONS

The discussions under the SOURCES and USES sections below provide descriptions of the corresponding section of Table B on page 5.

SOURCES - Fund Balance & Prior Year Reserves

We are assuming the entire $137.3 million of FY 2005-06 General Fund year-end fund balance will be available as a source of funds for the FY 2006-07 budget. This fund balance and projected reserves result in year-over-year incremental sources of $12.5 million. Key changes in fund balances and reserves include:

Fund Balance – General Fund. Projected fund balance has increased due largely to the economic recovery resulting in increased revenues, as well as some departmental savings. All combined, an additional $19.3 million is projected year-over-year from FY 2005-06's currently budgeted $118.0 million level. The incremental $19.3 million in additional fund balance is consistent with the Controller's Six-Month Report, where a projected year-end fund balance of $137.3 million was reported, along with the current levels of assumed supplemental appropriations for Police, Elections and Public Health.

Fund Balance – Other. Fund balances available outside of the $137.3 million projected General Fund balance have been largely budgeted and used during FY 2005-06. This represents a $6.8 million year-over-year loss of funding.

Reserves from Prior Years. Occasionally, unspent reserve balances established in prior years are available to cover budget costs. The FY 2005-06 budget was balanced using available prior-year reserves totaling $11.6 million, which is the same level projected to be available in FY 2006-07 albeit in different reserve accounts. These reserves include:

- **Rainy Day Reserve – Economic Stabilization Account.** No draw down from the Rainy Day Reserve's Economic Stabilization Account was included as a funding source in the FY 2005-06 budget, nor is any draw down projected over the subsequent three years. At this time, anticipated revenue growth in FY 2006-07 through FY 2008-09 results in the City being ineligible to use the Rainy Day's Economic Stabilization Account as a funding source for the City budget. Nor are additional deposits to the Rainy Day Reserve are projected to be required from FY 2006-07 through FY 2008-09.
- **Rainy Day Reserve – One-Time Spending Account.** For the first time since the creation of the Rainy Day Reserve requirements by voters in November 2003, the Rainy Day's One-Time Spending Account is projected to have $2.4 million available for one-time spending based on projected deposits made in FY 2005-06. This $2.4 million has been included as an available source of funding in our projection. No additional deposits are projected over this three-year period.
- **Budget Savings Incentive Reserves.** The FY 2005-06 budget included $2.5 million in budget savings reserves. Consistent with anticipated departmental savings, $6.6 million is projected to be available to fund FY 2006-07 spending, resulting in a year-over-year increase of $4.1 million. For FY 2007-08 available budget savings reserves are projected to decrease by $4.6 million from FY 2006-07 levels, and remain level into FY 2008-09.
- **Salary & Benefits (MOU) Reserves.** For FY 2006-07, a $6.6 million reduction of salary and benefit reserve funding is projected to cover negotiated cost increases. Then, a $2.6 million reduction is projected in FY 2007-08 followed by no change for FY 2008-09.

SOURCES – Revenues, Transfers In, State Budget Shifts & Redevelopment

Overall for FY 2006-07, we estimate projected revenue growth of $185.8 million from the FY 2005-06 budgeted levels. This is comprised of $236.9 million in growth offset by the $47.6 million loss of one-time revenues and $3.5 million in property tax increment funding, foregone by the General Fund, in order to increase allocations to the Redevelopment Agency in FY 2006-07. Attachments 1 and 2 summarize Revenue and Transfer-In sources for the three-year projection.

- **General Tax, Recurring Revenues & Transfers Into the General Fund.** Recurring Revenues & Transfers In are projected to increase $211.7 million in FY 2006-07 from the FY 2005-06 original budget levels. As detailed on Attachment 2, overall tax revenue growth is projected to be 12.8 percent higher on average than FY 2005-06 originally budgeted levels or 5.4 percent higher on average than current year projected levels (as outlined previously in the Controller's 6-Month Report). Notable strength projected in the General Fund is primarily due to Property, Real Property Transfer, Hotel, Business, and Utility Users Tax revenue growth. Additionally, Public Health hospital revenues are projected to grow $44.9 million in FY 2006-07. After factoring in the new or one-time revenues used to balance FY 2005-06, overall revenue and transfers in growth are projected to be 6.3, 3.1 and 3.0 percent for FY 2006-07, FY 2007-08 and FY 2008-09 respectively year-over-year from the prior year's original budget (projection for latter two years).

- **New or One-Time Revenues & Transfers Into the General Fund.** The FY 2005-06 budget was balanced using various new or one-time revenues and transfers. Most are not projected to be available in FY 2006-07, thereby creating a $47.6 million loss. New or one-time revenue and transfer sources included in the FY 2005-06 budget that we have not assumed will recur in the upcoming year include $29.7 million from the State for the vehicle license fee loan repayment, $7.8 million from the sale of City-owned surplus property, $3.5 million from the Comcast Settlement, $2.5 million from the Emporium Settlement, $2.4 million from transfers from the Building Inspection Fund, $1.5 million from prior year Federal Title IVE Foster Childcare Waiver revenues, $0.2 million from various Gifts, Grants and Other non-recurring funding.

- **State Revenue Adjustments.** Consistent with the Governor's Proposed State Budget, we have assumed that ERAF I and II shifts continue, resulting in reduced property tax revenues of $264.3 million, along with the elimination of the two-year ERAF III shift of $25.2 million. This latter shift, ERAF III, affected both FY 2004-05 and FY 2005-06 General Fund property tax revenues.[1] Elimination of ERAF III results in $25.2 million of additional property tax revenue in FY 2006-07 as compared to FY 2005-06. Our projection also assumes estimated net funding allocation increases of $0.9 million in FY 2006-07 from the State (see page 18).

