

City and County of San Francisco

Office of the Controller

FY 2009-10 Nine-Month Budget Status Report



May 7, 2010



City and County of San Francisco

Office of the Controller

FY 2009-10 Nine-Month Budget Status Report

May 7, 2010

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 March 31, 2010. This report updates the projections provided in the Controller's FY 2009-10 Six-Month Budget Status Report (Six-Month Report), published February 9, 2010.

As shown in Table 1, this report projects an ending General Fund balance of \$49.7 million.

This report takes into account the mid-year budget balancing actions by the Mayor and the Board to maintain expenditures in line with declining revenues. The report also acknowledges additional savings achieved by Departments in the current year that are intended to create fund balance to support the upcoming FY 2010-11 budget.

Summary of General Fund Budget

The Controller's Office projects an available General Fund balance of \$49.7 million at the end of FY 2009-10, as summarized below.

Table 1. FY 2009-10 Projected General Fund Ending Balance (\$ Millions)

A. Starting Balance	6-Month	9-Month	Change
Better than anticipated starting balance	\$ 0.9	\$ 0.9	\$ -
Budgeted General Fund reserve	25.0	25.0	-
	<u>25.9</u>	<u>25.9</u>	<u>-</u>
B. Citywide Revenues and Baselines			
Citywide Revenues	(37.1)	(34.7)	2.4
Change to Baseline Revenue Transfers	1.9	(0.5)	(2.4)
	<u>(35.2)</u>	<u>(35.1)</u>	<u>0.1</u>
C. Departmental Operations			
Mid-year balancing plan expenditure savings	35.7	35.7	-
Updated Departmental Operations Savings / (Shortfall)	4.7	29.4	24.7
	<u>40.4</u>	<u>65.1</u>	<u>24.7</u>
D. Use of General Fund Reserve	(1.4)	(6.1)	(4.7)
E. Ending Balance	<u>\$ 29.6</u>	<u>\$ 49.7</u>	<u>\$ 20.1</u>

A. General Fund Starting Balance

The General Fund available fund balance at the end of FY 2008-09 was \$95.4 million. The FY 2009-10 budget assumed and appropriated \$94.5 million of this balance, leaving a surplus of \$0.9 million available for use in the current fiscal year. Combined with a budgeted General Fund Reserve of \$25.0 million in the adopted budget, the starting balance available for appropriation in FY 2009-10 was \$25.9 million.

B. Citywide Revenues and Baseline Transfers

As shown in Table 2, Citywide revenues net of balancing plan adjustments and baseline transfers have improved by \$2.4 million since the Six-Month Report, primarily due to an improved outlook for supplemental property tax collections from prior year property transactions and property transfer tax receipts, partially offset by a reduced projection for hotel and payroll taxes. More information on these revenue trends are provided in Appendix 1.

Table 2. General Fund Citywide Revenues Variances to Budget (\$ Millions)*note: includes SF General Hospital fund sales tax/VLF realignment revenue variances*

	6-Month	9-Month	Change
Property Tax	(33.1)	(8.1)	25.0
Payroll Tax	(18.2)	(33.5)	(15.3)
Sales Tax - Local 1% and Public Safety	(5.2)	(5.2)	-
Health & Welfare Sales Tax/VLF Realignment	(15.9)	(15.9)	-
Hotel Room Tax	30.3	18.1	(12.1)
Property Transfer Tax	13.5	22.3	8.8
Other General Fund Revenues	(8.4)	(12.3)	(3.9)
Subtotal General Fund Revenues	(37.1)	(34.7)	2.4

Table 3 shows that as a result of the improvement in discretionary revenues, projections for baseline and parking tax in-lieu transfers to the Municipal Transportation Agency (MTA), Public Library and Public Education Enrichment Fund are increased by a net \$2.4 million compared to the Six-Month Report, which is \$0.5 million greater than budget.

