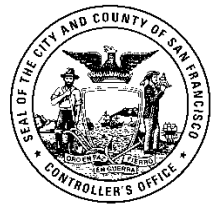


City and County of San Francisco

Office of the Controller

FY 2013-14 Nine-Month Budget Status Report



May 13, 2014



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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 March 31, 2014 are included, incorporating more current information up to the date of publication as available. Report highlights include:

- Overall revenue growth and expenditure savings will result in a projected current year ending balance of \$250.7 million. This ending balance represents a \$42.9 million improvement versus the ending balance projected in our FY 2013-14 Six-Month Budget Status Report, issued in February, and assumed as a source in the City's Five Year Financial Plan Update for FY 2014-18, issued in March.
- The improvement since our previous projection for the current fiscal year is predominantly due to additional revenue growth and expenditure savings in the Department of Public Health and the Human Service Agency, including several one-time prior year revenue awards and a positive proposed litigation settlement related to the reconstruction of the Laguna Honda Skilled Nursing Facility.
- Improvement in projected tax revenues results in increased required deposits to the City's Rainy Day Reserves, which are now projected to total \$18.0 million in the current fiscal year, including \$12.0 to the Rainy Day Economic Stabilization Reserve and \$6.0 million to the Rainy Day One-Time Reserve. These increased Rainy Day Reserve deposits are offset by a commensurate reduction in deposits to the City's Budget Stabilization Reserve, as required by code. Improved current year departmental savings also trigger higher deposits to the City's Budget Savings Incentive Reserve, as outlined below.
- Implications for the City's budgetary planning for future fiscal years, versus the projections contained in the City's Five Year Financial Plan Update published in March, includes the projected improvement in current year ending balance referenced above. This improvement is partially offset by higher FY 2014-15 deposits required to replenish the General Fund Reserve. Revised updates for future year revenues, building off of these current year projections, will be provided to the Mayor's Office for inclusion in the Mayor's Proposed Budget in June.

Table 1. FY 2013-14 Projected General Fund Variances to Budget (\$ Millions)

A. FY 2013-14 Starting Balance	
FY 2012-13 Ending Fund Balance	\$ 240.4
Appropriation in the FY 2013-14 Budget	(122.7)
Subtotal Starting Balance	117.7
B. Current Year Revenues and Expenditures	
Citywide Revenue Surplus	62.2
Baseline Contributions	(3.6)
Departmental Operations	99.8
Pending & Approved Supplemental Appropriations	(5.9)
Projected Use of General Reserve	5.9
Subtotal Current Year Revenues and Expenditures	158.4
C. Withdrawals from / (Deposits) to Reserves	(25.4)
<hr/>	
D. FY 2013-14 Projected Ending Balance	250.7
Previous Projection (Six Month Budget Status Report)	207.8
E. Change from Prior Projection	\$ 42.9

A. General Fund Starting Balance

The City ended FY 2013-14 with an ending fund balance of \$240.4 million, of which \$122.7 million was appropriated in the City's FY 2014-15 budget, adopted in July 2013. Of the remaining balance of \$117.7 million, \$111.6 million was appropriated in the adopted two-year budget as a source for FY 2015-16, leaving an unanticipated balance of \$6.1 million.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, Citywide revenues have improved by \$62.2 million compared to revised budget, primarily due to increased property tax and hotel tax revenue. Improvements to property tax revenue are a result of higher than expected revenue from supplemental and escape assessments. Hotel tax increases are primarily due to higher than expected prior year revenue increasing the base for current year growth projections. 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	9-Month Projection	Surplus (Shortfall)
Property Taxes	1,153.4	1,175.0	1,177.0	23.6
Business Taxes	533.0	534.7	534.7	1.7
Sales Tax - Local 1% and Public Safety	212.5	215.8	217.3	4.7
Hotel Room Tax	273.9	295.9	307.0	33.1
Utility User & Access Line Taxes	136.1	134.0	133.2	(2.9)
Parking Tax	83.3	82.5	82.6	(0.6)
Real Property Transfer Tax	225.2	225.2	225.2	-
Interest Income	10.9	9.8	7.9	(3.0)
Citywide Realignment Revenue	161.2	164.8	165.8	4.5
Motor Vehicle In-Lieu	-	0.7	0.7	0.7
Franchise Taxes	16.1	16.3	16.6	0.6
Transfers In from Other Funds	219.6	219.3	219.6	0.0
Total Citywide Revenues	3,025.3	3,073.9	3,087.6	62.2

Baseline Contributions

Table 3 shows that as a result of changes 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 \$3.6 million compared to budget. The Public Library transfer includes increased revenue offset by a projected \$1.9 million return of projected year-end surplus to the General Fund, resulting in a transfer \$0.7 million below budget. In the current year, the City was required to budget \$125.9 million in Children's Baseline expenditures. The \$131.2 million budgeted exceeds the requirement by \$5.3 million.

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

	Revised Budget	6-Month Projection	9-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	2,523.5	2,569.0	2,579.3	55.8
MTA Baseline 9.2% ADR	232.4	236.2	237.1	4.7
Library Baseline 2.3% ADR	57.8	57.1	57.1	(0.7)
Public Education Fund Baseline 0.3% ADR	3.7	3.7	3.7	0.1
Total Baseline Transfers	293.9	297.0	297.9	4.0
80% Parking Tax in Lieu Transfer to MTA	66.6	66.0	66.1	(0.5)
Total Baselines and In-Lieu Transfers	360.5	362.9	364.0	3.6

Departmental Operations

The Controller's Office projects a net departmental operations surplus of \$99.8 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2013-14 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Net Shortfall Departments			
Economic & Workforce Development (1)	(7.3)	0.6	(6.7)
Fire Department	(4.7)	2.2	(2.5)
City Attorney	(1.2)	0.5	(0.8)
Police Department	(0.5)	(0.0)	(0.5)
Sheriff	(0.5)	0.0	(0.5)
Subtotal Departments with Net Deficits	\$ (14.3)	\$ 3.4	\$ (10.9)
Net Surplus Departments			
Public Health	4.7	41.6	46.3
Human Services Agency	17	24	41
General City Responsibility	-	10.4	10.4
City Administrator	1.1	2.0	3.1
Recreation & Park	1.5	-	1.5
Public Works	1.5	0.1	1.5
City Planning	1.2	-	1.2
Elections	-	1.1	1.1
Treasurer/Tax Collector	0.6	0.2	0.8
Other Net Surplus	(2.3)	6.5	4.2
Subtotal Departments with Net Surpluses	\$ 25.0	\$ 85.7	\$ 110.7
Combined Total	\$ 10.7	\$ 89.1	\$ 99.8

(1) America's Cup project only.

The Mayor's Office and the Controller's Office will work with departments with anticipated expenditure shortfalls 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 of \$1.4 million for homeless outreach services at the Department of Public Health has been approved at this time. This report assumes approval of the following proposed supplemental appropriations:

- \$4.5 million for the Nonprofit Rent Stabilization Program
- \$0.4 million for overtime at the Department of Emergency Management
- \$0.1 million for overtime at the Sheriff's Department
- \$1.7 million for overtime at the Fire Department
- \$31.4 million for various services at the Human Services Agency, funded through appropriation of unbudgeted state revenues for the In Home Supportive Services program and CalWIN.

Projected Use of General Reserve

This report assumes use of \$5.9 million from the General Reserve including \$2.5 million to support the Nonprofit Rent Stabilization Program administered by the Mayor's Office of Housing, \$2.0 million to support the Nonprofit Rent Stabilization Program administered by Arts Commission, and \$1.4 million to support homeless outreach services. Any uses of the Reserve will require a budget year deposit of an equal amount to maintain required funding levels, as shown in section D of Table 1 above. This use will reduce the balance of the Reserve by \$5.9 million and increase the amount needed to fund the reserve by \$5.9 million more than is currently budgeted in FY 2014-15.