- **Redevelopment Tax Increment Requirement.** Tax increment funding allocated to the Redevelopment Agency is partially funded from Property Tax revenue that would otherwise accrue to the General Fund. The FY 2005-06 budget was based upon an assumed gross tax increment of $70.0 million budgeted for the Redevelopment Agency – or $5.1 million less than the $75.1 million in total available tax increment that could be allocated to the

[1] ERAF is the Educational Revenue Augmentation Fund. ERAF shifts negatively impact local governments by shifting property tax funding to cover a portion of the Proposition 98, voter mandate that the State provide baseline spending for K-14 education. For San Francisco, all ERAF shifts effectively reduced our General Fund's revenues by an estimated $289.5 million in FY 2005-06.

Redevelopment Agency. Our projection includes growth in Redevelopment tax increment funding which would result in a net General Fund revenue loss of $3.5 million in FY 2006-07 to fund increased debt service that is planned. Without this planned increase in tax increment funding to the Redevelopment Agency, this net revenue would otherwise accrue to the General Fund.

USES – Salaries and Benefits

We are projecting increased labor costs for the General Fund of $111.6 million in FY 2006-07, followed by increases of $59.8 million in FY 2007-08 and $48.8 million in FY 2008-09. These result from known memoranda of understanding (MOU) provisions for City employees, mandated health benefit and retirement cost increases, changes in the number of workdays in each fiscal year, as well as **assumed wage increases for open contracts equal to the projected rate of inflation in the latter two years** of this projection report.

No wage increases are assumed on open contracts for FY 2006-07, except the wage increase annualization costs of 2.4 to 4.4 percent (depending on the labor contract for raises implemented throughout FY 2005-06) **and the compensation increases of the full pickup of the 7.5 percent employee retirement contribution**. **These wage assumptions are in no way meant to imply a promise to increase wages, as any increases will ultimately be decided through the collective bargaining process.**

Additional expenditure increases due to Salaries and Benefits are discussed below.

- **Annualization of Partial-Year Position Funding.** In FY 2006-07, the City will incur additional costs to annualize positions funded for only a partial year in the FY 2005-06 budget. Most of the positions were funded for only three-quarters of a year. Annualization of partial-year positions results in an additional $5.6 million in General Fund costs to fund these positions for a full year.

- **Change in Work Days.** FY 2005-06, FY 2007-08 and FY 2008-09 all have 261 workdays for regularly scheduled shifts, whereas FY 2006-07 only has 260 workdays. Additionally, FY 2007-08 is affected by the leap year. After factoring in all workdays and weekend coverage for 24/7 operations, the City’s General Fund Supported operating costs are projected to be $1.4 million lower in FY 2006-07, $2.7 million higher in FY 2007-08 and finally $1.4 million lower in FY 2008-09.

- **Annualization of Prior Year MOU Provisions.** The ongoing cost of partial-year salary increases granted during FY 2005-06 and not shown separately in the MOU items outlined below will result in $39.8 million in additional General Fund Supported costs in FY 2006-07.

- **MOU Costs – Closed Public Safety Salary & Fringe Costs.** Most MOUs are up for negotiations during FY 2006-07, though a few are or will be closed as noted below. Based on negotiated terms and our projection assumptions, the following costs increases are anticipated:

    1. **Police, Salaries & Fringes**. Police MOU costs are projected to increase by $7.4 million in FY 2006-07, plus annualization costs of $2.6 million during FY 2007-08. Because this MOU expires on June 30, 2007, we have included only the annualization of prior year increases for FY 2007-08 in the line item detail for Police. Then, consistent with other open MOUs we have assumed that Police costs

during open years (FY 2007-08 and FY 2008-09) will increase by 2.1 percent and 1.6 percent respectively – levels consistent with the projected level of inflation. Since the Police MOU mandates a multi-jurisdictional salary survey each year, which will not be completed until March 30th, we have based our projection on an assumed survey result of a 3.0 percent increase for FY 2006-07. To the degree that higher increases are granted for the Police survey jurisdictions, additional costs will result.

2. **Fire, Salaries & Fringes.** Fire MOU costs are projected to increase by $7.6 million in FY 2006-07, followed by annualization costs of $1.8 million during FY 2007-08. We have based our projection on assumed cost increases related to the salary survey discussed above of 3.0 percent for FY 2006-07 plus an adjustment to achieve parity with Police salaries as prescribed in Fire MOU. This MOU also expires on June 30, 2007, so we have included only the annualization of prior year increases in the line item detail for Fire in Table B. Then, consistent with other open MOUs we have assumed that Fire costs during open years (FY 2007-08 and FY 2008-09) will increase by 2.1 percent and 1.6 percent respectively – levels consistent with the projected level of inflation. As with the Police salaries discussed above, to the degree higher increases are granted for the Police survey jurisdictions, additional costs will result.

3. **Deputy Sheriffs Association (DSA), Salaries & Fringes.** The DSA's proposed MOU, which will be retroactive to July 1, 2005, results in projected increases of 11.24 percent in FY 2006-07 (impact of two years of increases), 2.98 percent in FY 2007-08, and 6.39 percent in FY 2008-09, or an additional cost of $6.0 million in FY 2006-07, along with increases of $1.8 million and $3.9 million in FY 2007-08 and FY 2008-09 respectively.

- **Open MOU Costs.** Most MOUs are currently in negotiation for FY 2006-07. To capture projected costs associated with anticipated new contracts, we have included the following costs increases:

    1. **Wage Increases**. No general wage increases are assumed for open contracts during FY 2006-07, except for the annualization costs of 2.4 to 4.4 percent for existing raises implemented throughout FY 2005-06. These annualization increases, along with the effective impact of the City again picking up the employee's mandatory 7.5 percent retirement contribution costs equates to compensation increases of 9.4 to 9.9 percent for FY 2006-07. The table on the following page provides a comparison of wage increases for open contracts and inflation.