Table 3. General Fund Baseline Transfers Variances to Budget (\$ Millions)*Note: negative variances denotes general fund costs due to increased transfer requirements. This will appear as a surplus to the recipient of the transfer*

	6-Month	9-Month	Change
Change in GF baseline transfer to MTA	1.3	(0.1)	(1.4)
Change in Parking Tax In Lieu Transfer to MTA	0.2	(0.3)	(0.5)
Change in GF baseline transfer to Library	0.3	(0.0)	(0.3)
Change in GF baseline transfer to Public Ed Fund	0.2	-	(0.2)
Total	1.9	(0.5)	(2.4)

C. Departmental Operations

Following the Mayor's instructions, departments have sought current year savings in order to build available fund balance to help balance the upcoming FY 2010-11 budget. We project net departmental operations savings of \$29.4 million, a \$24.7 million increase from the Six-Month Report. This is summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2009-10 Departmental Operating Summary

General Fund Differences to Revised Budget (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Net Shortfall Departments			
Elections	\$ (3.1)	\$ (1.4)	\$ (4.5)
Fire Department	(3.2)	-	(3.2)
City Attorney	0.9	(1.8)	(0.9)
Juvenile Probation	(0.8)	-	(0.8)
Sheriff	(0.0)	(0.7)	(0.8)
City Administrator	(0.1)	(0.1)	(0.2)
Subtotal Departments with Net Deficits	\$ (6.3)	\$ (4.0)	\$ (10.4)
Net Surplus Departments			
Human Services	\$ (4.0)	\$ 28.7	\$ 24.6
Public Health (including SFGH and Laguna Honda General Fund subsidies)	(2.1)	8.1	5.9
General City Responsibility	4.0	1.5	5.4
Emergency Management	(0.1)	1.9	1.8
Controller	-	0.7	0.7
All Other Departments	(4.7)	6.0	1.3
Subtotal Departments with Net Surpluses	\$ (7.0)	\$ 46.8	\$ 39.8
Combined Total	(13.4)	42.8	29.4

These projections assume that a pending supplemental appropriation for the Department of Public Health and a supplemental appropriation for Sheriff will be approved to cover anticipated expenditure shortfalls. For all other departmental shortfalls, the Mayor's Office and the Controller's Office will continue to work with departments to develop a plan to bring expenditures in line with revenues by year-end without requiring supplemental appropriations.

D. Reserves

General Reserve: To date, \$6.1 million has been appropriated through supplemental appropriations from the budgeted \$25.0 million General Reserve leaving a remaining balance of \$18.9 million. The following table details the \$6.1 million use of the General Reserve:

Beginning General Reserve Balance	\$	25.0
Deposits / (Withdrawals)		
Emergency Aid Relief Supplemental		(0.2)
State Budget Supplemental		0.2
Mid-Year balancing Plan Supplemental		(1.4)
Indigent Defense Supplemental		(3.3)
Public Defender Supplemental		(1.2)
Community Center Project Supplemental		(0.2)
		<u>(6.1)</u>
Ending General Reserve Balance	\$	18.9

Although the assumed Sheriff supplemental appropriation of \$0.7 million is projected to draw from the General Reserve, this shortfall is reflected in Sheriff’s departmental shortfall. As such, this report projects that the remaining \$18.9 million appropriation may close to fund balance at the end of the fiscal year.

Budget Savings Incentive Reserve: This projection assumes that deposits into the Citywide Budget Savings Incentive Reserve (authorized by Administrative Code Section 10.20) will be suspended for FY 2009-10. The Administrative Code states that the Controller may suspend the carryforward of Citywide Budget Savings Incentive Reserve balances in years when the Controller determines that the City’s financial condition cannot support deposits into the fund. Based on the FY 2010-11 \$482.7 million deficit projected in the Three-Year Budget Projection for General Fund Supported Operations, the Controller has determined that deposits to the Budget Savings Incentive Reserve will be suspended for FY 2009-10.

Recreation & Parks Savings Incentive Reserve: Charter Section 16.107 requires that overall Recreation & Park Department expenditure savings be retained by the Department to be dedicated to one-time expenditures. At the beginning of the fiscal year, there was a \$6.6 million balance in this reserve. The FY 2009-10 budget included the withdrawal of \$5.6 million leaving a balance of \$1.0 million. The Department projects to end the year with a \$0.2 million surplus in the General Fund which will be deposited into this reserve. This will result in a projected year-end balance of \$1.2 million, a \$0.2 million increase compared to the Six-Month Report projection.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$98.3 million. As prescribed in the FY 2009-10 budget, \$49.2 million was withdrawn from the Reserve into the General Fund and another \$24.6 million was allocated to the San Francisco Unified School District to offset the impact of declining State aid, resulting in a current balance of \$24.6 million.

Salary and Benefits Reserve: Administrative Provisions Section 10.3 of the FY 2009-10 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 salaries

and related fringe benefits for collective bargaining agreements adopted by the Board of Supervisors. The Salary and Benefits Reserve (also known as the Memorandum of Understanding, or MOU, Reserve, had a FY 2009-10 starting balance of \$14.0 million. As of April 30, 2010, the Controller's Office anticipates transfers of \$12.1 million to individual City departments as detailed in Appendix 3, which also outlines the projected need for the remaining \$2.0 million reserve. No surplus balance is projected at this time.