C. Withdrawals from / Deposits to Reserves

A total of \$41.3 million is projected to be deposited into reserves, or \$25.4 million more than budgeted, including \$18.0 million to the Rainy Day Reserves, \$18.7 million to the Citywide Budget Savings Incentive Reserve due to projected departmental expenditure savings, and \$1.5 million to the Recreation and Park Savings Incentive Reserve. The deposit to the Budget Stabilization Reserve is projected to be \$3.1 million, or \$12.8 million less than budgeted, as the deposit is reduced by the amount of the deposit to the Rainy Day Reserve. A discussion of the status of reserves is included in Appendix 3.

D. Projected Ending Fund Balance: \$250.7 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2013-14 of \$250.7 million, \$139.1 million above the \$111.6 million in the approved FY 2014-15 budget.

E. Improvement from Previous Projection: \$42.9 Million

Of the projected ending fund balance of \$250.7 million, an improvement of \$42.9 million versus our most recent projections, outlined in the Six-Month Budget Status Report, published in February 2014, and assumed as a source in the City's Five-Year Financial Plan Update, published in March 2014.

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 receive 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. Projection Uncertainty Remains

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues.
- The effect of Affordable Care Act (ACA) implementation on Public Health revenues. The state has reduced indigent care funding (1991 Realignment) in the current year by \$16.7 million under the assumption that some portion of previously uninsured clients will be enrolled in insurance plans. Furthermore, there is uncertainty around the financial impact as some Medi-Cal fee-for-service patients transition to a capitated rate model. The net fiscal effect will not be known until data on enrollment and utilization of these clients becomes available over the coming months.

H. Nine-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.

J. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Status of Reserves
4. Salary 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 \$55.2 million above budget. Of this total, \$62.2 million is due to improvements in citywide revenue as discussed in this Appendix 1.

The FY 2013-14 budget assumed continued moderate recovery in tax revenues throughout the fiscal year. Property tax and hotel tax revenues are projected to surpass budgeted levels as discussed below. These gains are enhanced by increases in state subventions received by the Human Services Agency discussed in Appendix 2. Selected citywide revenues are discussed below.

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

GENERAL FUND (\$ Millions)	FY 2012-13			FY 2013-14		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	9-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,114.1	\$ 1,153.4	\$ 1,153.4	\$ 1,175.0	\$ 1,177.0	23.6
BUSINESS TAXES	479.6	533.0	533.0	534.7	534.7	1.7
OTHER LOCAL TAXES						
Sales Tax	122.3	125.7	125.7	128.4	130.2	4.5
Hotel Room Tax	182.4	273.9	273.9	295.9	307.0	33.1
Utility Users Tax	91.9	93.5	93.5	91.4	91.0	(2.5)
Parking Tax	81.6	83.3	83.3	82.5	82.6	(0.6)
Real Property Transfer Tax	232.7	225.2	225.2	225.2	225.2	-
Stadium Admission Tax	2.8	2.8	2.8	2.8	2.8	-
Access Line Tax	42.6	42.6	42.6	42.6	42.2	(0.4)
Total Other Local Taxes	756.3	846.9	846.9	868.7	881.0	34.1
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	10.1	9.4	9.4	9.4	9.2	(0.2)
Franchise Tax	16.1	16.1	16.1	16.3	16.6	0.6
Total Licenses, Permits & Franchises	26.3	25.5	25.5	25.7	25.8	0.3
FINES, FORFEITURES & PENALTIES	6.2	9.1	6.8	6.8	7.0	0.1
INTEREST & INVESTMENT INCOME	10.3	10.9	10.9	9.8	7.9	(3.0)
RENTS & CONCESSIONS						
Garages - Rec/Park	20.1	9.8	9.8	9.8	10.8	1.0
Rents and Concessions - Rec/Park	13.3	11.1	11.1	11.1	11.6	0.5
Other Rents and Concessions	3.0	2.2	2.2	2.2	3.0	0.8
Total Rents and Concessions	36.4	23.1	23.1	23.1	25.4	2.3
INTERGOVERNMENTAL REVENUES						
Federal Government						
Social Service Subventions	192.9	201.9	205.2	203.6	214.8	9.7
Other Grants & Subventions	4.3	12.5	12.5	12.3	12.3	(0.2)
Total Federal Subventions	197.1	214.5	217.7	215.9	227.2	9.4
State Government						
Social Service Subventions	151.3	148.2	176.1	169.0	172.4	(3.7)
Health & Welfare Realignment - Sales Tax	147.7	133.9	133.9	133.9	133.7	(0.2)
Health & Welfare Realignment - VLF	27.4	27.4	27.4	30.5	32.1	4.7
Health & Welfare Realignment - CalWORKs MOE	25.5	23.5	23.5	23.3	23.1	(0.4)
Health/Mental Health Subventions	82.1	97.8	97.7	92.1	92.1	(5.6)
Public Safety Sales Tax	83.2	86.8	86.8	87.4	87.0	0.2
Motor Vehicle In-Lieu	0.8	-	-	0.7	0.7	0.7
Other Grants & Subventions	32.6	45.2	47.7	45.5	57.6	9.9
Total State Grants and Subventions	550.6	562.9	593.0	582.4	598.7	5.6
Other Regional Government						
Redevelopment Agency	-	3.6	3.6	2.3	2.1	(1.4)
CHARGES FOR SERVICES:						
General Government Service Charges	46.2	45.4	45.4	48.9	48.1	2.6
Public Safety Service Charges	27.5	26.3	26.3	27.7	26.8	0.5
Recreation Charges - Rec/Park	16.3	14.8	14.8	14.8	14.8	-
MediCal, MediCare & Health Service Charges	47.3	65.8	65.8	55.5	55.2	(10.6)
Other Service Charges	15.3	14.5	14.5	14.5	14.5	-
Total Charges for Services	152.6	166.8	166.8	161.4	159.3	(7.5)
RECOVERY OF GEN. GOV'T. COSTS	11.9	10.3	10.3	10.3	9.4	-0.8
OTHER REVENUES	14.6	15.4	15.4	10.9	6.2	(9.2)
TOTAL REVENUES	3356.2	3575.3	3606.5	3627.0	3661.7	55.2
TRANSFERS INTO GENERAL FUND:						
Airport	36.5	37.0	37.0	36.6	37.0	0.0
Other Transfers	158.6	181.0	182.7	182.7	182.7	-
Total Transfers-In	195.1	218.0	219.6	219.3	219.6	0.0
TOTAL GENERAL FUND RESOURCES	\$ 3,551.3	\$ 3,793.3	\$ 3,826.2	\$ 3,846.3	\$ 3,881.3	55.2

Property Tax revenue in the General Fund is projected to be \$23.6 million (2.1%) above budget, \$2.0 million (0.2%) above the Six Month Report projection level and \$62.9 million (5.7%) over prior year actual revenue. Most of the improvement is due to increases in expected supplemental and escape property tax assessments of \$11.1 million and \$6.4 million respectively. The amount to be set aside for prior year property tax appeals and other adjustments was decreased by \$8.7 million (increasing General Fund revenue by the same amount) based upon updated information about fiscal-year-to-date assessment appeal filings and experience from Assessment Appeals Board decisions. Penalty revenue from late charges or redemption roll tax payments in the General Fund is expected to be \$2.7 million less than budgeted. These changes will increase property tax set asides to special revenue funds by \$0.3 million compared to the Six Month Report projection, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	9-Month Projection	Variance
Children's Fund	48.0	49.1	49.1	0.1
Open Space Fund	40.0	40.9	41.0	0.1
Library Preservation Fund	40.0	40.9	41.0	0.1
Total	127.9	130.8	131.1	0.3

Business Tax revenue in the General Fund are projected to be \$1.7 million (0.3%) more than budgeted, unchanged from Six Month Report projection level, and \$55.0 million (11.5%) over prior year actual revenue. Business tax revenue is supported by strong growth in wages and employment in San Francisco. Bureau of Labor Statistics data on private employment and average weekly wages in the first three quarters of tax year 2013 indicate total private wages increased by an average of 6.2% over the same quarters in the prior year. The Controller's projections assume the rate of growth in the last quarter will decline slightly for a year-end total of 5.0%.