    Even with the assumption that no additional wage increases are provided for employees in FY 2006-07, employees are projected to have total compensation growth in excess of inflation after factoring in both wage and retirement pick-up since FY 2002-03.

    For FY 2007-08 and FY 2008-09, MOU costs for open contracts are projected to be equal to inflation of 2.1 and 1.6 percent respectively. This results in increased costs of $26.8 million in FY 2007-08 and $21.0 million in FY 2008-09. These projection assumptions parallel how we have projected inflationary cost increases for non-personnel discussed below in the latter two years of the projection.

2. **Employer Pick-Up of the Required Employee Retirement Contribution.** The City is projected to incur increased costs of $35.1 million in FY 2006-07 to once again pick up the remainder of costs related to the required employee retirement contribution, i.e. the 7.5 percent for most miscellaneous employees.

The Table below compares total compensation increases received by employees under currently open MOUs to inflation. This comparison shows that total compensation increases granted and projected for such employees range from 14.8 to 16.4 percent since FY 2002-03, which is better than inflation.

Table C: Summary Comparison of Compensation Changes and Inflation
Employees Total Compensation Growth Outpaces Inflation

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	Since FY 2002-03
					Inflation Assumed in Joint Report			
CPI - All Urban Consumers	**1.85%**	**0.95%**	**1.71%**	**2.61%**	**1.67%**	**2.10%**	**1.61%**	**13.2%**
CPI - Wage Earners	**2.02%**	**0.97%**	**1.91%**	**2.48%**	**1.53%**	**2.10%**	**1.62%**	**13.3%**
		Actual Increases Provided			Wage Costs Assumed in Joint Report			
Compensation Changes for MOUs where City Picks-up 7.5% on June 30,2006								
Wage Cost Increases	3.75%	2.25%	0.00%	3.60%	2.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)	-2.75%	-4.75%			7.50%			
Total Increase	**1.00%**	**-2.50%**	**0.00%**	**3.60%**	**9.90%**	**2.10%**	**1.62%**	**16.3%**
Compensation Changes for MOUs where City Picks-up 2.5% on July 1, 2005 and 5.0% on June 30, 2006								
Wage Cost Increases	3.75%	2.25%	0.00%	1.60%	4.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)	-2.75%	-4.75%		2.50%	5.00%			
Total Increase	**1.00%**	**-2.50%**	**0.00%**	**4.10%**	**9.40%**	**2.10%**	**1.62%**	**16.4%**
Compensation Changes for SEIU where City Picks-up 2.5% on July 1, 2005 and 5.0% on June 30, 2006								
Wage Cost Increases	5.00%	0.00%	0.00%	1.60%	4.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)		-7.50%		2.50%	5.00%			
Total Increase	**5.00%**	**-7.50%**	**0.00%**	**4.10%**	**9.40%**	**2.10%**	**1.62%**	**14.8%**

- **Health and Dental Benefits.** Total health and dental benefits are projected to increase by $15.3 million, $26.8 million and $21.0 million in FY 2006-07, FY 2007-08 and FY 2008-09 respectively. This is comprised of both current employee and retiree subsidy costs as follows:

  1. **Current Employees.** The Charter requires the City's contribution for individual health coverage costs to increase based on a survey of California's ten largest counties. The most recently conducted survey resulted in a 5.8 percent increase (going from $345.53 to $365.66 per month) in the Charter-required contribution from FY 2005-06 to FY 2006-07. Given this increase as well as other projected changes in plan utilization, planned use of fund balance of $15.5 million during FY 2006-07 and negotiated benefit provisions, costs related to current employees are projected to increase by $12.2 million, $14.5 million and $16.0 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. Our projections for FY 2007-08 and FY 2008-09 are based on projected underlying insurance cost increases of an estimated 10.0 percent each year along with no further trust fund subsidy.

2. **Retired City Employees.** Charter Section A8.428 also mandates health coverage for retired City Employees. These medical benefits for retirees are projected to increase in cost by $3.1 million, $12.2 million, and $11.4 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. This includes full implementation of the Medicare Act of 2003, with an estimated savings of $2.9 million to the City from the Federal government related to the Medicare Prescription Drug reimbursements. This savings does not reduce prescription drug benefits for Retired City Employees. Our projections for FY 2007-08 and FY 2008-09 are based on projected underlying cost increases of 10.0 percent for inflation, 4.7 percent for utilization and 3.8 percent from the absence of further trust fund subsidization.

- **Pension Costs.** Total pension costs are projected to decrease because of projected contribution rate decreases and result in savings of $5.1 million, $2.7 million and $2.1 million in FY 2006-07, FY 2007-08 and FY 2008-09 respectively. This is comprised of contributions into SFERS and CalPERS as follows:

1. **CalPERS Contribution Rate Changes – Employer-Share Only.** The California Public Employees' Retirement System (CalPERS) has notified the City that the employer contribution rates for employees covered by CalPERS Safety will decrease from 20.850 percent in FY 2005-06 to 18.824 percent in FY 2006-07. CalPERS has also reported that their projected contribution rate is 18.700 percent for FY 2007-08. We have assumed that same rate for FY 2008-09. These contribution rate assumptions result in pension savings of $1.5 million in FY 2006-07, $0.1 million in FY 2007-08, and $0.0 million in FY 2008-09.

