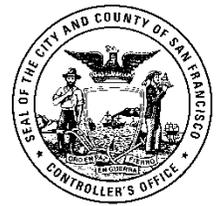


City and County of San Francisco

Office of the Controller

FY 2015-16 Six-Month Budget Status Report



February 10, 2016



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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 expenditure and revenue information and projections as of December 31, 2015, 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 \$310.2 million, of which \$194.1 million has been appropriated in the FY 2016-17 budget. The drivers of increased fund balance are tax revenue growth above budgeted levels and expenditure savings in the Human Services Agency, Department of Public Health, and citywide labor costs. This represents a net improvement to current year fund balance of approximately \$58.9 million versus the \$246.3 million contained in the Five Year Financial Plan Update and Mayor's Budget Instructions issued in December 2015. That projection did not include a proposed use of \$5.0 million of General Reserve in FY 2015-16, which must be replenished in the budget year.
- The Five Year Financial Plan Update projected shortfalls of \$99.8 million in FY 2016-17 and an additional \$140.4 million in FY 2017-18, for a cumulative total of \$240.2 million. Application of this additional current year fund balance will reduce these shortfalls to \$181.3 million over the two years. These projections will be updated in March 2016.
- There is currently no projected deposit to the Rainy Day Reserve. There is a projected deposit of \$17.0 million to the Budget Stabilization Reserve, a decrease of \$2.4 million from the \$19.4 million deposit anticipated in the budget, due to higher than anticipated FY 2014-15 real property transfer tax results increasing the five-year average deposit threshold. Economic reserves, including the Budget Stabilization Reserve and the City's portion of the Rainy Day Reserve, are projected to total \$264.2 million at year-end, or 6.2% of General Fund revenues. The City's target for economic reserves is 10% of General Fund revenues.

Economic growth is also contributing to increased fund balances at several of the City's enterprises, including the Airport, Port, Building Inspection and Municipal Transportation Agency (MTA), as described in Appendix 4. The exception to this trend is the Public Utilities Commission (PUC), where ending balances are expected to increase by \$19.9 million despite revenue shortfalls because of expenditure savings in debt service, power generation and transmission, project closeouts, and other operating savings.

Table 1. FY 2015-16 Projected General Fund Variances to Budget (\$ Millions)

A. FY 2015-16 Starting Balance	
FY 2014-15 Ending Fund Balance	\$ 390.8
Appropriation in the FY 2015-16 Budget	<u>(180.2)</u>
Subtotal Starting Balance	210.6
B. Current Year Revenues and Expenditures	
Citywide Revenue Surplus	60.4
Baseline Contributions	(9.8)
Departmental Operations	55.8
Approved & Pending Supplemental Appropriations	(5.0)
Projected Use of General Reserve	<u>5.0</u>
Subtotal Current Year Revenues and Expenditures	106.4
C. Withdrawals from / (Deposits) to Reserves	(6.9)
D. FY 2015-16 Projected Ending Balance	310.2
Previous Projected Ending Balance - December 2015	246.3
Use of General Reserve not Previously Projected	(5.0)
E. Improvement versus Last Projection	58.9

A. General Fund Starting Balance

The budget appropriated \$180.2 million in FY 2015-16 and \$194.1 million in FY 2016-17. The General Fund available fund balance at the end of FY 2014-15 was \$390.8 million, or \$16.6 million more than was appropriated.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$60.4 million compared to revised budget, primarily due to increased property tax revenue from expected supplemental and escape property tax assessments, as described in Appendix 1. Approximately \$10.8 million of the increase in property tax is due to the end of the state's use of one quarter of the local sales tax share to pay for economic recovery bonds (i.e. the Triple Flip), which is offset by an equivalent decline in sales tax.

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

	Revised Budget	6-Month Projection	Surplus (Shortfall)
Property Taxes	1,291.0	1,360.0	69.0
Business Taxes	634.5	631.1	(3.4)
Sales Tax - Local 1% and Public Safety	270.9	254.3	(16.6)
Hotel Room Tax	384.1	389.2	5.1
Utility User & Access Line Taxes	139.1	136.2	(3.0)
Parking Tax	89.7	90.7	1.0
Real Property Transfer Tax	275.3	275.3	-
Interest Income	10.7	12.0	1.3
1991 and Public Safety Realignment	205.8	211.3	5.5
Motor Vehicle In-Lieu	-	0.6	0.6
Franchise Taxes	16.8	16.7	(0.1)
Airport Transfer-In	40.8	41.7	0.9
Total Citywide Revenues	3,358.7	3,419.0	60.4

Baseline Contributions

Table 3 shows that due to changes in discretionary revenues, projections for baseline and parking tax in-lieu transfers to the MTA, Public Library and Public Education Enrichment Fund are increased by a net \$9.8 million compared to budget.

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

	Revised Budget	6-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	2,958.4	3,014.7	56.3
MTA Baseline 9.2% ADR	272.0	277.1	5.2
MTA Population Change Baseline	25.9	27.7	1.8
Library Baseline 2.3% ADR	67.6	68.9	1.3
Public Education Fund Baseline 0.3% ADR	4.3	4.4	0.1
Total Baseline Transfers	369.8	378.1	8.3
80% Parking Tax in Lieu Transfer to MTA	74.2	75.6	1.4
Total Baselines and In-Lieu Transfers	443.9	453.7	9.8

Departmental Operations

The Controller's Office projects a net departmental operations surplus of \$55.8 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2015-16 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
City Attorney	(0.4)	(0.0)	(0.5)
Police	(0.4)	-	(0.4)
Subtotal Departments with Net Deficits	\$ (0.8)	\$ (0.0)	\$ (0.9)
Net Surplus Departments			
Human Services	(14.3)	27.8	13.5
General City Responsibility	-	11.9	11.9
Public Health	(18.5)	39.0	20.5
Public Works	3.0	(0.0)	3.0
City Planning	2.5	0.0	2.5
Fire	1.8	(0.5)	1.3
Adult Probation	0.2	0.7	0.9
Treasurer/Tax Collector	(0.4)	1.0	0.6
Elections	0.1	0.4	0.5
Other Net Surplus	(1.3)	3.4	2.1
Subtotal Departments with Net Surplus	\$ (27.0)	\$ 83.7	\$ 56.7
TOTAL	\$ (27.8)	\$ 83.7	\$ 55.8

The Department of Emergency Management, the Department of Public Health, Police Department, Fire Department, Sheriff and possibly the Public Utilities Commission will require supplemental appropriations to shift funding from permanent salaries to cover over-expenditures in overtime, pursuant to San Francisco Administrative Code Section 3.17.

Approved and Pending Supplemental Appropriations

No General Fund supplemental appropriations have been approved this fiscal year to date. There is one pending supplemental appropriation of \$5.0 million of General Reserve, of which \$2.5 million is proposed to be spent on facilities improvements to the Geneva Car Barn, and \$2.5 million is for improvements to Public Health facilities at 35–45 Onondaga Avenue.