The projections include the full annual value of an increase in business registration fee levels, which goes into effect in tax year 2013, and a partial year value of the start of a five-year phase in of a new gross receipts tax, which begins in tax year 2014.

Business registration revenue is projected to be \$3.8 million (-10.0%) below budget and \$23.9 million (63.5%) above prior year actual revenue. As mentioned above, the increase over prior year actual revenue reflects the impact of a rate increase included in the approval of a new gross receipts tax in November 2012, reduced slightly to reflect projection and implementation uncertainty.

Local Sales Tax revenue is projected to be \$4.5 million (3.6%) above budget, \$1.8 million (1.4%) above the Six Month Report projection level, and \$6.1 million (4.9%) over prior year actual revenue. Cash collections in the first half of the fiscal year were up 9.0% from the same period prior year, due in part to the impact of new state laws that came into effect in the second quarter of FY 2012-13 affecting sales tax reporting for online retailers. Underlying economic growth for these two quarters was 4.4%, due to increased taxable sales across nearly all categories with particularly strong performance in the construction industry.

Hotel Room Tax revenue is projected to be \$33.1 million (12.1%) above budget, \$11.1 million (3.8%) above Six Month Report projection levels and \$124.6 million (68.3%) over prior year actual revenue. The increase over prior year is largely due to \$56.4 million previously budgeted in special revenue funds that are now deposited to the General Fund. The remainder of the increase is a result of reduced litigation-related revenue deferrals and continued strong economic performance in the San Francisco hospitality sector.

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 eight months of FY 2013-14 was approximately 15% over the same period prior year, and reflects an all-time high of approximately \$202 per night. This current period RevPAR growth is cumulative with large increases over the last three years: 11% in FY 2012-13, 15% in FY 2011-12 and 15% in FY 2010-11.

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 revenue is projected to be \$2.5 million (3.0%) below budget, which is \$0.4 million (0.5%) below the Six Month Report projection level, and \$0.9 million (1.0%) below prior year actual revenue. The reduction from budget results from projected decreases to telephone utility users tax revenue equal to 2.4%, due to continuing reductions in commercial phone line service. Gas and electric utility user tax revenue is projected to remain at prior year levels. Water user tax revenue represents a small portion of the tax but is projected to increase 8.6% from prior year due to continued annual rate increases.

Parking Tax revenue is projected to be \$0.6 million (0.8%) below budget, which is \$0.2 million (0.2%) above the Six Month Report projection level, and \$1.0 million (1.2%) above prior year actual revenues. Continued expansion in business activity and employment as reflected in increases in business and sales tax revenue over the prior year is driving increases in parking tax revenue, but slightly less than anticipated in the budget. Parking tax revenue is deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 8A.105.

Real Property Transfer Tax revenue is projected to be equal to budgeted and Six Month Report projections, and \$7.5 million (3.2%) below prior year actual revenue. Strong demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) has continued into FY 2013-14. This is due in large part to the continued growth 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.

Transfer tax 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 in the third quarter declined from the same period in the prior year a trend that is expected to continue in the final quarter resulting in year-end revenue slightly below

FY 2012-13 actual revenue, 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 revenue is projected to be \$0.4 million (0.5%) below budget, which is \$0.9 million (1.0%) below the Six Month Report projection level, and \$0.4 million (0.5%) below prior year actual revenue. The budget assumed no growth from the prior year, but year to date receipts have come in lower than projected as a result of increasing saturation in the market for cell phones.

Interest & Investment revenue is projected to be \$3.0 million (27.6%) below budget, which is \$1.9 million (19.3%) below the Six Month Report projection level, and \$2.4 million (23.3%) below prior year actual revenue. Although the average daily cash balance in the investment pool through March is 11% higher than prior year, the earned income yield is much lower than prior projected levels. The average yield through March has dropped 24% to 0.72% from 0.95% of the prior year's average and it is projected to stay low until the year end. This low yield is attributable to the low market interest rates.

State Grants and Subventions are projected to be \$5.6 million (1.0%) above revised budget, \$16.3 million (2.8%) increased from the Six Month projection, and \$48.1 million (8.7%) above prior year actual revenue. This increase is primarily attributable to a \$27.0 million included in revised budget and projected revenue of new state funding for In Home Supportive Services (IHSS) received by the Human Services Agency (HSA). The increased IHSS funding is paired with a matching requirement of City expenditure for IHSS as described in the HSA section of Appendix 2. Additionally, HSA is projected to receive \$9.9 million more than revised budget amounts from prior-year state revenue adjustments.

These increases are offset by other General Fund revenue reductions to Short-Doyle Medical reimbursements at the Department of Public Health (DPH) of \$5.0 million. Health and welfare realignment revenues are projected to be an increase of \$4.5 million (2.8%) from budget primarily due to higher than expected sales tax and vehicle license fee growth during FY 2012-13 and received in FY 2013-14. Health and realignment revenue projections are net of AB 85 realignment 'clawback' amounts which are projected to reduce general fund revenues by \$7 million and hospital fund revenues by an additional \$9.0 million in FY 2013-14. However, the State believes that this loss from redirection will be offset as the county costs for indigent health care are expected to decrease.

Appendix 2. General Fund Department Budget Projections

Table A2-1. General Fund Supported Operations (\$ millions) *Note: Figures may not sum due to rounding*