2. **SFERS Contribution Rate Changes – Employer-Share Only.** Employer-share contribution rates are set to decrease from 6.58 percent in FY 2005-06 to 6.24 percent in FY 2006-07 for covered City employees, as adopted by the Retirement Board on January 10, 2006. FY 2004-05 was the first year the City was required to make an employer share contribution following seven and a half years of zero percent rates given the surplus funding of the retirement system. These required employer-share rates are based on the San Francisco Employees' Retirement System's (SFERS) actuarial valuation as of July 1, 2005 (completed and published in January 2006). For our latter two years of our projection, we used the Retirement System's assumption of an assumed average actuarial rate of return on assets of 8.00 percent. This results in required employer-share contribution rates of 6.00 percent in FY 2007-08 and 5.80 percent in FY 2008-09 as calculated by the Retirement System. These rate change assumptions result in the retirement contribution savings of $3.6 million, $2.6 million, and $2.1 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively.

USES – Other Non-Salary, General Citywide Costs

We project other non-Salary expenditure increases of $99.2 million, $87.5 million and $37.8 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. These costs are based on the following assumptions:

- **Baseline & Other Mandated Spending Requirements.** The Charter specifies baseline-funding levels for various programs or functions, including the Municipal Transportation Agency (MUNI and Parking & Traffic), the Library, Children's Services, Public Education Enrichment, the City Services Auditor, the Municipal Symphony, and the Human Services Care Fund. Baseline amounts are generally linked to changes in discretionary City revenues, though some are otherwise a function of citywide expenditures or base-year program expenditure levels. The revenue and expenditure projections assumed in this report result in projected cost increases related to Charter-mandated baselines of $8.2 million, $35.5 million and $27.2 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively.

Baseline & Other Mandated Spending Requirements, (in millions)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Municipal Railway	$ 102.7	$ 112.6	$ 117.6	$ 122.4
Parking & Traffic	37.1	41.0	42.8	44.6
Subtotal MTA	139.9	153.7	160.4	167.0
Children's Services	78.9	85.5	89.2	92.9
Library	33.8	37.5	39.1	40.8
Public Education	23.3	6.7	30.0	45.0
Human Services Care Fund	14.1	14.3	14.3	14.4
City Services Auditor	9.1	9.5	9.5	9.7
Municipal Symphony	1.4	1.5	1.6	1.6
Baseline & Other Mandated Spending Requirements	$ 300.4	$ 308.6	$ 344.1	$ 371.3

- **Capital Improvements, Efficiency Projects, Facilities Maintenance & Equipment.** The FY 2005-06 budget included $36.3 million in capital improvements, $10.1 in efficiency projects, $16.7 in facilities maintenance expenditures and an $8.6 million cash purchase equipment program. Of this $71.7 million costs, $66.6 million was backed by General Fund discretionary revenue. We are assuming similar levels of General Fund discretionary spending over the next three years along with an equipment lease program of $8.0 million in each of the subsequent three fiscal years.

- **CPI – Inflationary Increases for Non-Personnel Costs.** Our projection assumes that operating cost inflationary increases of 1.7 percent in FY 2006-07 at a cost of $13.9 million, 2.1 percent in FY 2007-08 at a cost of $17.4 million and 1.6 percent in FY 2008-09 at a cost of $13.6 million. These inflation projections are from the California Department of Finance for the San Francisco Bay area.

- **Debt Service & Lease Financings.** Based on current debt repayment requirements as well as an assumed lease-financing program for equipment purchases continuing at $8.0 million per year, total debt service and lease financing costs are projected to increase by $3.3 million in FY 2006-07 and $0.2 million in FY 2007-08. Savings of $0.5 million are projected for FY 2008-09 as past debt is retired.

- **Litigation & Claims.** Each year the City is exposed to various risks related to lawsuits. We partially funded the settlement of litigation and claims with reserve carryforwards from prior years for FY 2005-06. No surplus reserves are projected to be available for FY 2006-07, necessitating an additional $4.0 million to be budgeted during FY 2006-07 – that is, increasing from $7.0 million in the FY 2005-06 budget to $11.0 million in FY 2006-07 and thereafter.

- **One-Time Costs Removed from Base, net.** Each year, as is the case with one-time revenues, one-time costs are removed from the base budget. The elimination of one-time costs is projected to result in net savings of $4.6 million after annualizing all costs associated with continuing Board-approved add-backs in the budget.

- **Utility Costs.** Costs related to utilities, including electricity, natural gas, water, sewer, garbage and steam are projected to increase by $5.0 million in FY 2006-07, $1.0 million in FY 2007-08 and $0.8 million in FY 2008-09. Notable increases are tied to: 1) natural gas commodity price increases, 2) sewer service rate increases of 13 percent on average (in both FY 2005-06 and FY 2006-07), and 3) garbage rate increases (currently under rate review). Cost increases for all utilities are included in our projection, except for water (where average rate increases of 15 percent in both FY 2005-06 and FY 2006-07 occur), because the General Fund has historically not paid for water.

- **Worker's Compensation Costs.** Workers' compensation reform along with continued cost management and return to work efforts are delivering savings to the City. The estimated savings for FY 2005-06 are $3.4 million for General Fund Supported departments. Further savings of $0.2 million are projected for FY 2006-07, followed by cost increases of $1.8 million in FY 2007-08 and another $1.8 million in FY 2008-09. These latter two years' projected costs are largely driven by assumed medical inflation of 10.0 percent offset partially by reform savings. No changes to benefit levels were assumed other than those prescribed under current law. Additionally, we have assumed that the number of indemnity claims will remain relatively flat over the next three years.

<u>USES – Other Non-Salary, Departments & Commissions</u>

- **Administrative Services - Convention Facilities.** Convention Facilities continue to require General Fund Support over the next three years to cover operating and debt service costs. Savings of $0.8 million are projected for FY 2006-07, along with incremental costs of $2.2 million for FY 2007-08 and $1.2 million for FY 2008.