Projected Use of General Reserve

This report assumes the use of \$5.0 million from the General Reserve described in the preceding paragraph. 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 \$5.0 million and increase the amount needed to fund the reserve by \$5.0 million more than is currently budgeted in FY 2016-17.

C. Withdrawals from / Deposits to Reserves

A total of \$26.3 million is projected to be deposited into reserves, or \$6.9 million more than budgeted, including \$17.0 million to the Budget Stabilization Reserve due to Real Property Transfer Tax revenue above the five-year average and \$9.3 million to the Citywide Budget Savings Incentive Reserve due to projected departmental expenditure savings. There are no projected deposits to the Rainy Day Reserves or the Recreation and Park Savings Incentive Reserve at this time. A discussion of the status of reserves is included in Appendix 3.

D. Projected Ending Fund Balance: \$310.2 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2015-16 of \$310.2 million.

E. Improvement versus Last Projection: \$58.9 Million

The projected ending fund balance of \$310.2 million is \$58.9 million higher than the December 2015 Five Year Financial Plan Update fund balance projection of \$246.3 million, which did not include the use of \$5.0 million in General Reserve in the current year. This use of General Reserve will have to be backfilled in the budget year, resulting in a net increase in projected fund balance of \$58.9 million.

F. Other Funds

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds 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 4 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, particularly in transfer tax and business taxes, given the length of the current economic expansion.
- Public Health revenue volatility as a result of Affordable Care Act (ACA) implementation, and negotiations between the state and counties on the new five year Medi-Cal Waiver ("1115 Waiver") to be effective through FY 2019-20. The Controller's Office will continue to work with Public Health staff to update projections for the Nine-Month Report.

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

The Five Year Financial Plan Update (Joint Report) will provide revenue and expenditure projections for FY 2016-17 through FY 2019-20 in mid-March, 2016. FY 2015-16 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2016.

I. Six-Month Overtime Report

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 5 presents budgeted, actual, and projected overtime.

J. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Status of Reserves
4. Other Funds Highlights
5. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$56.2 million above revised budget. Of this total, \$60.4 million is due to improvements in citywide revenue as discussed in this Appendix 1.

The FY 2015-16 budget assumed slowing growth in tax revenues throughout the fiscal year. Property taxes are expected to exceed budgeted amounts in part due to increases in supplemental and escape revenue. Approximately \$10.8 million of the increase in property tax is due to the end of the state's use of one quarter of the local sales tax share to pay for economic recovery bonds (i.e. the Triple Flip), which is offset by an equivalent decline in sales tax. Gains in property tax revenues are partially offset by reductions to projected business taxes, telephone utility user taxes, and access line taxes. Selected citywide revenues are discussed below.

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

GENERAL FUND (\$ Millions)	FY 2014-15		FY 2015-16		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,272.6	\$ 1,291.0	\$ 1,291.0	\$ 1,360.0	\$ 69.0
BUSINESS TAXES	609.6	634.5	634.5	631.1	(3.4)
OTHER LOCAL TAXES					
Sales Tax	140.1	172.9	172.9	157.9	(15.0)
Hotel Room Tax	394.3	384.1	384.1	389.2	5.1
Utility Users Tax	99.0	93.6	93.6	91.5	(2.1)
Parking Tax	87.2	89.7	89.7	90.7	1.0
Real Property Transfer Tax	314.6	275.3	275.3	275.3	-
Stadium Admission Tax	1.3	1.4	1.4	1.4	-
Access Line Tax	48.9	45.6	45.6	44.7	(0.9)
Total Other Local Taxes	1085.4	1062.5	1062.5	1050.6	(11.9)
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	11.3	10.4	10.4	10.4	-
Franchise Tax	16.5	16.8	16.8	16.7	(0.1)
Total Licenses, Permits & Franchises	27.8	27.2	27.2	27.1	(0.1)
FINES, FORFEITURES & PENALTIES	6.4	4.6	4.5	4.6	0.0
INTEREST & INVESTMENT INCOME	11.7	10.7	10.7	12.0	1.3
RENTS & CONCESSIONS					
Garages - Rec/Park	11.9	9.0	9.0	9.0	-
Rents and Concessions - Rec/Park	9.6	6.0	6.0	6.0	-
Other Rents and Concessions	3.0	0.5	0.5	0.5	-
Total Rents and Concessions	24.5	15.4	15.4	15.4	-
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	234.9	240.7	244.1	237.1	(6.9)
Other Grants & Subventions	-9.0	2.2	2.2	2.2	0.0
Total Federal Subventions	225.9	242.9	246.2	239.3	(6.9)
State Government					
Social Service Subventions	194.4	211.1	212.2	203.1	(9.1)
Health & Welfare Realignment - Sales Tax	129.8	137.7	137.7	138.8	1.1
Health & Welfare Realignment - VLF	27.6	31.8	31.8	34.6	2.8
Health & Welfare Realignment - CalWORKs MOE	14.9	25.4	25.4	23.3	(2.2)
Health/Mental Health Subventions	73.2	102.2	102.2	110.6	8.4
Public Safety Sales Tax	94.0	98.0	98.0	96.4	(1.6)
Motor Vehicle In-Lieu	0.6	-	-	0.6	0.6
Public Safety Realignment (AB109)	32.1	36.4	36.4	37.9	1.5
Other Grants & Subventions	40.8	15.1	15.1	19.2	4.1
Total State Grants and Subventions	607.3	657.6	658.7	664.5	5.8
Other Regional Government					
Redevelopment Agency	3.2	3.7	3.8	3.4	(0.4)
CHARGES FOR SERVICES:					
General Government Service Charges	54.5	56.0	56.2	60.7	4.4
Public Safety Service Charges	38.4	36.3	36.3	36.3	-
Recreation Charges - Rec/Park	20.9	18.8	18.8	18.8	-
MediCal,MediCare & Health Service Charges	78.4	78.2	78.2	74.3	(3.9)
Other Service Charges	18.4	16.5	16.5	16.5	(0.0)
Total Charges for Services	210.6	205.8	206.0	206.5	0.5
RECOVERY OF GEN. GOV'T. COSTS	5.8	9.7	9.7	9.7	-
OTHER REVENUES	8.4	32.0	32.0	30.9	(1.1)
TOTAL REVENUES	4,099.1	4,197.5	4,202.3	4,255.2	52.9
TRANSFERS INTO GENERAL FUND:					
Airport	40.5	40.8	40.8	41.7	0.9
Other Transfers	121.6	165.9	165.9	168.4	2.5
Total Transfers-In	162.1	206.8	206.8	210.1	3.4
TOTAL GENERAL FUND RESOURCES	\$ 4,261.2	\$ 4,404.3	\$ 4,409.1	\$ 4,465.3	\$ 56.2