GENERAL FUND (\$ millions)	Uses Revised Budget	Uses Projected Year-End	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	29.2	28.6	-	0.6	0.6	1
Superior Court	32.5	32.5	-	-	-	
District Attorney	37.8	37.7	-	0.1	0.1	2
Emergency Management	42.5	42.5	-	-	-	3
Fire Department	308.3	306.0	(4.7)	2.2	(2.5)	4
Juvenile Probation	36.2	34.4	(1.4)	1.8	0.4	5
Public Defender	28.6	28.1	-	0.5	0.5	6
Police	441.8	441.8	(0.5)	(0.0)	(0.5)	7
Sheriff	163.6	163.6	(0.5)	0.0	(0.5)	8
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	35.7	35.7	1.5	0.1	1.5	9
Economic & Workforce Development	23.3	23.2	-	0.1	0.1	10
Economic & Workforce Development: America's Cup	6.4	5.7	(7.3)	0.6	(6.7)	10
Board of Appeals	1.0	1.0	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	30.9	30.7	-	0.1	0.1	
Human Services	691.1	667.3	16.8	23.8	40.6	11
Environment	0.0	0.0	-	-	-	
Human Rights Commission	1.5	1.2	-	0.4	0.4	12
County Education Office	0.1	0.1	-	-	-	
Status of Women	5.1	5.1	-	-	-	
COMMUNITY HEALTH						
Public Health Total	1,018.3	976.7	4.7	41.6	46.3	13
CULTURE & RECREATION						
Asian Art Museum	8.6	8.4	-	0.3	0.3	14
Arts Commission	5.5	5.5	-	-	-	
Fine Arts Museum	13.3	13.1	-	0.2	0.2	
Law Library	1.3	1.2	-	0.1	0.1	
Recreation and Park	78.9	78.9	1.5	-	1.5	15
Academy of Sciences	4.2	4.2	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	47.9	45.9	1.1	2.0	3.1	16
Assessor / Recorder	18.3	17.1	(0.8)	1.2	0.4	17
Board of Supervisors	13.0	12.6	(0.2)	0.5	0.3	18
City Attorney	10.0	9.5	(1.2)	0.5	(0.8)	19
Controller	12.9	12.9	-	-	-	
City Planning	26.5	26.5	1.2	-	1.2	20
Civil Service Commission	0.6	0.6	-	-	-	
Ethics Commission	2.6	2.4	-	0.2	0.2	21
Human Resources	11.5	11.5	-	-	-	
Health Service System	0.6	0.1	-	0.5	0.5	22
Mayor	8.7	8.7	-	-	-	
Elections	16.7	15.6	-	1.1	1.1	23
Retirement System	-	-	-	-	-	
Technology	1.9	1.9	-	-	-	
Treasurer/Tax Collector	24.2	24.0	0.6	0.2	0.8	24
General City Responsibility	105.0	103.2	-	1.8	1.8	25
Transfer to All Other Funds	165.0	156.4	-	8.6	8.6	
General Fund Unallocated	-	-	-	-	-	
GENERAL CITY RESPONSIBILITIES	270.0	259.6	-	10.4	10.4	25
TOTAL GENERAL FUND	3,511.3	3,422.2	10.7	89.1	99.8	

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 Department of Adult Probation projects a net savings of \$0.6 million, due to salary and benefits expenditure savings due to slower than anticipated hiring.

2. District Attorney

The District Attorney projects year end expenditure savings of \$0.1 million. This savings is due to projected salary and benefits savings of \$0.15 million and \$.05 million in capital items savings, which is slightly offset \$0.09 million in higher than anticipated worker's compensation costs.

3. Emergency Management

The Department of Emergency Management projects that it will end the fiscal year within budget. A supplemental reappropriation has been requested and approved to transfer \$0.4 million from salary savings and contingency funds to cover a projected shortfall in overtime expenditures, per Administrative Code section 3.2. The overtime spending increases are mainly due to maintaining minimum staffing requirements and the expenses incurred to respond to the Asiana incident.

4. Fire Department

The Fire Department projects a net shortfall of \$2.5 million. A projected revenue deficit of \$4.7 million will be partially offset by \$2.2 million in expenditure savings. The revenue shortfall is primarily due to a \$4.4 million shortfall in ambulance system revenue, a \$1.7 million shortfall in receipt of budgeted prior year Ground Emergency Medical Transport (GEMT) ambulance fee reimbursement, and a \$0.3 million shortfall in net insurance revenues. This shortfall is partially offset in part by a \$1.7 million surplus in fees for fire inspection. The Department also projects to partially offset the net revenue shortfall with increases in projected Prop 172 Public Protection Sales Tax revenue.

Expenditure savings of \$2.2 million are projected, due to \$2.1 million savings in worker's compensation expenses and \$0.2 million savings in salary and benefit expenditures, partially offset by a \$0.1 million reduction in work order recoveries. The Department has requested a supplemental reappropriation for Airport expenses, and with Board of Supervisors approval will transfer funding from savings in the Department's regular salaries at the Airport to cover over-expenditures in overtime, pursuant to Administrative Code Section 3.2.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year within a net savings of \$0.4 million. The Department projects a revenue shortfall of \$1.4 million primarily due to a \$1.2 million decrease in Title IV-E Medi-Cal revenue and expenditure savings of \$1.8 million, primarily due to lower than budgeted salary and benefit expenditures.

6. Public Defender

The Public Defender anticipates ending the year with a net surplus of \$0.5 million. This is due to expenditure savings in salaries and fringe benefits of \$0.6 million, partially offset by

expenditure savings of \$0.2 million in services from other departments and expert witnesses.

7. Police Department

The Police Department projects a net revenue shortfall of \$0.5 million, primarily due to decreased fee revenue, including \$0.2 million in Alarm Permitting fees, \$0.2 million in Car Park Solicitation renewal fees, and \$0.1 million in False Alarm Response fees in addition to background investigation fees for Second Hand Dealers. Salary and benefit expenditures are projected to offset additional worker's compensation costs of \$0.3 million and \$1.6 million in projected under-recoveries. The Department also projects to partially offset the net revenue shortfall with increases in projected Prop 172 Public Protection Sales Tax revenue.

8. Sheriff

The Sheriff's Department projects a net deficit of \$0.5 million due to a \$0.4 million under-recovery of state revenue from later than anticipated implementation of the reentry pod and a \$0.2 million shortfall in Federal Criminal Alien Assistance Program (SCAAP) revenue, partially offset by a \$0.1 million surplus in other revenues. The Department projects expenditures to be on budget. A \$0.8 million over expenditure in salary and benefits will be offset by a \$0.6 million surplus in materials and supplies, resulting from lower than expected prisoner population, and up to \$0.2 million from the MOU reserve for eligible salary and benefit expenditures. The Department has requested a supplemental appropriation to reappropriate expenditure authority for overtime expenditures and is implementing programmatic changes to remain within the approved overtime expenditure appropriation.

9. Public Works

The Department of Public Works projects a net surplus of \$1.5 million at year end, primarily driven by increased revenues from higher than budgeted right of way assessments and street space permits. Expenditure savings of \$0.07 million in services from other departments slightly offsets the revenue surplus. A \$0.6 million shortfall in gas tax revenue allocated by the state will be offset by fund balance at year end.

10. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year with a \$0.1 million surplus in its operating funds. The current year budget assumed \$5.0 million in donations towards America's Cup project costs, however, at this time it is projected that no donations will be received. Furthermore, the City will write off a receivable of \$2.3 million carried forward from prior years for a total revenue shortfall in the current year of \$7.3 million. This is partially offset by expenditure savings of \$0.6 million, for a net FY 2013-14 project shortfall of \$6.7 million. This projection assumes \$1.9 million in payments to the National Park Service and Recreation and Park Department for post-event restoration of high-traffic spectator areas and a payment of \$0.7 million to the Port for lost rent.

11. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$40.6 million surplus due to \$23.8 million projected expenditure savings and a \$16.8 million revenue surplus. Projected expenditure savings of \$23.8 million are due to \$2.2 million savings in aid programs and \$22.2 million in operations savings.

Aid program savings include \$1.9 million in CAAP Aid, \$0.7 million in Adoption Aid due to lower than expected costs per case, and \$0.4 million in CalWorks Aid due to a decline in caseload. These savings are partially offset by \$0.6 million in expenditures over budget in Foster Care Aid due to increased costs per case and \$1.0 million in In Home Supportive Services (IHSS). Aid program revenue surpluses include \$0.7 million in CAAP Aid due to a one-time recognition of past IAR revenues, \$0.5 million in Adoption Aid due to increased 2011 realignment, \$0.4 million in Foster Care Aid, and \$3.4 million in IHSS Consortium Contact due to the State's new Maintenance of Effort (MOE) requirement. These surpluses are offset by projected revenue shortfalls of \$7.3 million in IHSS Public Authority Administration due to the change in MOE and \$0.4 million in CalWorks Aid due to caseload declines.