- **Elections Department.** Assuming FY 2006-07 will have only one regularly scheduled election resulting in savings of $3.5 million, which is then partially offset by the annualization of $1.5 million in costs. For FY 2007-08, $3.5 million of additional costs are projected, as there will be two regularly scheduled elections. For 2008-09, $3.5 million of savings are projected due to having only one regularly scheduled election.

- **Ethics Commission – Public Financing of Elections.** Total costs are projected to increase by $6.9 million in FY 2006-07, followed by savings of $5.4 million in FY 2007-08 and further cost increases of $1.4 million in FY 2008-09. This is comprised of costs related to both supervisorial and mayoral elections as follows:

    1. **Supervisorial Elections.** Proposition O, approved in November 2001, created a publicly financed election program for supervisorial candidates starting in November 2002. This is

projected to result in incremental costs of $0.6 million in FY 2006-07, followed by savings of $0.6 million in FY 2007-08 and then incremental costs of $1.4 million in FY 2008-09. These projections are tied to the timing of elections as well as the number of candidates for each district.

2. **Mayoral Elections.** The Board-approved ordinance No.#31-06, adopted in February 2006, which created a publicly financed election program for mayoral candidates starting in November 2007. This is projected to result in incremental costs of $6.3 million in FY 2006-07, followed by savings of $4.8 million in FY 2007-08. No incremental funding is projected for FY 2008-09. These projections are tied to the timing of mayoral elections as well as the number of candidates and funding caps.

- **Fire Department.** Voter-approved initiative to keep all fire houses open that passed on the November 2005 ballot results in $8.4 million of additional costs for the General Fund to fund minimum staffing requirements in FY 2006-07. The cost to implement this initiative has increased beyond that estimated in the ballot handbook due to increased wages and restoration of additional brown-out days.

- **General Services Agency – 311 Project.** Projected incremental costs of $8.3 million in FY 2006-07 along with savings of $4.6 million in FY 2008-09 are included in this projection to cover the implementation of the City's 311 Call Center and related enhanced information services initiative. Policy decisions related to the timing of implementation and the adoption of a 311 fee may change this projection.

- **Human Resources.** Most labor MOUs are up for renewal at the end of FY 2005-06. Due to the cyclical nature of labor negotiations, savings of $1.4 million and $0.5 million are projected for FY 2006-07 and FY 2007-08 respectively. For FY 2008-09, projected cost increases of $2.0 million are projected.

- **Human Services Agency.** The agency has projected costs savings of $0.1 million in FY 2006-07 followed by cost increases of $1.3 and $2.3 million in the latter two years of our projection. These changes are summarized below.

	FY 2006-07	**FY 2007-08**	**FY 2008-09**
Aid Expenditure Growth	(3.5)	(2.5)	(3.6)
Revenue Offsets tied to Wage & Fringe Costs	3.6	1.2	1.3
Human Services - Subtotal of All Program Costs	0.1	(1.3)	(2.3)

1. **Aid Expenditure Growth.** The Human Services Department is projecting increased General Fund expenditures of $3.5 million, $2.5 million and $3.6 million in FY 2006-07, FY 2007-08, and FY 2008-09 respectively. Increases in General-Fund Supported aid expenditures, which are projected to increase between two to three percent per year on average, are driven by caseload growth, particularly in the County Adult Assistance Programs and the In-Home Supportive Services Program. No net increase in administrative staffing is assumed in this aid projection. Overall, the Human Services Department is projected to receive about 70 percent of its funding from the State and Federal governments.

2. **Revenue Offsets tied to Wage & Fringe Costs.** The Human Services Department is projecting General Fund Savings of $3.6 million, $1.2 million and $1.3 million in FY

2006-07, FY 2007-08, and FY 2008-09 respectively. The department's funding formulas generally allow for reimbursement of personnel costs. These savings reflect State and Federal reimbursements for portions of the cost increases assumed in this report.

3. **Supportive Services Costs for Housing in Construction Pipeline.** The Human Services Department is projecting additional costs of $2.5 million and $3.2 million in FY 2007-08, and FY 2008-09 respectively related to supportive services. However, these increases are not included in our projection and will be policy decisions that the Mayor and Board may consider funding during those budget years.

- **Museums – New Facility & Annualization Costs.** Total costs are projected to increase $0.5 million, $1.1 million and $0.2 million over the next three years related to:

1. **Academy of Sciences.** The new Academy of Sciences will open during FY 2007-08 creating additional costs of $1.1 million in FY 2007-08 and another $0.2 million in FY 2008-09.

2. **Fine Arts Museum.** With the opening of the new de Young Museum in FY 2005-06, we estimate that the General Fund contribution to the Fine Arts Department will increase by $0.5 million in FY 2006-07 to reflect the annualization of operating costs.

- **Police**. The department has projected costs increases of $12.2, $9.8 and $1.9 million over the next three years. These changes are summarized below.

	FY 2006-07	FY 2007-08	FY 2008-09
Crime Lab Costs	(0.4)		
Annualize Current Year Structural Shortfall	(9.0)		
Annualize Current Year Academies (not already included above)	(5.4)		
Expiration of Federal COPS Grant Funding (cost to maintain 133 officers)	(4.1)	(9.8)	(1.9)
Expiration of Federal COPS Grants (Required Local Match Budgeted in CY)	6.7		
Police - Subtotal of All Program Costs	(12.2)	(9.8)	(1.9)

1. **Crime Lab Costs –** The projected incremental costs of $0.4 million for FY 2006-07 are due to removing the crime lab from the shipyard's utility grid while remediation is underway. This is a temporary solution to a longer-term need to relocate the crime lab - costs of which are not included in our projection at this time.