Property Tax revenue in the General Fund is projected to be \$69.0 million (5.3%) above budget and \$87.4 million (6.9%) over prior year actual revenue. Approximately \$21.6 million of the improvement is due to increases in expected supplemental and escape property tax assessments. Reduced need to fund the Assessment Appeals Reserve results in an additional \$15.0 million in expected revenue, and actual growth in the secured assessment roll increases revenue by \$12.5 million. As the secured assessment roll grows, it affects the Vehicle License Fee (VLF) backfill component, increasing projected revenue by \$2.8 million. Actual growth in the unsecured assessment roll increases revenue by a projected \$4.4 million. Updated estimates of tax penalties and redevelopment project area statutory pass-throughs result in \$3.2 million. The remaining \$10.8 million difference from budget reflects an expected shift from revenue budgeted as sales tax that will be realized as property tax, due to changes in the implementation of the sales tax in-lieu (Triple Flip) expiration. Property tax set asides to special revenue funds are increased by \$7.5 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	59.9	62.9	2.9
Open Space Fund	46.1	48.4	2.3
Library Preservation Fund	46.1	48.4	2.3
Total	152.1	159.6	7.5

Business Tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes and administrative office taxes. Business tax revenue is projected to be \$3.4 million (0.5%) below budget, and \$15.0 million (2.4%) over prior year actual revenues. The projected growth in business tax revenues is expected to be supported by strong growth in wages and employment in San Francisco continued from last fiscal year. In FY 2014-15, the Bureau of Labor Statistics reported 5.6% growth in employment and 13.5% wage growth over the previous fiscal year.

The City began phasing out its payroll tax in the last half of FY 2013-14 while phasing in a gross receipts tax. The first half of FY 2015-16 saw an increase in payroll tax collections despite a lower tax rate. This growth is mostly due to stronger than expected growth in employment and wages. In addition, there were large increases in gross receipts collections, which are mostly due to the increase in the gross receipts tax rate. However, total Business Tax growth has been largely offset by tax refunds from prior year's tax filings. The increase in tax refunds is a result of taxpayers overpaying on the new tax structure during the prior fiscal year in order to avoid penalties from underpaying.

Business registration revenues are projected to be \$8.7 million (19.6%) below budget and \$2.2 million (4.4%) greater than FY 2014-15 actual revenues. At the time the budget was prepared, business registration tax renewal payments for FY 2014-15 had not been completed. Revenue from prior years collected in June and July, 2015, came in significantly lower than expected, reducing base expectations for business registration tax collections in FY 2015-16. This reduction in base is a result of business registration tax shifting from a payroll-based schedule to a gross receipts-based schedule beginning in FY 2014-15.

Local Sales Tax revenues are projected to be \$15.0 million (8.7%) below budget, and \$17.8 million (12.7%) over prior year actual revenues. Adjusting for the expiration of the Triple Flip, the increase is \$5.6 million (4.0%). The two primary reasons for the reduction in the projection from the budget are a reduction in sales tax revenue from the Triple Flip unwinding, from \$23.0 million assumed in the FY 2015-16 budget to \$12.2 million, and a reduction to the underlying growth assumption from 5.5% to 4.0%. Average growth in FY 2015-16 through the January allocation is 0.8% over the same period prior year mainly due to lower fuel prices and several large one-time reallocations. However, the growth is projected to rebound in the remaining quarters because of the continuing strength in the local economy.

In addition, any change in the state and federal law on the sales tax allocation for the online sales and order fulfillment strategies for online retailers may significantly affect sales tax projections.

Hotel Room Tax revenues are projected to be \$5.1 million (1.3%) above budget and \$5.0 million (1.3%) below prior year actual revenues. The increase over budget is due to strong collections growth in the first half of the fiscal year and continued increases in the average room rates. The decrease in actuals from prior year is a result of large changes to litigation-related deferrals and prior year payments. On a cash basis, continued growth over prior year revenue is expected to be strong, if slightly lower than in previous years, at 7.0%.

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 five months of FY 2015-16 was approximately 4.9% over the same period prior year. In October 2015, room rates reached an all-time high, averaging \$315 per night, a 5% increase from October 2014.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. Final year-end revenue will be either greater or less than our projection depending on developments with these lawsuits.

Utility Users Tax revenues are projected to be \$2.1 million (2.2%) below budget and \$7.5 million (7.6%) below prior year actual revenues. The expected decline from budget and prior year actual revenue is due in part to lower than expected collections in the first half of the fiscal year. The reason for the slower growth is in part due to new filing forms that split out the telephone users tax from gas and electric utility users tax. A large number of filers have been filing incorrectly, and the Tax Collector cannot recognize revenues from incorrectly filed returns. While it is expected that the City will recoup the lost revenue from these incorrectly filed forms, there is some risk that the revenue will not be collected and recognized until FY 2016-17. The remainder of the decline in revenues is due to one-time prior year payments received in FY 14-15 that will not recur in FY 2015-16.

Parking Tax revenues are projected to be \$1.0 million (1.1%) above budget and \$3.5 million (3.0%) over prior year revenues. Continued growth in business activity and employment, as reflected in increases to business registration, payroll and sales tax projections, is driving increases in parking tax revenues from the prior year. Parking tax revenues are deposited into

the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

Real Property Transfer Tax revenues are projected to be equal to budget and \$39.3 million (14.3%) below prior year actual revenues. 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, property values and credit availability, all of which have been favorable for San Francisco commercial and residential real estate in the past four years. Strong demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) has continued from the prior year into FY 2015-16, albeit at a slightly slower pace. 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.

Access Line Tax revenues are projected to be \$0.9 million (2.0%) below budget, and \$4.2 million (8.5%) below prior year actual revenues. Similar to utility users taxes, most of this decline is due to a reduction in one-time prior year payments received FY 2014-15, making the revenue collections higher than the underlying tax base growth.

Interest & Investment revenues are projected to be \$1.3 million (12.3%) above budget in the General Fund and \$0.3 (2.7%) million above prior year actual revenues. Average monthly pooled interest rates were higher than budgeted, and revenues through December were above budgeted amounts as a result. The revenue surplus is net of a reduction in interest revenue of \$0.8 million allocated to the Treasurer-Tax Collector (TTX) because of expenditure savings. TTX only receives interest revenue up to the level of eligible expenditures. Any reductions to TTX interest revenue become unallocated General Fund interest revenue.

State and Federal Grants and Subventions are projected to be \$1.1 million (-0.1%) below budget and \$70.1 million (8.5%) greater than prior year actual revenues. Decreases of \$18.2 million in federal and state social service subventions are partially offset by an increases of \$8.4 million in Public Health state subventions. State subventions considered to be citywide sources further offset social service subvention reductions, with a \$4.0 million surplus projected in 1991 Health and Welfare realignment revenue due to \$3.4 million more than projected growth and caseload arrears payments assumed in the budget; a \$4.1 million of unbudgeted SB90 state mandate program cost reimbursement revenue; and, a reduction of \$1.6 million in projected public safety sales tax receipts primarily due to lower than projected growth in the statewide sales tax growth from reduced gasoline prices.