Operations savings include \$6.6 million in Child Welfare Services, \$3.0 million in CAAP/CAPI/Eligibility Services, \$3.2 million in Food Stamps Eligibility, \$1.4 million in Medi-Cal Eligibility, \$1.3 million in Workforce Development, and \$1.6 million in IHSS administration all due to salary and contract savings and decreases in time studies. These savings are partially offset by expenditures over budget of \$1.9 million in Aging Grant Match due to increases in staff time-studies. Operations revenue surpluses include \$8.5 million in CalWorks/Refugee Eligibility Services due to an increase in CalWorks Single Allocation, \$3.0 million in IHSS Administration due to the change in MOE, \$15.1 million in prior year adjustments and closeouts, and \$8.0 million in 1991 realignment due to increased tax revenues and new base. These surpluses are partially offset by revenue shortfalls of \$2.2 million in Child Welfare Services, \$1.3 million CAAP/CAPI/Eligibility Services, \$2.3 million in Food Stamps Eligibility, and \$1.1 million in Food Stamps Employment all due to decreases in time-studies.

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

Program	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
In Home Supportive Services (IHSS)	0.6	(0.6)	-
Other Aid Assistance/Programs	1.4	2.2	3.6
All Other Programs	14.8	22.2	37.0
Total All Programs	\$ 16.8	\$ 23.8	\$ 40.6

12. Human Rights Commission

The Department projects to end the fiscal year with a surplus of \$0.4 million due to salary savings resulting from vacancies and leaves.

13. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$46.3 million. Overall department revenues are projected to be \$4.7 million less than budgeted, and expenditures are projected to be \$41.6 million less than budgeted.

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

Fund	Sources		Net Surplus/ (Shortfall)
	Surplus/ (Shortfall)	Uses Savings/ (Deficit)	
Public Health General Fund	(12.2)	1.4	(10.8)
Laguna Honda Hospital	37.7	0.1	37.8
Subsidy Transfer to SF General Hospital	(6.7)	-	(6.7)
San Francisco General Hospital	(14.1)	40.1	26.0
Total	4.7	41.6	46.3

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Mental Health, Substance Abuse, Jail Health, and Population Health & Prevention, have a combined revenue shortfall of \$12.2 million. This includes \$5.0 million less than expected reimbursement from Short Doyle Medi-Cal for Mental Health, \$5.3 million below budget in Medi-Cal and Medicare revenue for Primary Care, and \$2.4 million less than budgeted revenue in the Population Health Division primarily from a delayed property sale. Expenditures are expected to be \$1.4 million below budget mainly due to the savings from vacant positions.

Laguna Honda Hospital

The Department projects a \$37.8 million net surplus for Laguna Honda Hospital primarily due to an unexpected \$22.7 million increase in Medi-Cal revenue resulting from state legislation reversing a prior year Medi-Cal rate reduction, \$12 million from a construction settlement agreement scheduled to be heard at the Board of Supervisors Rules Committee on May 15th, and administrative changes to use more current cost data to estimate Distinct Part Nursing Facility supplemental payments. Laguna Honda also projects a \$1.1 million surplus in other patient revenue and a \$1.9 million surplus in Medicare revenue. The Department projects expenditures to be \$0.1 million below budget due to personnel costs savings.

San Francisco General Hospital

The Department projects a \$19.3 million net surplus for San Francisco General Hospital due to \$26.0 million net savings offset by the use of \$6.7 million in prior year fund balance, which reduces of the subsidy transfer from the General Fund. Revenues are projected at \$14.1million below budget due to the following: \$15.1 million above budget in net patient service revenues; \$4 million below budget in Medical Administrative Activities and Targeted Case Management; \$31.9 million below budget due to a revised estimate of county allocations of Disproportionate Share Hospital (DSH) and Safety Net Care Pool (SNCP) funding; \$9.7 million below budget due to state withholding of realignment funding; \$32.2 below budget due to unused intergovernmental transfer authority (offset by a corresponding expenditure savings); a \$36.3 million shortfall in state Healthcare Initiative revenue; \$60.7 million above budget due to two payments for SB208 supplemental reimbursement for seniors and persons with disabilities in managed care; and \$19.9 million in capitation revenues above budget due primarily to the conversion of Low Income Health Program enrollees into Medi-Cal from the implementation of Affordable Care Act. Expenditures are \$40.0 million below budget, primarily due to \$24.0 million less need than budgeted for county participation in intergovernmental transfer programs, and \$16.6 million savings in salary and fringe benefits due to patient census and delays in hiring for vacant positions.

14. Asian Art Museum

Expenditure savings of \$0.3 million are projected, primarily due to salaries and benefits savings from vacant positions that are not expected to be filled in the remainder of the fiscal year.

15. Recreation and Park

The Recreation and Park Department projects to end the fiscal year with a \$1.5 million revenue surplus comprised of \$1.0 million in parking garage revenue and \$0.5 million in concession revenue. The Department projects over expenditures due to increased water and sewer usage of \$1.0 million, offset by projected expenditure savings in work orders with other City departments, including \$0.9 million in worker's compensation.

16. City Administrator

The City Administrator projects a net surplus of \$3.1 million, comprised of \$1.1 million in surplus revenue, and \$2.0 million in expenditure savings. Revenue surpluses are due to increased fee revenue from vehicle sales, increased City Hall events, Animal Care and Control, and increased revenues from Same-Sex marriages. Expenditure savings are largely due to position vacancies, resulting in salary and benefits savings.

17. Assessor Recorder

The Assessor Recorder projects to end the fiscal year with a net surplus of \$0.4 million. The Department projects a revenue shortfall of \$0.8 million primarily due to an increased number of transactions that do not generate fee revenues, offset by \$1.2 million in expenditure savings from hiring delays.

18. Board of Supervisors

The Board of Supervisors projects a net savings of \$0.3 million, comprised of \$0.2 million in decreased revenue, and \$0.5 million in expenditure savings. The revenue shortfall is due to lower than budgeted assessment appeals revenue. Expenditure savings are driven by salary and benefit savings.

19. City Attorney

The City Attorney's Office projects a net \$0.8 million year-end shortfall, based on an anticipated revenue shortfall of \$1.2 million that is partially offset by \$0.5 million in expenditure savings. The revenue shortfall is largely due to \$1.3 million less revenue from the Office of Community Investment and Infrastructure due to lower than budgeted legal support needs. Expenditure savings of \$0.5 million are based on \$1.1 million in anticipated salary and benefits savings, offset by increased litigation expenses above budgeted work order amounts.

20. City Planning

The Department projects a net surplus of \$1.2 million composed entirely of a projected revenue surplus. Since the Six Month Report the \$1.4 million projected expenditure deficit has been reduced to budgeted levels. Because these expenditures are tied to permit and application fees, reduced expenditures results in a lower amount of earned fee and permit revenue which reduces the projected revenue surplus from the \$4.2 million reported in the Six Month Report. Additionally, permit and application volume quarter over quarter increased by 9.3 % in the most recent reporting quarter, resulting in additional application

and permit backlog realized by the Department. The increase in backlog results in permit/application assignments for Planner review being delayed above the levels assumed in the Six Month report and therefore an increase in the amount of revenue that is received but not yet earned in the current year from \$0.8 million in the Six Month Report to \$3.8 million in the current projection.

21. Ethics Commission

The Ethics Commission projects \$0.2 million in salary savings. The Election Campaign Fund began the fiscal year with a balance of \$2.4 million, none of which has been withdrawn in the current fiscal year. The department projects \$0.5 million in election expenditures related to the November 2014 Board of Supervisors elections, and a projected ending fund balance of \$3.9 million.