2. **FY 2005-06 Expenditure Deficit & Academy Cost Annualization.** The department's current year uniform-staffing cost deficit, including $7.0 million in overspending for overtime, is assumed annualized at $9.0 million. This is greater than the recently approved supplemental because we have assumed miscellaneous salary savings will not be available in FY 2006-07 (as was the case in FY 2005-06) and because of workers compensation savings in the Police department. Additionally, $5.4 million in cost increases are projected to annualize the costs of 80 new Police officers added in the FY 2005-06 academy classes.

3. **COPS Grant Funding –** Expiration of existing multi-year Federal COPS grant funding is projected to affect 133 police officer positions beginning in FY 2006-07. Given the Charter-mandated, minimum police staffing requirement of 1,971 full duty officers, we have included the projected costs of bringing these officers back onto the General Fund. Cost increases of $4.1 million in FY 2006-07, $9.8 million

in FY 2007-08, and $1.9 million in FY 2008-09. Offsetting this, the FY 2005-06 budget included local match funding of $6.7 million, which is not projected for FY 2006-07, resulting in a like amount of savings in this report.

- **Public Health.** The Department of Public Health is projected to have department-specific increases in expenditures of $34.6 million in FY 2006-07 and $19.6 in FY 2008-09, along with savings of $6.1 million in FY 2007-08. These changes are summarized below.

	FY 2006-07	FY 2007-08	FY 2008-09
Expenditure Growth Not Otherwise in Personnel & Inflation	(27.4)	(5.7)	(5.7)
Laguna Honda Hospital Equipment Costs	0.0	(14.4)	14.0
Laguna Honda Laundry Construction Build Out	(3.2)	3.2	
Laguna Honda Laundry Operating Costs	(1.4)	(0.4)	
Healthy Kids & Young Adults Enrollment Growth	(2.6)	(2.2)	(2.2)
Public Health - Subtotal of All Program Costs	(34.6)	(19.6)	6.1

1. **General Expenditure Growth.** Projected general expenditure growth of $27.4 million is projected for FY 2006-07. These increases are coupled with increased revenues of $44.9 million – leaving an estimated surplus of only $17.5 million, which can then partially offset some of Public Health's personnel and inflation costs shown separately above. Over the latter two years of our projection, general expenditure growth of $5.7 million in FY 2007-08 and FY $5.7 million in 2008-09, which again is more than offset by projected revenue growth of $12.5 and $13.0 million which can be used to partially offset Public Health's other projected costs. All related Public Health revenues have been factored into the sources section previously discussed above.

2. **Laguna Honda Equipment.** Equipment costs for the new Laguna Honda Hospital are projected to result in cost increases of $14.4 million in FY 2007-08 followed by savings of $14.0 million in FY 2008-09. If the project scope or timing changes, this projection could also change.

3. **Laguna Honda Laundry.** Construction costs associated with the build out of the laundry facility results in projected cost increases of $3.2 million in FY 2006-07. These costs are one-time in nature so a resulting savings of $3.2 million is projected for FY 2007-08. Operating Costs are projected to increase $1.4 million and $0.4 million in FY 2006-07 and FY 2007-08 respectively.

4. **Healthy Kids & Young Adults Enrollment.** Cost increases of $2.6 million for FY 2006-07 and $2.2 million each year for FY 2007-08 and FY 2008-09 are projected. This is based on projected growth in enrollment of between ten to twelve percent per year.

- **Recreation & Parks – Open Space Fund's Lease Revenue Bond Impact.** The Recreation & Parks Department is planning to issue lease revenue bonds, secured by the Open Space Fund's property tax revenues, to fund capital improvements. In order to maintain current service levels, this means that $2.0 million in operating costs budgeted in the Open Space Fund during FY 2005-06 will revert to General Fund costs in FY 2006-07, in order to budget expenditures to cover new debt service costs in the Open Space Fund.

- **Sheriff's Department – Jail Health.** The Sheriff's Department is projected to have $1.0 million in increased work order costs in FY 2006-07 as a result of projected personnel cost increases for nurses.

<u>Items Not Included in Our Projection</u>

As with all projections, unforeseen events may occur that change the City's future financial condition. Additionally, we are aware of some factors now that may impact the City's finances over the next three years, but we are unable to predict what that effect and timing might be.

- **Natural Disasters & Man-Made Disruptions.** As in previous reports, we have not included any projected costs associated with natural disasters or man-made disruptions.

- **New Development Projects.** There are several large, proposed projects that will likely result in both new tax revenues and associated costs. Our projections make no assumption regarding the net financial impact of these projects, which include Mission Bay, the Transbay Terminal, Mid-Market, and the development of Treasure Island.

- **Pending or Proposed Legislation – Potential Fee / Departmental Revenue Increases.** Various proposed fee increases may be proposed to the Board of Supervisors before the end of the year or as part of next year's budget, including fees such as City Planning fees. Proposed increases have not been assumed in our projections.

- **Post Employment Benefits – GASB 45's Impact on Retiree Health Benefits.** The Government Accounting Standards Board Pronouncement #45 (GASB 45) will require that non-pension benefits for retirees, such as retiree health care, be shown as an accrued liability on the City's financial statements starting in FY 2007-08. This report does not show a cost because budgeting for post employment benefits is a policy that has not been adopted by the Mayor and Board of Supervisors. The projected liability is not known at this time; however, the Health Service System and the Controller are currently preparing an actuarial analysis that will calculate the City's projected liability.

- **State and Federal Budget Changes.** Programmatic reductions or changes included in the Governor's proposed budget of $0.9 million have been assumed in our projection as shown in Table D on the following page for General Fund Supported operations. To the degree that any Federal cuts (including CDBG, Homeland Security or Ryan White AIDS funding) occur and are backfilled by the General Fund, our projected shortfall will grow.