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)	Expenditures - Revised Budget	Expenditures -Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	34.6	33.9	0.2	0.7	0.9	1
Superior Court	31.7	31.7	-	-	-	
District Attorney	42.0	42.0	-	-	-	
Emergency Management	48.8	48.8	-	-	-	2
Fire Department	325.3	325.8	1.8	(0.5)	1.3	3
Juvenile Probation	39.6	39.4	0.2	0.2	0.4	4
Public Defender	31.5	31.1	-	0.4	0.4	5
Police	478.2	478.2	(0.4)	-	(0.4)	6
Sheriff	185.6	185.6	0.4	-	0.4	7
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	52.3	52.3	3.0	(0.0)	3.0	8
Economic & Workforce Development	35.9	34.8	(1.1)	1.1	-	9
Board of Appeals	0.9	0.9	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	32.9	32.9	-	-	-	
Human Services Agency	795.7	767.9	(14.3)	27.8	13.5	10
Human Rights Commission	2.8	2.8	-	-	-	
Status of Women	6.8	6.8	-	-	-	
COMMUNITY HEALTH						
Public Health	1,122.9	1,083.9	(18.5)	39.0	20.5	11
CULTURE & RECREATION						
Asian Art Museum	10.0	10.0	-	-	-	
Arts Commission	5.1	5.0	-	-	-	
Fine Arts Museum	14.4	14.1	-	0.4	0.4	
Law Library	1.6	1.6	-	-	-	
Recreation and Park Department	83.4	83.4	-	-	-	
Academy of Sciences	5.4	5.4	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	46.4	46.0	(0.2)	0.5	0.2	12
Assessor/Recorder	20.2	20.0	(0.2)	0.2	-	13
Board of Supervisors	14.1	13.5	(0.3)	0.6	0.3	14
City Attorney	9.9	9.9	(0.4)	(0.0)	(0.5)	15
Controller	12.8	12.2	-	-	-	
City Planning	36.0	36.0	2.5	0.0	2.5	16
Civil Service Commission	0.8	0.8	-	-	-	
Ethics Commission	2.7	2.7	-	-	-	
Human Resources	13.3	13.3	-	-	-	
Health Service System	0.8	0.8	-	-	-	
Mayor	23.4	23.4	-	-	-	
Elections	18.8	18.4	0.1	0.4	0.5	17
Technology	2.8	2.8	-	-	-	
Treasurer/Tax Collector	28.0	27.0	(0.4)	1.0	0.6	18
GENERAL CITY RESPONSIBILITY						
	155.1	143.2	-	11.9	11.9	19
TOTAL GENERAL FUND	3,772.4	3,688.2	(27.8)	83.7	55.8	

Notes to General Fund Department Budget Projections

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

1. Adult Probation

The Adult Probation Department projects to end the fiscal year with a net surplus of \$0.9 million. This is a result of a \$0.2 million projected revenue surplus, due to anticipated collections of mandatory supervision probation fees, and an expenditure savings of \$0.7 million due to \$0.9 million in salary and fringe benefit savings partially offset by a \$0.2 million over expenditure in workers compensation.

2. Emergency Management

The Department of Emergency Management projects to end the fiscal year within budget. A supplemental reappropriation will be requested to transfer salary and benefit savings to support a projected shortfall in overtime expenditures, per Administrative Code section 3.2. The overtime spending increases are mainly due to fewer new hires than anticipated, the continued increase in call volume, and efforts to improve emergency call response times.

3. Fire Department

The Fire Department projects to end the fiscal year with a net surplus of \$1.3 million. The Department projects a \$1.7 million surplus in plan check revenue and \$0.5 million surplus in overtime service fee revenue that are partially offset by a \$0.4 million decrease in net insurance and other revenue. Expenditures are expected to be \$0.5 million over budget primarily due to additional overtime needs for the increased plan check services. The Department anticipates it will request a supplemental appropriation of \$0.5 million of surplus overtime fee revenue to cover related overtime needs, and will also request to reappropriate regular salaries and fringe benefit savings to overtime salaries pursuant to Administrative Code Section 3.2.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.4 million, due to a projected increase of \$0.2 million from juvenile activity and camps revenue and a projected salary and benefit savings of \$0.2 million.

5. Public Defender

The Public Defender projects to end the fiscal year with a net surplus of \$0.4 million, primarily salary and benefit savings due to employee resignations and retirements, delayed hiring, and employees on unpaid leave and part-time status.

6. Police Department

The Police Department projects to end the fiscal year with a net deficit of \$0.4 million due to a shortfall in alarm permits and false alarm response revenue. Expenditures are projected to be within budget. The Department expects to request a supplemental to reappropriate regular salaries and fringe benefit savings for overtime expenses.

7. Sheriff

The Sheriff's Department projects to end the fiscal year with a net surplus of \$0.4 million due to an increase in housing of federal prisoners revenue of \$0.5 million, partially offset by a

\$0.1 million deficit in civil fees and other revenue. The Department projects expenditures to be within budget, however an over expenditure in overtime pay of \$7.2 million is projected due to the department's determination of and adherence to minimum staffing levels. When staffing falls below the minimum, due to staff attrition or leave use, the department uses overtime to meet staffing requirements. The department will request a supplemental to reallocate budget authority to overtime from regular salaries and fringe benefits.

8. Public Works

The Department of Public Works projects a net revenue surplus of \$3.0 million due to a transfer of \$2.5 million from the MTA for higher than expected reimbursement of prior year litigation related expenditures on the Fourth Street Bridge project, and increases in street space permits and right-of-way assessments.

9. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year within budget. The Department projects a revenue shortfall of \$1.1 million primarily due to decreased developer revenues, fully offset by net expenditure savings of \$1.1 million due to the decreased need for services to support developer activities.

10. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$13.5 million surplus due to \$27.8 million of projected expenditure savings partially offset by a revenue shortfall of \$14.3 million. Overall expenditure savings are mainly comprised of \$7.2 million in in-home supportive services, \$5.0 million in foster care assistance payments, \$12.3 million in Medi-Cal, and \$2.2 million in CalWORKs. An overall revenue shortfall is primarily due to \$4.9 million in reductions in foster care support, \$7.2 million less in in-home supportive services revenue, \$4.2 million lower than budget in Medi-Cal, and \$2.2 million lower than budget in CalWORKs, partially offset by \$4.1 million better than expected federal and state revenues.

Aid Assistance Programs

Lower than expected caseloads across the County Adult Assistance and in the CalWORKs programs result in combined expenditure savings of \$3.6 million and associated revenue shortfalls of \$2.2 million, for a net surplus of \$1.4 million.

Foster Care and Foster Care Childcare

Lower than expected caseloads across Foster Care and Foster Care Childcare also results in projected expenditure savings of \$5.0 million and associated revenue shortfalls of \$4.9 million, for a net surplus of \$0.2 million

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

Program	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
In Home Supportive Services (IHSS)	(7.2)	7.2	0.0
Foster Care & Foster Care Child Care	(4.9)	5.0	0.2
CalWORKs Assistance	(2.2)	2.2	0.0
CAAP Assistance	0.0	1.4	1.4
Medi-Cal Administration	(4.2)	12.3	8.1
All Other Programs	4.1	(0.3)	3.8
Total All Programs	\$ (14.3)	\$ 27.8	\$ 13.5

11. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$20.5 million. Overall department revenues are projected to be \$18.5 million below budget, and expenditures are projected to be \$39.0 million less than budgeted.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	4.5	4.1	8.6
Laguna Honda Hospital	3.6	(0.1)	3.5
Zuckerberg San Francisco General Hospital	(26.6)	35.0	8.5
Total	(18.5)	39.0	20.5

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Mental Health, Substance Abuse, Jail Health, Health at Home, and Population Health & Prevention, have a combined revenue surplus of \$4.5 million. This includes \$4.3 million higher than expected reimbursement from Short Doyle Medi-Cal for Mental Health, \$1.7 million higher than budgeted revenue State Alcohol Funds. These revenue surpluses are partially offset by Primary Care revenues \$1.5 million below budget. Expenditures are expected to be \$4.1 million below budget, primarily due to delays in hiring new positions budgeted to improve primary care access standards under the ACA.