22. Health Service System

The Health Service System projects a net savings of \$0.5 million. This savings is due to \$0.6 million in underexpenditures in salaries and benefits from positions that are not yet filled. These savings are offset by \$0.2 million in overexpenditures due to costs associated with moving the administrative offices of the department and higher than budgeted worker's compensation costs.

23. Elections

The Department of Elections projects a net surplus of \$1.1 million, due to projected expenditure savings in salaries and fringe benefits.

24. Treasurer/Tax Collector

The Treasurer/Tax Collector projects to end the fiscal year with \$0.8 million of net surplus. The Department projects a \$0.6 million revenue surplus from fee charges and \$0.5 million expenditure savings due to delays in hiring partially offset by an unanticipated \$0.3 million increase in work order billing from the Public Utility Commission, leaving net expenditures savings of \$0.2 million.

25. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. There is a projected \$1.9 million reduction in budgeted transfers to the Library Preservation Fund due to the portion of projected year-end surplus in the fund attributable to the General Fund baseline contribution returning to the General Fund. In addition, General Fund support to San Francisco General Hospital will be reduced by the hospital's \$6.7 million FY 2012-13 ending fund balance, which was retained to partially address known Affordable Care Act revenue losses not included in the budget. Also, expenses for indigent defense services performed by outside counsel are projected to be \$1.8 million below budget. Projections assume that appropriated balances for nonprofit COLAs are fully allocated in the current year.

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 also includes deposits and withdrawals included in the approved FY 2014-15 budget.

Table A3.1 Reserve Balances (\$millions)

	FY 2013-14				FY 2014-15		
	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 44.7	\$ -	\$ (5.9)	\$ 38.8	\$ 10.8	\$ -	\$ 49.6
Budget Savings Incentive Fund	24.8	18.7	(16.7)	26.8	-	(6.8)	20.1
Recreation & Parks Savings Incentive Reserve	15.9	1.5	(9.7)	7.7	-	(5.1)	2.6
Rainy Day Economic Stabilization Reserve	23.3	12.0	(5.8)	29.5	-	(4.4)	25.2
Rainy Day One-Time Reserve	3.0	6.0	(1.5)	7.5	-	-	7.5
Budget Stabilization Reserve	121.6	3.1	-	124.6	14.4	-	139.0
Salary and Benefits Reserve	19.4	-	(19.4)	-	13.5	(13.5)	-
Total	252.7	41.3	(59.1)	235.0	38.7	(29.7)	244.0

General Reserve: To date, a supplemental appropriation of \$1.4 million for homeless services has been approved. Supplemental appropriations totaling \$4.5 million for nonprofit rent assistance are pending at the Budget and Finance Committee. This report assumes approval of this \$4.5 million supplemental. The remaining \$38.8 million of General Reserve will be carried forward to FY 2014-15. The approved budget includes a \$10.8 million deposit to the reserve in FY 2014-15, which will have to be increased by \$5.9 million as discussed in section B of the report above.

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 FY 2013-14 and FY 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 \$44.7 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 2012-13 year-end, the Reserve balance was \$24.8 million from expenditure savings. Projected deposits of \$18.7 million and budgeted uses of \$16.7 million result in a projected yearend balance of \$26.8 million. Note that the current budget appropriated \$6.8 million of the balance for use in FY 2014-15.

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 2012-13 with \$15.9 million, of which \$9.7 million was appropriated for FY 2013-14 uses. A deposit of \$1.5 million is projected for the current fiscal year, leaving a projected ending balance of \$7.7 million. Note that the current budget also appropriated \$5.1 million in uses for FY 2014-15.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$23.3 million. A projected deposit of \$12.0 million and budgeted \$5.8 million withdrawal from the Reserve for the benefit of the San Francisco Unified School District to offset the impact of declines in inflation-adjusted per pupil revenue result in a projected year-end balance of \$29.5 million. The approved FY 2014-15 budget includes a draw of \$4.4 million for the benefit of the School District.

Rainy Day One-Time Reserve: Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. This Reserve began the year with \$3.0 million. A projected deposit of \$6.0 million and a budgeted withdrawal of \$1.5 million result in a projected year-end balance of \$7.5 million.

Any increases to revenues during the remainder of the fiscal year would result in deposits of 75% of such revenue to the Rainy Day Reserve as described in this section.

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 \$121.6 million, and the budget assumed a \$16.0 million deposit in FY 2013-14. The adjustment for rate increases in November 2008 and November 2010 has declined due to updated data about the tax rates at which transactions are occurring, resulting in a projected increase in the deposit of \$5.2 million, offset by the \$18.0 million deposit to the Rainy Day Reserve. This results in a \$3.1 million deposit, \$12.9 million less than budgeted. The projected ending balance for FY 2013-14 is \$124.6 million. The approved FY 2014-15 budget includes a deposit of \$14.4 million.

Salary and Benefits Reserve: Section 10.4 of the Administrative Provisions of the 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 \$19.4 million (\$6.3 million carried forward from FY 2012-13 and \$13.1 million appropriated in the FY 2013-14 budget). As of May 9, 2014, the Controller’s Office has transferred \$1.3 million to City departments and anticipates transferring the remaining amount to City departments by year-end, as detailed in Appendix 4. The approved budget for FY 2014-15 assumes the deposit and use of \$13.5 million to this reserve.

Appendix 4. Salary and Benefits Reserve Update

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

Sources	
Adopted AAO Salary and Benefits Reserve	13.1
Carryforward balances from FY 2012-13	6.3
Total Sources	19.4
Uses	
Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1, Q2 & Q3)	0.8
Various Training, Tuition, and Other Reimbursements	0.4
Visual Display Terminal Insurance (Q1, Q2, Q3)	0.1
Total Transfers to Departments	1.3
Anticipated Allocations	
Police Wellness, Premium, and Compensatory Time payouts	7.9
Citywide Premium, Retirement and Severance payouts	4.2
Various Training, Tuition, and Other Reimbursements	3.9
Retiree Health	1.0
SEIU as needed temporary employees healthcare (Q4)	0.4
Fingerprinting and background checks	0.4
Sheriff Premium and Other Reimbursements	0.2
Visual Display Terminal Insurance (Q4)	0.1
Total Remaining Allocations	18.1
Total Uses	19.4
Net Surplus / (Shortfall)	0.0