Table D: State Budget Estimated Impact for FY 2006-07, Increases / (Reductions) In Millions, Including Estimated Values as of Joint Report

Dept	State Budget Item	Governor's Proposed January Budget
DISCRETIONARY REVENUE IMPACTS		
Various	State Mandated Reimbursement	$ 3.0
Citywide	Sales Tax Collection Enhancement Program	0.2
	Subtotal - Discretionary Revenue Increase / (Loss)	3.2
PROGRAMMATIC FUNDING CUTS		
DHS	No Cost of Business Increase in Social Services Programs	(6.0)
DHS	CalWorks Budget Year Single Allocation Cut	(0.8)
DPH	Community Mental Health Services	(0.5)
	Subtotal - Programmatic Funding Increase / (Loss)	(7.3)
PROGRAMMATIC FUNDING INCREASES		
DPH	5.4% Increase in Reimbursement Rates for Long-Term Care Facilities	5.0
	General Fund Program Funding Increases	5.0
	GENERAL FUND PROJECTED IMPACT	$ 0.9
MTA	State Transit Assistance Funding	2.4
MTA	Prop 42 Funding	0.9
	OTHER CITY PROJECTED IMPACT	$ 3.3
	TOTAL CITY PROJECTED IMPACT	$ 4.2

CONCLUSION

We project a $12.5 million shortfall for FY 2006-07, followed by a $172.8 million shortfall in FY 2007-08 and an $11.4 million surplus in FY 2008-09. The Charter requires that each fiscal year the budget of the City and County must be balanced. Therefore, this report assumes that any projected shortfall will be eliminated in the year in which such projected shortfalls first appear.

In addition to the risks noted above, a number of policy considerations are also present.

- City policymakers are faced with significant budgetary challenges for FY 2007-08 due to expenditure growth continuing to outpace total projected sources, which are higher in FY 2006-07 in large part due to higher levels of available fund balance.

- While the FY 2006-07 projection shows substantial fiscal improvement over recent history, we continue to recommend that City policymakers examine both short- and long-term strategies to mitigate the projected shortfall for FY 2007-08.

- The extent to which the Mayor and the Board of Supervisors approve appropriations of General Fund monies this spring, the shortfall for next fiscal year will be commensurately increased.

We acknowledge that projections of the City's financial condition over multiple years are far less certain than those for the immediate future. This report is based on the best information available at this time. All three of our offices will continue to work closely together in the coming months and will keep you apprised of any changes that occur.

Respectfully submitted,

Noelle Simmons Budget Director Mayor's Office	Edward Harrington Controller	Harvey M. Rose Budget Analyst Board of Supervisors

Attachment 1: General Fund Supported Operations: Revenues & Transfers In
Attachment 2: Growth in General Fund Supported Operations' Revenues & Transfers In

cc: Gloria Young, Clerk of the Board

Attachment 1: General Fund Supported Operations: Revenues & Transfers In

	FY 2004-05 Year-End Actuals	FY 2005-06 Original Budget	FY 2005-06 6-Month Projection	FY 2005-06 Joint Report Projection	FY 2006-07 Projection	FY 2007-08 Projection	FY 2008-09 Projection
Property Taxes	$ 710.5	$ 696.7	$ 760.2	$ 760.2	$ 827.1	$ 868.5	$ 907.6
Business Taxes	292.2	288.3	297.7	297.7	311.1	323.5	336.4
Sales Tax	94.7	102.8	102.2	102.2	105.6	110.3	115.3
Hotel Room Tax	108.9	121.5	121.5	121.5	129.5	136.0	142.8
Utility Users Tax	72.6	70.9	74.8	74.8	77.4	79.7	82.1
Parking Tax	33.1	33.1	33.8	33.8	34.8	35.8	36.9
Real Property Transfer Tax	116.8	83.0	104.5	104.5	90.0	93.6	97.3
Stadium Admission Tax	2.2	2.4	2.5	2.5	2.5	2.6	2.6
Subtotal - Tax Revenues	**1,430.9**	**1,398.7**	**1,497.0**	**1,497.0**	**1,577.9**	**1,649.9**	**1,721.0**
Licenses, Permits & Franchises	19.4	19.1	19.8	19.8	20.4	20.9	21.5
Fines, Forfeitures & Penalties	9.5	11.5	10.3	10.3	4.3	4.3	4.3
Interest & Investment Income	12.6	11.3	13.4	13.4	13.8	14.2	14.6
Rents & Concessions	20.5	19.6	20.9	20.9	21.5	22.3	23.2
Subtotal - Licenses ... Concessions	**62.0**	**61.5**	**64.3**	**64.3**	**59.9**	**61.7**	**63.6**
Federal Subventions	165.7	206.3	200.4	200.4	197.8	197.8	197.8
State Subventions							
Social Service Subventions	120.0	117.9	123.0	123.0	119.9	119.9	119.9
Health & Welfare Realignment	156.1	158.4	158.4	158.4	163.4	168.5	174.5
Health/Mental Health Subventions	75.1	72.0	72.5	72.5	72.5	72.5	72.5
Public Safety Sales Tax	65.7	70.0	68.9	68.9	72.4	75.6	79.1
Motor Vehicle In-Lieu (County & City)	3.7	36.7	33.6	33.6	4.6	4.7	4.9
Other Grants & Subventions	17.9	19.4	26.5	26.5	24.5	24.5	24.5
Subtotal - State Subventions	**438.5**	**474.4**	**483.0**	**483.0**	**457.2**	**465.7**	**475.4**
Charges for Services	100.0	111.2	112.6	112.6	113.7	114.4	115.1
Recoveries of General Government Costs	16.1	19.8	19.1	19.1	15.7	16.1	16.6
Other Revenues	14.3	13.2	13.0	13.0	5.0	5.0	5.0
TOTAL REVENUES	2,227.5	2,285.1	2,389.3	2,389.3	2,427.2	2,510.7	2,594.4
TRANSFERS INTO GENERAL FUND:							
Airport	19.7	21.9	21.2	21.2	22.2	23.3	24.5
Other Transfers	120.7	85.6	86.4	86.4	84.1	84.1	84.1
Total Transfers-In	**140.4**	**107.6**	**107.6**	**107.6**	**106.3**	**107.4**	**108.6**
TOTAL GENERAL FUND RESOURCES	2,367.9	2,392.7	2,496.9	2,496.9	2,533.5	2,618.1	2,703.0
OTHER GENERAL FUND SUPPORTED (GFS) OPERATIONS		541.3	569.2	569.2	586.3	598.8	611.8
TOTAL GFS SOURCES		$ 2,934.0	$ 3,066.1	$ 3,066.1	$ 3,119.8	$ 3,216.9	$ 3,314.8
$ Change from Prior Year Original Budget (PY Projection for Latter Two Years)					$ 185.8	$ 97.2	$ 97.9
% Change from Prior Year Original Budget (PY Projection for Latter Two Years)					***6.3%***	***3.1%***	***3.0%***
$ Change from Prior Year Joint Report Projection					$ 53.7	$ 97.2	$ 97.9
% Change from Prior Year Revised Budget (PY Projection for Latter Two Years)					***1.8%***	***3.1%***	***3.0%***
$ Change from Prior Year Revised Budget - Discretionary Revenues ONLY					$ 168.1	$ 76.1	$ 75.2
% Change from Prior Year Revised Budget (PY Projection for Latter Two Years) - Discretionary ONLY					***10.6%***	***4.4%***	***4.1%***