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the Affordable Care Act and funding allocations for indigent health services. This provision was adopted by the Board of Supervisors to smooth volatile state and federal revenues that can lead to large variances between budgeted and actual amounts due to unpredictable timing of payments, major changes in projected allocations, and delays in final audit settlements. The current accumulated Management Reserve of \$95.2 million includes anticipation of revenue reductions to State Realignment payments, potential liability of disallowed SB1128 reimbursement, reduction in capitation rates for the Medi-Cal expansion population, State recoupment of Realignment funds under AB85 and reductions to supplemental payments for Medi-Cal managed care.

Laguna Honda Hospital

The Department projects a \$3.5 million net surplus at Laguna Honda Hospital. A \$3.6 million revenue surplus is due to increased patient census and recovery of Distinct Part Nursing Facility supplemental revenues. Expenditures are projected to be \$0.1 million above budget in personnel cost.

Zuckerberg San Francisco General Hospital

The Department projects \$8.5 million surplus at Zuckerberg San Francisco General Hospital. Revenues are \$26.6 million below budget, although these revenue shortfalls are associated with an offsetting expenditure savings due to lower than budgeted transfers out to project funds and for intergovernmental transfer (IGT) payments. Under the new Medi-Cal 1115 Waiver currently in development, gross revenues from the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program and Global Payment Program (GPP) will be

\$22.1 million below budget. \$15.1 million of this amount is offset by reduced County IGTs required to draw federal funds under the waiver. The adopted budget included \$18 million in revenue appropriation to allow certain surplus revenues to be transferred into project funds. The Department projects that these revenues will not be realized, but the shortfall is offset by equal expenditure savings in operating transfers out. Net fee-for-service patient revenues are \$29.2 million above budget due to higher than budgeted Medi-Cal and Medicare payment rates and continued improved Medi-Cal enrollment under the Presumptive Eligibility program. Capitation revenues are below budget by \$18.9 million primarily due to a 29.3 percent reduction in the capitation rate for Medi-Cal Expansion enrollees in effect since July, 2015. State Realignment is projected to be \$3.5 million above budget. The Department expects to request a supplemental to reappropriate regular salaries and fringe benefit savings for overtime expenses

Expenditures are projected to be below budget by \$35.0 million. \$29.2 million of this savings is due to lower than budgeted operating transfers out to project funds and for IGTs as discussed above. The department projects \$5.9 million surplus in salary and fringe benefits due to delays in hiring positions not backfilled with per diem or overtime staffing, such as information technology, clerical, and interpreter positions.

12. City Administrator

The City Administrator projects a net \$0.2 million surplus at year end. A revenue shortfall of \$0.2 million is projected due to fee, fine, and license revenues coming in lower than expected. Expenditure savings of \$0.5 million are projected, including savings of \$1.7 million in salary and benefits, \$1.2 million in nonpersonnel services, and \$0.3 million in project closeouts. These savings are partially offset by a reduction in work order recoveries of \$2.8 million.

13. Assessor Recorder

The Assessor Recorder projects to end the fiscal year within budget. The Department projects a revenue shortfall of \$0.2 million primarily due to slower growth in the collection of recording fees compared to the prior year, offset by \$0.2 million in expenditure savings due mainly to hiring delays.

14. Board of Supervisors

The Board of Supervisors projects a \$0.3 million surplus at the end of the fiscal year, driven by a \$0.3 million surcharge and fee revenue shortfall, and \$0.5 million in salary and benefit savings due to vacancies, as well as \$0.1 million savings in professional services.

15. City Attorney

The City Attorney's Office projects a net \$0.5 million year-end shortfall largely due to a projected \$0.4 million less in revenue from the Office of Community Investment and Infrastructure for legal support needs. Increases to work order recoveries in the second half of the year may address the projected shortfall.

16. City Planning

The City Planning Department projects to end the year with a net surplus of \$2.5 million, due to a revenue surplus from enforcement, planning cases, other permit fee collections. This surplus is net of a \$2.5 million revenue deferral for the portion of fee collections not earned in the current year, which will increase the projected year-end deferred revenue balance to

\$13.8 million. The department may request a supplemental to appropriate a portion of current year fee revenue.

17. Elections

The Elections Department projects to end the fiscal year with a net \$0.5 million surplus due to a \$0.1 million revenue surplus from ballot argument fees associated with the June 2016 election and an expenditure savings of \$0.4 million primarily due to savings in salary and fringe benefits.

18. Treasurer/Tax Collector

The Treasurer/ Tax Collector projects to end the fiscal year with a net surplus of \$0.6 million as a result of a projected revenue shortfall of \$0.4 million in pooled interest offset by a \$1.0 million salary and fringe benefit savings primarily due to a delay in hiring staff to fill vacant positions.

19. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. Savings of \$11.9 million are projected due to updated information about the City's need to fund departmental expenditures related to labor contract (MOU) provisions. Salary savings in many departments, due in part to delayed hiring and separations, are projected to be available cover a portion of the costs that would normally be covered by the Reserve. Projections assume that funds appropriated for nonprofit COLAs and minimum wage increases are allocated to departments, as reflected in the update to the Five Year Financial Plan issued on December 7, 2015.

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 2016-17 budget.

Table A3.1 Reserve Balances (\$ millions)

	FY 2014-15		FY 2015-16			FY 2016-17		
	Ending Balance	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 55.6	\$ 73.4	\$ -	\$ (5.0)	\$ 68.4	\$ 12.0	\$ -	\$ 80.4
Budget Savings Incentive Fund	-	33.9	9.3	-	43.2	-	-	43.2
Recreation & Parks Savings Incentive Reserve	-	10.6	-	(3.1)	7.5	-	(3.1)	4.4
Rainy Day Economic Stabilization Reserve	-	-	-	-	-	-	-	-
Rainy Day Economic Stabilization City Reserve	71.9	71.9	-	-	71.9	-	-	71.9
Rainy Day Economic Stabilization School Reserve	42.1	42.1	-	-	42.1	-	-	42.1
Rainy Day One-Time Reserve	43.1	43.1	-	-	43.1	-	-	43.1
Budget Stabilization Reserve	132.3	132.3	17.0	-	149.3	-	-	149.3
Salary and Benefits Reserve	20.2	34.0	-	(22.1)	11.9	14.0	(14.0)	-
Total	365.1	441.3	26.3	(30.2)	437.4	26.0	(17.1)	434.4
Economic reserves						264.2		
Economic reserves as a % of General Fund revenues						6.2%		