Appendix 5. Other Funds Highlights

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

	Prior Year		FY 2013-14					FY 2014-15	
	FY 2012-13 Year-End Available Fund Balance	Fund Balance Used in FY 13-14 Budget	Starting Available Fund Balance	Sources Surplus / (Shortfall)	Uses Savings /(Deficit)	Net Operating Surplus / (Deficit)	Estimated Year-end Fund Balance	Fund Balance Used in FY 14-15 Budget	Note
SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS									
Building Inspection Operating Fund	\$52.6	\$21.6	\$31.0	\$19.7	\$0.0	\$19.7	\$50.7	\$6.6	1
Children's Fund	\$8.6	\$4.8	\$3.8	\$1.2	\$0.1	\$1.3	\$5.1	\$1.7	2
Children's Fund - Public Education Special Fund	\$2.9	\$0.0	\$2.9	\$0.1	\$0.0	\$0.1	\$3.0	\$0.0	3
Convention Facilities Fund	\$32.0	\$10.1	\$21.9	\$1.1	\$1.7	\$2.8	\$24.7	\$7.2	4
Golf Fund	\$0.1	\$0.0	\$0.1	(\$0.4)	\$0.4	\$0.0	\$0.1	\$0.0	5
Library Preservation Fund	\$19.6	\$0.9	\$18.7	\$0.1	\$1.2	\$1.3	\$20.0	\$0.0	6
Local Courthouse Construction Fund	(\$4.2)	\$1.1	(\$5.3)	(\$0.7)	\$0.0	(\$0.7)	(\$6.0)	\$1.1	7
Open Space Fund	\$5.1	\$1.8	\$3.3	\$0.9	\$1.2	\$2.1	\$5.4	\$0.7	8
Telecomm. & Information Systems Fund	\$4.6	\$0.6	\$4.0	\$0.0	\$1.5	\$1.5	\$5.5	\$0.0	9
General Services Agency- Central Shops Fund	\$0.2	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	10
SELECT ENTERPRISE FUNDS									
Airport Operating Fund	\$97.2	\$7.5	\$89.7	(\$8.0)	\$27.7	\$19.7	\$109.4	\$14.3	11
MTA – Operating Funds	\$89.2	\$0.0	\$89.2	\$54.1	\$0.0	\$54.1	\$143.2	\$0.0	12
Port Operating Fund	\$28.8	\$13.1	\$15.7	\$7.4	\$6.5	\$13.9	\$29.5	\$0.0	13
PUC – Hetch Hetchy Operating Fund	\$63.9	\$40.2	\$23.7	(\$15.9)	\$11.4	(\$4.5)	\$19.2	\$0.0	14
PUC – Wastewater Operating Fund	\$88.2	\$0.0	\$88.2	\$6.0	\$14.5	\$20.5	\$108.6	\$0.0	15
PUC – Water Operating Fund	\$279.5	\$82.1	\$197.4	(\$22.1)	\$45.8	\$23.7	\$221.1	\$0.0	16

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$31.0 million in available fund balance. The \$21.6 million appropriated in the current year includes \$14.7 million for the Department's One-Time and Capital Project Reserve. The Department projects operating revenues net of refunds to be \$19.7 million over budget, largely due to increases in plan review and building permit fee revenue. The combined effect of a 6.9% increase in permit volume and 24.6% increase in valuation result in a 13.3% increase in year-to-date revenue comparison year over year. The Department projects expenditure to be within the budget, resulting in a projected fiscal year-end available fund balance of \$50.7 million.

2. Children's Fund

The Children's Fund began the fiscal year with \$3.8 million in available fund balance. Current year revenues are projected to be \$1.2 million better than budget due to estimated increases in property tax set-aside revenue, and \$0.1 million in expenditure savings on services from other departments. The projected fiscal year-end available fund balance is \$5.1 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund began the fiscal year with \$2.9 million in available fund balance. \$0.1 million revenue surplus is projected from interest and an increase in the General Fund baseline contribution, resulting in a projected year-end available fund balance of \$3.0 million.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$21.9 million in available fund balance. A revenue surplus of \$1.1 million is projected, due to increases in rents and concessions. Expenditure savings of \$1.7 million are projected, primarily due to savings in salaries and fringe benefits and expenditures for work done by other City departments. A total of \$24.7 million in available fund balance is expected at year-end.

5. Golf Fund

The Golf Fund began the fiscal year with \$0.1 million in available fund balance. The Recreation and Parks Department projects revenues to be \$0.4 million less than budgeted primarily due to green renovations at Harding Park Golf Course. This reduced revenue is projected to be offset by salary and benefit savings of \$0.2 million and \$0.2 million in non-personnel savings. There is no contribution to fund balance expected at year-end.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$18.7 million in available fund balance. The Department projects a net revenue surplus of \$0.1 million, due to increased General Fund baseline contributions of \$1.0 million, and a \$1.3 million increase in property taxes. These revenue increases are offset by the return of \$1.9 million to the General Fund, comprised of revenue surplus, expenditure savings attributable to the baseline transfer, and

a \$0.3 million shortfall in library services revenue. The Department projects net expenditure savings of \$1.2 million primarily due to \$0.9 million in salaries and benefits savings and \$0.3million in nonpersonnel services savings. The net result is an operating surplus of \$1.3 million and a projected fiscal year-end available fund balance of \$20.0 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a fund balance shortfall of \$5.3 million. Current year revenues are projected to be \$2.8 million, or \$0.7 million below budget, resulting in an anticipated year-end fund balance shortfall of \$6.0 million.

This 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 State Administrative Office of the Courts recently declined the City's request to extend its retention of the Fund's revenue for a period not to exceed one year beyond the final maturity date on the bonds, which would have allowed this deficit to be cleared prior to transfer to the State.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$3.3 million in available fund balance. The Department projects an expenditure savings of \$1.2 million. Revenues are projected to be \$0.9 million greater than budget due to increased Property Tax set-aside revenues, resulting in a projected fiscal year-end available fund balance of \$5.4 million.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$4.0 million. The Department projects \$1.5 million of expenditure under recoveries, resulting in a fiscal year-end available fund balance of \$5.5 million.

10. Central Shops Fund

The Central Shops fund began the year with an available fund balance of \$0.2 million. The City Administrator projects that expenditures for fuel and parts will be below budget, offset by reduced recoveries from departments. The estimated available year-end fund balance is projected to be \$0.2 million.

Select Enterprise Funds

11. Airport Operating Fund

The Airport Operating Fund began the fiscal year with \$89.7 million in available fund balance. The Department is projecting a net revenue shortfall of \$8.0 million, which consists of a \$13.3 million increase in concessions revenue and a \$10.3 million increase in aviation revenue. This surplus is offset by a \$9.5 shortfall in non-operating revenue and a \$22.1 million difference between the Airport Rates and Charges fund balance use and the approved budget. The approved budget does not reflect adjustments made in the annual airline rate setting process, due to the department's fixed two-year budget. The Department projects expenditure savings of \$27.7 million driven primarily by \$15.0 million in non-personnel services, \$4.7 million in public safety costs, \$3.0 million in services of other departments, \$2.1 million in equipment savings, \$1.8 million in debt service savings, and \$2.2 million in overhead, materials and supplies, and other savings. The expenditure

savings is partially offset by \$0.1 increase to the annual service payment, and \$1.0 million in unbudgeted expenditures related to the crash of Asiana Airlines Flight 214 on July 6, 2013. These factors result in a projected net surplus of \$19.7 million and a fiscal year-end available fund balance of \$109.4 million.

12. Municipal Transportation Agency (SFMTA) Operating Funds

SFMTA began the fiscal year with \$89.2 million in available operating fund balance. The Agency is projected to end the year with a net operating surplus of \$54.1 million, resulting in a projected year-end fund balance of \$143.2 million. The revenue surplus of \$54.1 million includes \$14.7 million in transit fares, \$15.6 million in operating grants, \$10.8 million in parking revenues, \$4.3 million in net General Fund Baseline and parking tax transfers, and \$8.7 million in other revenues including taxi medallion sales and advertising revenues. The Agency projects to end the year within the expenditure budget. Over expenditures of \$11.5 million in overtime pay, \$1.4 million in temporary pay, and \$2.9 million in holiday pay are offset by \$4.4 million expenditure savings in professional and specialized services, \$1.4 million savings in rents and leases. Additionally, the department has \$10 million in expenditure savings due to reaching reserve levels through additional revenues during the year, and therefore does not need to expend this budgeted amount into reserves as originally anticipated when developing the FY 2013-14 budget.