Attachment 2: Growth in General Fund Supported Operations' Revenues & Transfers In

	… FROM FY 2005-06 BUDGET			...FROM JOINT REPORT PROJECTION		
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2006-07	FY 2007-08	FY 2008-09
	% Chg from FY 2005-06 Original Budget	% Chg from FY 2006-07 Projection	% Chg from FY 2007-08 Projection	% Chg from FY 2005-06 Joint Report	% Chg from FY 2006-07 Projection	% Chg from FY 2007-08 Projection
Property Taxes	18.7%	5.0%	4.5%	8.8%	5.0%	4.5%
Business Taxes	7.9%	4.0%	4.0%	4.5%	4.0%	4.0%
Sales Tax	2.7%	4.5%	4.5%	3.4%	4.5%	4.5%
Hotel Room Tax	6.6%	5.0%	5.0%	6.6%	5.0%	5.0%
Utility Users Tax	9.1%	3.0%	3.0%	3.5%	3.0%	3.0%
Parking Tax	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Real Property Transfer Tax	8.4%	4.0%	4.0%	-13.9%	4.0%	4.0%
Stadium Admission Tax	3.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Subtotal - Tax Revenues	**12.8%**	**4.6%**	**4.3%**	**5.4%**	**4.6%**	**4.3%**
Licenses, Permits & Franchises	6.4%	2.7%	2.7%	3.0%	2.7%	2.7%
Fines, Forfeitures & Penalties	-62.8%	0.0%	0.0%	-58.5%	0.0%	0.0%
Interest & Investment Income	22.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rents & Concessions	9.8%	3.9%	3.9%	3.0%	3.9%	3.9%
Subtotal - Licenses … Concessions	**-2.6%**	**3.0%**	**3.0%**	**-6.8%**	**3.0%**	**3.0%**
Federal Subventions	-4.1%	0.0%	0.0%	-1.3%	0.0%	0.0%
State Subventions						
Social Service Subventions	1.6%	0.0%	0.0%	-2.5%	0.0%	0.0%
Health & Welfare Realignment	3.1%	3.1%	3.6%	3.1%	3.1%	3.6%
Health/Mental Health Subventions	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Public Safety Sales Tax	3.4%	4.5%	4.5%	5.0%	4.5%	4.5%
Motor Vehicle In-Lieu (County & City)	-87.6%	4.0%	4.0%	-86.4%	4.0%	4.0%
Other Grants & Subventions	26.3%	0.0%	0.0%	-7.6%	0.0%	0.0%
Subtotal - State Subventions	**-3.6%**	**1.9%**	**2.1%**	**-5.3%**	**1.9%**	**2.1%**
Charges for Services	2.2%	0.6%	0.6%	1.0%	0.6%	0.6%
Recoveries of General Government Costs	-20.8%	3.0%	3.0%	-18.0%	3.0%	3.0%
Other Revenues	-62.2%	0.0%	0.0%	-61.4%	0.0%	0.0%
TOTAL REVENUES	**6.2%**	**3.4%**	**3.3%**	**1.6%**	**3.4%**	**3.3%**
TRANSFERS INTO GENERAL FUND:						
Airport	1.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Other Transfers	-1.8%	0.0%	0.0%	-2.7%	0.0%	0.0%
Total Transfers-In	**-1.2%**	**1.0%**	**1.1%**	**-1.2%**	**1.0%**	**1.1%**
TOTAL GENERAL FUND RESOURCES	**5.9%**	**3.3%**	**3.2%**	**1.5%**	**3.3%**	**3.2%**
OTHER GENERAL FUND SUPPORTED (GFS) OPERATIONS	**8.3%**	**2.1%**	**2.2%**	**3.0%**	**2.1%**	**2.2%**
TOTAL GFS SOURCES	**6.3%**	**3.1%**	**3.0%**	**1.7%**	**3.1%**	**3.0%**