General Reserve: To date, no supplemental appropriations have been approved. There is a pending supplemental appropriation of \$5.0 million of General Reserve, of which \$2.5 million is proposed to spent on facilities improvements to the Geneva Car Barn, and \$2.5 million is for improvements to Public Health Facilities at 35–45 Onondaga Avenue. Our projection assumes this supplemental appropriation will be approved by the Board of Supervisors, resulting in a projected ending balance of \$68.4 million, which will be carried forward to FY 2016-17. The approved budget includes a \$12.0 million deposit to the reserve in FY 2016-17, which will have to be increased by \$5.0 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 FY 2015-16 and FY 2016-17, the policy requires the General Reserve to be no less than 1.75% and 2.0% of budgeted regular General Fund revenues, respectively. The current balance of the reserve is \$73.4 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 2014-15 year end, the Reserve balance was \$33.9 million. Projected deposits of \$9.3 million and no budgeted uses result in a projected year-end balance of \$43.2 million. The current budget did not appropriate any of the balance for use in FY 2016-17.

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 2014-15 with \$10.6 million, of which \$3.1 million was appropriated for FY 2015-16 uses. No deposits are projected for the current fiscal year, leaving a projected ending balance of \$7.5 million. Note that the current budget also appropriated \$3.1 million in uses for FY 2016-17.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$71.9 million.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve. No deposits or withdrawals are currently projected.

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 \$43.1 million. There is no budgeted withdrawal or anticipated deposits in the current year.

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 \$132.3 million. The budget assumed a \$19.4 million deposit in FY 2015-16, however, given higher than anticipated FY 2014-15 year end results, the prior five year

average is increased, resulting in a projected decrease in the deposit of \$2.4 million. The projected ending balance for FY 2015-16 is \$149.3 million.

Salary and Benefits Reserve: Administrative Provisions Section 10.4 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 \$34.0 million (\$20.2 million carried forward from FY 2014-15 and \$13.8 million appropriated in the FY 2015-16 budget). As of February 2, 2016, the Controller's Office has transferred \$1.2 million to City departments and anticipates transferring an additional \$20.9 million to City departments by year-end, as detailed in Table A3-2 below, resulting in a savings of \$11.9 million.

Table A3-2. Salary and Benefits Reserve (\$ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	\$ 13.9
Carryforward balance from FY 2014-15	20.2
Total Sources	34.0
Uses	
Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1 & Q2)	0.6
Training, development, and recruitment	0.5
Visual display terminal insurance (Q1, Q2)	0.1
Benefit payment refunds	0.1
Total Transfers to Departments	1.2
Anticipated Allocations	
Public Safety, including wellness, premium, and one-time payouts	13.2
Citywide premium, retirement and severance payouts	5.6
Various training, tuition, and other reimbursements	1.4
SEIU as needed temporary employees healthcare (Q3 & Q4)	0.6
Visual display terminal insurance (Q3 & Q4)	0.1
Total Anticipated Allocations	20.9
Total Uses	22.1
Net Surplus / (Shortfall)	\$ 11.9

Appendix 4. Other Funds Highlights

Table A4-1. Other Fund Highlights, \$ Millions

	Prior Year		FY 2015-16					FY 2016-17		Notes
	FY 2014-15 Year End Fund Balance	Fund Balance Used in FY 2015-16 Budget	Starting Available Fund Balance	Sources Surplus/ (Deficit)	Uses Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Year-end Balance	Board Approved Budgeted Use		
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICE FUNDS</u>										
Building Inspection Operating Fund	\$ 2.0	\$ 1.5	\$ 0.5	\$ 11.2	\$ 4.2	\$ 15.4	\$ 15.9	\$ -	1	
Children's Fund	1.3	1.4	(0.1)	2.9	-	2.9	2.9	-	2	
Public Education Special Fund	(0.0)	1.5	(1.5)	0.2	-	0.2	(1.4)	0.7	3	
Convention Facilities Fund	23.9	13.0	10.9	(0.1)	3.3	3.2	14.2	12.1	4	
Golf Fund	1.9	-	1.9	-	-	-	1.9	-	5	
Library Preservation Fund	24.9	-	24.9	0.7	3.0	3.7	28.6	-	6	
Local Courthouse Construction Fund	0.0	-	0.0	0.1	0.0	0.1	0.2	-	7	
Open Space Fund	13.5	0.0	13.5	2.3	0.2	2.5	15.9	-	8	
Telecomm. & Information Systems Fund	10.0	4.4	5.6	(9.0)	9.0	(0.0)	5.5	2.6	9	
General Services Agency-Central Shops Fund	0.6	0.5	0.1	-	-	-	0.1	-	10	
Arts Commission Street Artist Fund	(0.2)	-	(0.2)	(0.1)	0.2	0.1	(0.1)	-	11	
War Memorial Fund	2.7	1.2	1.5	(0.1)	0.1	(0.0)	1.5	0.5	12	
Gas Tax Fund	2.1	-	2.1	-	-	-	2.1	-	13	
Neighborhood Beautification Fund	0.6	-	0.6	-	0.5	0.5	1.1	-	14	
Election Campaign Fund	6.3	-	6.3	-	1.1	1.1	7.4	-	15	
<u>SELECT ENTERPRISE FUNDS</u>										
Airport Operating Funds	\$ 177.2	\$ 36.5	\$ 140.7	\$ 13.8	\$ 27.1	\$ 40.9	\$ 181.6	\$ 35.3	16	
MTA Operating Funds	243.2	20.0	223.2	20.3	0.1	20.4	243.6	7.4	17	
Port Operating Funds	55.8	33.1	22.8	7.0	15.8	22.8	45.6	-	18	
PUC Hetch Hetchy Operating Funds	33.4	-	33.4	4.6	16.4	21.0	54.4	-	19	
PUC Wastewater Operating Funds	121.4	-	121.4	(13.7)	11.8	(1.9)	119.5	-	20	
PUC Water Operating Funds	166.7	24.0	142.7	(50.2)	51.0	0.8	143.5	6.1	21	

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$0.5 million in available fund balance. The Department projects a \$11.2 million surplus in operating revenues due to higher than expected plan checking and permit volumes, and expenditures to be \$4.2 million under budget largely due to salary savings, resulting in a projected fiscal year-end available fund balance of \$15.9 million. In addition, the balances of the department's contingency and other post-employment benefit reserves are currently \$29.9 million and \$10.1 million, respectively

2. Children's Fund

The Children's Fund began the fiscal year with a negative fund balance of \$0.1 million, as the use of fund balance in the current year was not fully supported by prior fiscal year end results. Current year revenues are projected to be \$2.9 million better than budget due to estimated increases in property tax set-aside revenue. The projected fiscal year-end available fund balance is \$2.9 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund ended FY 2014-15 with no fund balance, however the FY 2015-16 budget assumed the use of \$1.5 million in balance. The cause of this misalignment was a prior year expenditure accrual that overstated fund balance when the budget was being developed, resulting in over budgeting. PEEF revenues are expected to be \$0.2 million above budget. Projected fiscal year-end available fund balance is expected to be negative \$1.4 million. The Department of Children Youth & Families will work with the Controller's Office and the School District to develop solutions to address the shortfall. The approved FY 2016-17 budget assumes the use of \$0.7 million in PEEF fund balance, however, the department has indicated it will remove this use in its budget submission.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$10.9 million in available fund balance, as \$13.0 million of the prior year ending balance was appropriated in the current year. Salary and benefit savings of \$0.2 million and \$3.1 million in debt service savings are projected, resulting in a projected fiscal year-end available fund balance of \$14.2 million. The approved FY 2016-17 budget includes the use of \$12.1 million of this balance.