13. Port Operating Fund

The Port Operating Fund began the fiscal year with \$15.7 million in available fund balance. The Department projects a \$7.4 million revenue surplus due to: \$4.2 million in increased parking revenue as a result of growing revenues from meters and parking fines and reestablishing parking at former 34th America's Cup venue sites; \$1.8 million from commercial/industrial rent resulting from improvements in percentage rents from Port tenants; \$0.4 million in increased maritime revenues resulting from ship repair, harbor services and other maritime volume; and \$1.0 million in other surplus revenues including development fees, permits and other miscellaneous services. The Department projects \$6.5 million in expenditure savings consisting of \$0.9 million in debt service savings, \$2.8 million in salaries and benefits savings, \$1.0 million in non-personnel expense savings, \$1.4 million in annual project savings, \$0.3 million in savings from services of other departments, and \$0.1 million savings in materials and supplies. This results in a projected net operating surplus of \$13.9 million and a fiscal-year end available fund balance of \$29.5 million that will be used to support the Port's capital program and 15 percent operating reserve.

14. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$23.7 million in available fund balance. The Department projects a net revenue shortfall of \$15.9 million mainly due to reduced Hetch Hetchy power available for sale as a result of drought condition and Rim Fire shutdown. This shortfall is offset by \$11.4 million in projected expenditure savings from lower than budgeted personnel costs due to vacant positions, lower than expected power purchase needs and transmission fees, and capital project savings. This results in a projected net operating deficit of \$4.5 million and available fiscal year-end fund balance of \$19.2 million.

15. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$88.2 million in available fund balance. The Department projects revenue to be \$6.0 million higher than budget mainly due to higher retail sewer service charges, and projects \$14.5 million in expenditure savings primarily due to refunding 2013A bonds, personnel cost savings, and unspent general reserve that was intentionally budgeted to supplement fund balance reserves. This results in a projected net operating surplus of \$20.5 million and a fiscal year-end available fund balance of \$108.6 million.

16. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with \$197.4 million in available fund balance. Water Department revenues are projected to be \$22.1 million lower than budget, mainly because wholesale customers made an early repayment of \$356 million in the prior year resulting in a lower FY2013-14 wholesale rate. The Department projects \$45.8 million of expenditure savings primarily from refunding of Water Bond Series 2012 C and D, and the defeasance related to the wholesale customer early repayment. This results in a projected net surplus of \$23.7 million and a fiscal year-end available fund balance of \$221.1 million.

Appendix 6. Overtime Report

Overtime Spending by Department, Fiscal Year 2013-14

Department	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14		Straight Line Projection	Surplus/ (Deficit)	FY 14 Projection Change from Prior Year Actuals	
	Actual	Actual	Actual	Actual	Revised Budget	July through March 2014 Actual			\$ Million	Percent
MTA										
Municipal Railway	\$ 45.6	\$ 52.2	\$ 53.2	\$ 46.3	\$ 34.9	\$ 36.3	\$ 48.4	\$ (13.5)	\$ 2.1	4%
Parking & Traffic	2.3	2.1	2.5	2.3	1.6	1.6	2.1	(0.6)	(0.2)	-9%
Subtotal - MTA	47.9	54.3	55.7	48.7	36.5	37.9	50.5	(14.0)	1.9	4%
Police (1)										
General Fund Operations	13.8	13.1	10.7	13.0	13.5	9.9	13.1	0.3	0.1	1%
Special Law Enforcement Services (10B)	10.5	8.6	10.4	10.5	7.4	7.4	9.8	(2.5)	(0.7)	-7%
Grants & Other Non-10B Special Revenues	0.9	1.5	2.1	2.4	2.0	1.1	1.5	0.6	(0.9)	-39%
Airport	1.7	1.4	1.8	1.8	1.7	0.7	0.9	0.8	(0.9)	-49%
Subtotal - Police	26.9	24.6	24.9	27.7	24.6	19.0	25.3	(0.8)	(2.4)	-8%
Public Health										
SF General	2.9	4.2	5.1	5.1	4.5	3.3	4.4	0.1	(0.7)	-14%
Laguna Honda Hospital	5.1	5.6	5.7	6.4	5.6	3.9	5.2	0.4	(1.2)	-19%
All Other Non-Hospital Operations	0.8	0.8	0.8	1.1	0.8	0.8	1.0	(0.3)	(0.0)	-3%
Subtotal - Public Health	8.9	10.6	11.6	12.6	10.9	8.0	10.6	0.3	(2.0)	-16%
Fire (2) (3)										
General Fund Operations	21.0	27.7	32.6	40.4	37.5	27.9	37.1	0.3	(3.2)	-8%
Grants & Other Special Revenues	0.0	-	-	-	-	-	-	-	-	n/a
Airport	2.2	2.5	2.8	3.1	2.6	3.1	4.1	(1.5)	1.0	33%
Port	0.2	0.3	0.2	0.3	0.4	0.2	0.2	0.1	(0.1)	-34%
Subtotal - Fire	23.5	30.5	35.6	43.8	40.4	31.1	41.5	(1.1)	(2.3)	-5%
Sheriff (4)										
Subtotal - Sheriff	7.1	5.8	8.4	10.7	9.8	7.6	10.1	(0.3)	(0.6)	-6%
Subtotal - Top 5										
	114.3	125.8	136.2	143.4	122.2	103.6	138.1	(15.9)	(5.3)	-4%
Public Utilities Commission										
	5.3	5.9	6.2	6.0	4.0	4.7	6.3	(2.3)	0.3	5%
Recreation & Park										
	1.4	1.4	1.1	1.6	1.3	0.9	1.3	0.0	(0.3)	-21%
Human Services Agency										
	0.5	0.6	0.6	0.8	0.5	2.0	2.7	(2.2)	1.9	241%
Fine Arts Museum										
	1.0	0.8	0.9	0.7	0.5	0.6	0.8	(0.3)	0.1	9%
Public Works										
	1.5	1.4	1.5	2.0	1.7	1.5	2.0	(0.3)	0.0	0%
Juvenile Probation										
	0.8	0.8	0.9	1.4	0.9	0.9	1.3	(0.4)	(0.1)	-10%
Airport Commission										
	1.7	2.2	2.2	2.5	2.6	2.0	2.7	(0.1)	0.2	8%
Elections										
	0.4	0.4	0.4	0.3	0.6	0.1	0.1	0.5	(0.2)	-61%
Emergency Management (5)										
	1.4	1.4	1.2	1.1	1.1	1.0	1.3	(0.2)	0.2	15%
All Other Departments (6)										
	2.0	3.2	2.9	4.0	2.2	2.6	3.4	(1.3)	(0.5)	-14%
Total	130.0	144.0	154.1	163.8	137.7	120.0	160.0	(22.4)	(3.8)	-2%
Top 5 % of Total	87.9%	87.4%	88.4%	87.6%	88.8%	86.3%	86.3%			
Change from Prior Year Actual	\$ (12.0)	\$ 14.0	\$ 12.0	\$ 9.7	\$ (26.1)		\$ (3.8)			
Total Gross Salaries (Cash Compensation)	\$ 2,595.8	\$ 2,529.6	\$ 2,634.5	\$ 2,802.2	\$ 2,862.5	\$ 1,987.8	\$ 2,650.4			
Overtime as a % of Total Gross Salaries	5.0%	5.7%	5.8%	5.8%	4.8%	6.0%	6.0%			

(1) Police Department actual overtime expense includes \$110,302 for Municipal Railway Grant
(2) Fire Department has requested Overtime Supplemental to increase Overtime budget by \$1,322,877
(3) Fire Department actual overtime expense includes \$53,803 for Hetch Hetchy Rim Fire
(4) Sheriff's Department has requested Overtime Supplemental to increase overtime budget by \$115,883
(5) Emergency Management has requested Overtime Supplemental to increase Overtime budget by \$420,993
(6) Departments include: AAM, ADM, ASR, BOS, CAT, CCD, CON, CPC, DAT, DBI, HRD, HSS, LIB, MYR, PAB, PRT, RET, SCI, TIS, TTX, WAR

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