5. Golf Fund

The Golf Fund began the fiscal year with \$1.9 million in available fund balance. The Recreation and Parks Department projects revenues and expenses to be on budget and no change to fund balance is expected at year-end.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$24.9 million in available fund balance. The Department projects a net revenue surplus of \$0.7 million due to lost rent from the vacant café in the main branch and the decision not to rent facilities at 190 9th Street, offset by \$3.6 million in increased property tax and baseline revenue, of which an estimated \$1.0 million will be returned to the General Fund at year-end. Expenditure savings of \$3.0

million are projected, due to \$1.1 million in salary and benefit savings, \$1.8 million savings in rent costs, and \$0.2 million in materials and supplies savings. The department plans to submit a supplemental ordinance to appropriate \$7.6 million of surplus property tax and baseline revenue available at FY 2014-15 year-end for ongoing capital projects and debt service. The net result is a projected fiscal year end available fund balance of \$28.6 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a minimal fund balance. Despite projected revenue being \$0.3 million lower than prior year actual revenue, the fund is projected to end with a \$0.1 million fund balance due to \$0.2 million of budgeted General Fund support in the current year. The Courts implemented a new traffic case management system in November 2015, which may significantly change the allocation of traffic penalty revenue, and thus the projected fund balance, as revenue in the fund may be significantly affected by this change.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$13.5 million in available fund balance. The Department projects an expenditure savings of \$0.2 million and revenues to be \$2.3 million better than budget resulting in a projected fiscal year-end available fund balance of \$15.9 million.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$5.6 million. The Department projects to be on budget and remains fiscal year-end available fund balance at \$5.6 million, of which \$2.6 million has been appropriated in the approved FY 2016-17 budget.

10. Central Shops Fund

The Central Shops fund began the year with an available fund balance of \$0.1 million. Savings in salaries and benefits and project closeouts will be passed on to departments, resulting in both reduced expenses and recoveries, and no net change to fund balance.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with a fund balance shortfall of \$0.2 million. Despite the additional one-time general fund support to address the prior year's fund balance shortfall, it was not sufficient to address the entire prior year's shortfall as well as the current year net operating deficit from the revenue shortfall, leading to an estimated year-end fund balance shortfall of \$0.1 million. The Controller's Office and the Department will continue to work to identify a solution to address the shortfall.

12. War Memorial Fund

The War Memorial Fund began the fiscal year with a fund balance of \$1.5 million. The Department projects revenues to be short of \$0.1 million offset by expenditure savings of \$0.1 million, resulting in a projected year-end fund balance remained at \$1.5 million. The approved FY 2016-17 budget includes the use of \$1.5 million in balance from the fund.

13. Gas Tax Fund

The Gas Tax Fund began the year with an available fund balance of \$2.1 million. The Department of Public Works expects to end the year on budget, resulting in a projected year end balance of \$2.1 million.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) began the year with a \$0.6 million fund balance. Tax year 2014 payroll tax revenues allocated to the fund are projected to be on budget at \$1.9 million. The City Administrator also expects expenditure savings of \$0.5 million in programmatic projects, resulting in a projected year-end balance of \$1.1 million.

15. Election Campaign Fund

The Election Campaign Fund began the year with a \$6.3 million balance. Disbursements from the fund at year end are projected to be \$0.3 million, \$1.5 million less than expected. Only two candidates for the Board of Supervisors received campaign funds for the November 2015 election and no candidates for the mayoral election participated in the program. The resulting year end balance is projected to be \$7.4 million.

Select Enterprise Funds

16. Airport Operating Fund

The Airport began the fiscal year with \$140.7 million in available fund balance, including \$120.8 million that has been set aside for postemployment benefits under GASB 45. The department projects a revenue surplus of \$13.8 million, and net expenditure savings of \$27.1 million, for a net operating surplus of \$40.9 million.

The revenue projection includes \$13.3 million in increased operating revenue and \$0.4 million in increased non-operating revenue. The projected \$27.1 million in expenditure savings include \$5.9 million in non-personnel expenditure savings, \$4.4 million in services of other departments, \$5.8 million in salary and benefit savings, \$4.3 million in public safety costs, \$4.0 million in post-employment benefits, \$3.3 million in savings for materials and supplies, and \$0.3 million in other transfers, offset by a \$0.9 million increase to the Annual Service Payment. A fund balance of \$181.6 million is projected by year-end, of which \$35.3 has been appropriated in the approved FY 2016-17 budget.

17. Municipal Transportation Agency (MTA) Operating Funds

MTA began the fiscal year with \$223.2 million in available operating fund balance net of appropriating \$20.0 million in the FY 2015-16 budget. The Agency is projected to end the year with a net operating surplus of \$20.3 million, resulting in a projected year-end fund balance of \$243.5 million. The approved FY 2016-17 budget includes the use of \$7.4 million in balance from the fund.

The Agency projects a revenue surplus of \$20.2 million primarily due to \$17.8 million of parking related fees and fines, \$4.3 million from operating grants, \$5.0 million from General Fund Baseline transfers, \$2.8 million from other sources, offset by a \$9.7 million shortfall in taxi medallion sales and taxi fees waivers. The Agency projects to end the year with a \$0.1 million expenditure savings. The \$4.5 million savings in labor costs is offset by \$3.6 million

over budget in non-personnel services and \$0.8 million over budget in materials and supplies.

18. Port Operating Funds

The Port began the fiscal year with \$22.8 million in available fund balance. The department projects a revenue surplus of \$7.0 million, and net expenditure savings of \$15.8 million, for a net operating surplus of \$22.8 million and a projected year end fund balance of \$45.6 million.

The \$7.0 million revenue surplus is due to increases of \$0.5 million in Maritime, \$4.4 million in Real Estate, \$1.7 million in one-time revenues associated with the jurisdictional transfer of Daggett Street, and \$0.4 million in permits and other revenues. The \$15.8 million expenditure savings is due to a \$10.5 million reserve designated to future capital uses, \$1.8 million savings in salaries and fringe benefits from currently vacant positions, \$1.6 million in non-personnel services, \$1.4 million in annual project contingencies for spills and hazardous material clean up expected to be without incident, \$0.4 million in services requested from other departments primarily resulting from low demand for shore side power to cruise ships at Pier 27, and \$0.1 million in debt service as a result of a lower interest rate than budgeted.

19. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$33.4 million in available fund balance. The Department projects a net revenue surplus of \$4.6 million mainly due to net power sale revenue above budget by \$2.6 million and \$3.9 million in other miscellaneous income from property rental, Transbay Cable proceeds, and interest, offset by \$2.0 million of lower than expected water sales and natural gas and steam work orders. The Department projects expenditure savings of \$16.4 million consisting of \$1.8 million from lower power purchase costs, \$2.3 million of operating and project closeouts, \$1.1 million savings in gas and steam purchases and \$11.2 million in transmission and distribution charge savings. This results in a projected year-end fund balance of \$54.4 million.

20. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$121.4 million in available fund balance. The Department projects revenue to be \$13.7 million lower than budget mainly due to lower sales revenue, which is a function of lower water sales volumes. The shortfall is offset by \$11.8 million in expenditure savings which includes \$3.0 million of projected salaries savings, \$1.1 million of unused planned reserves, and \$7.7 million of operating and project closeouts. This results in a projected net operating deficit of \$1.9 million and a fiscal year-end available fund balance of \$119.5 million.

21. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with a net of \$142.7 million in available fund balance. Water Department revenues are projected to be \$50.2 million lower than budget, mainly due to lower water sales. The shortfall is offset by \$51.0 million of expenditure savings including \$9.4 million of operating savings and project closeouts, \$38.1 million in debt service savings and \$3.5 million in savings from planned unspent reserves. This results in a projected net surplus of \$0.8 million and a fiscal year-end available fund balance of \$143.5 million, of which \$6.1 million has been appropriated in the approved FY 2016-17 budget. The Department may request a supplemental to reappropriate regular salaries and fringe benefit savings for overtime expenses.

Appendix 5. Overtime Report

5-Year History of Overtime Spending by Department (\$ Millions)

Department	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16			FY 2015-16 Projection Change from Prior Year Actuals		
	Actual	Actual	Actual	Actual	Revised Budget	July through December 2015	Straight Line Projection	Surplus/ (Deficit)	\$ Million	Percent
MTA										
Municipal Railway	53.2	46.3	53.3	53.0	35.5	25.9	51.74	(16.2)	(1.3)	-2%
Parking & Traffic	2.5	2.3	2.4	3.3	1.5	1.9	3.8	(2.2)	0.5	15%
Subtotal - MTA	55.7	48.7	55.6	56.3	37.0	27.7	55.5	(18.5)	(0.8)	-1%
Police										
General Fund Operations	10.7	13.0	14.3	19.3	15.2	9.0	17.9	(2.7)	(1.3)	-7%
Special Law Enforcement Services (10B)	10.4	10.5	10.3	10.5	6.0	6.0	6.0	-	(4.4)	-42%
Grants & Other Non-10B Special Revenues	2.1	2.4	1.9	2.1	2.2	1.4	2.7	(0.6)	0.6	28%
Airport	1.8	1.8	1.1	1.2	1.5	1.3	2.5	(1.1)	1.3	109%
Municipal Transportation Agency			0.1	0.1	-	0.1	0.2	(0.2)	0.0	8%
Subtotal - Police	24.9	27.7	27.7	33.2	24.9	17.7	35.4	(10.5)	2.2	7%
Public Health										
SF General	5.1	5.1	5.2	6.6	5.3	3.0	5.9	(0.7)	(0.7)	-10%
Laguna Honda Hospital	5.7	6.4	5.6	6.1	6.9	2.7	5.3	1.6	(0.7)	-12%
All Other Non-Hospital Operations	0.8	1.1	1.2	1.5	1.3	0.7	1.4	(0.2)	(0.1)	-5%
Subtotal - Public Health	11.6	12.6	11.9	14.2	13.4	6.3	12.7	0.7	(1.5)	-11%
Fire										
General Fund Operations	32.6	40.4	38.0	33.7	38.5	21.2	42.3	(3.8)	8.6	25%
Grants & Other Special Revenues	-	-	0.1	0.2	-	-	-	-	(0.2)	-100%
Airport	2.8	3.1	4.5	3.9	4.0	1.8	3.6	0.4	(0.3)	-8%
Port	0.2	0.3	0.3	0.3	0.4	0.2	0.4	(0.0)	0.0	9%
PUC Hetch Hetchy			0.0	0.0	-	-	-	-	(0.0)	0%
Subtotal - Fire	35.6	43.8	42.8	38.3	42.9	23.1	46.3	(3.4)	8.0	21%
Sheriff										
General Fund Operations	7.6	9.8	9.7	14.2	10.9	8.2	16.4	(5.5)	2.2	16%
Grants & Other Special Revenues	0.8		0.8	0.6	0.1	0.4	0.7	(0.6)	0.1	9%
Subtotal - Sheriff	8.4	10.7	10.5	14.8	11.1	8.6	17.1	(6.0)	2.3	15%
Subtotal - Top 5	\$ 136.2	\$ 143.4	\$ 148.6	\$ 156.8	\$ 129.4	\$ 83.5	\$ 167.0	\$ (37.6)	\$ 10.2	7%
Public Utilities Commission	6.2	6.0	6.9	6.9	4.0	3.5	7.00	(3.0)	0.1	2%
Recreation & Park	1.1	1.6	1.2	1.2	1.4	0.5	1.0	0.4	(0.2)	-17%
Human Services Agency	0.6	0.8	2.9	3.8	0.5	1.7	3.4	(2.9)	0.5	13%
Fine Arts Museum	0.9	0.7	0.9	0.9	0.2	0.6	1.1	(0.9)	0.3	29%
Public Works	1.5	2.0	2.3	2.8	1.7	1.2	2.3	(0.7)	(0.0)	0%
Juvenile Probation	0.9	1.4	1.5	1.6	0.8	0.9	1.8	(1.0)	0.3	17%
Airport Commission	2.2	2.5	3.0	3.9	2.9	1.3	2.7	0.2	(0.3)	-8%
Elections	0.4	0.3	0.2	0.2	0.6	0.1	0.3	0.3	0.1	46%
Emergency Management	1.2	1.1	1.6	2.6	2.2	1.5	3.0	(0.8)	1.4	54%
All Other Departments	2.9	4.0	3.9	4.2	2.55	2.12	4.24	(1.7)	0.4	9%
Total	\$ 154.1	\$ 163.8	\$ 172.9	\$ 184.9	\$ 146.2	\$ 96.9	\$ 193.8	\$ (47.6)	\$ 20.9	11%
Top 5 % of Total	88.4%	87.6%	85.9%	84.8%	88.5%	86.2%	86.2%			
Change from Prior Year Actual	\$ 12.0	\$ 9.7	\$ 9.1	\$ 12.0	\$ (26.7)		\$ 8.9			
Total Gross Salaries (Cash Compensation)	\$ 2,634.5	\$ 2,802.2	\$ 2,869.6	\$ 2,828.0	\$ 3,192.1	\$ 1,473.1	\$ 2,946.14			
Overtime as a % of Total Gross Salaries	5.8%	5.8%	6.0%	6.5%	4.6%	6.6%	6.6%			

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