E. Ending Available General Fund Balance = \$49.7 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2009-10 of \$49.7 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. Enterprise funds are used for primarily self-supporting agencies, including the Airport, Municipal Transportation Agency, Public Utilities Commission and the Port. Appendix 4 provides a table of selected special revenue and enterprise fund balance projections and a discussion of significant issues associated with their operations. Of particular note is that the three funds that receive property tax set-asides (Children's Fund, Library Fund and Open Space Fund) show substantially reduced current year revenue shortfalls compared to the Six-Month Report, due to increased supplemental property tax collections from prior year transactions.

G. Projection Uncertainty Remains

Projection uncertainties include the potential for continued fluctuations in tax revenues in the final months of the fiscal year as well as property tax appeal decisions that may require us to revise our assumptions regarding set-asides for future refunds.

H. Scheduled Year-end General Fund Balance Update: Revenue Letter

The Controller's Office will update the year-end General Fund balance projection in the Discussion of the Mayor's FY 2010-11 Proposed Budget (also known as the "Revenue Letter"), scheduled to be published in mid-June 2010.

I. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Salaries and Benefits Reserve Update
4. Other Funds Highlights

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund citywide and departmental revenues, including San Francisco General Hospital Sales Tax and Vehicle License Fee Realignment revenues are projected to be \$48 million under budget as revised by the mid-year balancing plan and subsequent actions. Of this total, \$13.4 million relates to departmental operations discussed in Appendix 2. The remaining \$34.7 million variance is discussed in this Appendix.

The FY 2009-10 budget assumed a slowing rate of economic decline in the first half of the fiscal year and the beginning of a modest recovery with slow rates of growth in the second half of the year. Tax revenues projected to recover beyond budgeted levels include real property transfer and hotel room taxes, and projected property tax revenues are just below budget. These gains are offset by shortfalls in key sources including payroll tax, local sales tax, access line tax, and state sales tax and vehicle license fee disbursements. Selected revenue streams are discussed below.

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

GENERAL FUND (\$ Millions)	FY 2008-09	FY 2009-10		9-Month Projection	Surplus / (Shortfall)
	Year End Actual	Original Budget	Revised Budget		
PROPERTY TAXES	\$ 1,021.3	\$ 1,058.1	\$ 1,058.1	\$ 1,050.0	\$ (8.1)
BUSINESS TAXES					
Business Registration Tax	8.7	8.6	8.6	7.6	(1.0)
Payroll Tax	378.7	363.2	363.2	329.7	(33.5)
Total Business Taxes	387.3	371.8	371.8	337.3	(34.5)
OTHER LOCAL TAXES					
Sales Tax	101.7	98.2	98.2	95.4	(2.9)
Hotel Room Tax	161.7	117.5	116.5	134.6	18.1
Utility Users Tax	89.8	87.0	87.0	92.5	5.5
Parking Tax	64.5	64.1	64.1	64.5	0.4
Real Property Transfer Tax	49.0	45.3	45.3	67.6	22.3
Stadium Admission Tax	2.2	2.2	2.2	2.3	0.1
Access Line Tax	10.4	42.9	42.9	37.3	(5.6)
Total Other Local Taxes	479.2	457.2	456.1	494.2	38.0
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	8.7	8.8	8.8	8.8	0.0
Franchise Tax	16.1	16.3	16.3	14.6	(1.7)
Total Licenses, Permits & Franchises	24.8	25.1	25.1	23.5	(1.7)
FINES, FORFEITURES & PENALTIES	5.6	3.8	11.1	15.3	4.3
INTEREST & INVESTMENT INCOME	14.7	11.6	11.6	8.9	(2.7)
RENTS & CONCESSIONS					
Garages - Rec/Park	9.0	8.3	8.3	7.8	(0.5)
Rents and Concessions - Rec/Park	7.7	8.5	8.8	8.7	(0.1)
Other Rents and Concessions	1.8	2.6	2.8	2.8	-
Total Rents and Concessions	18.5	19.4	19.9	19.3	(0.6)
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	175.4	200.6	200.2	200.2	-
Other Grants & Subventions	7.5	35.0	35.9	36.1	0.2
Total Federal Subventions	182.9	235.6	236.1	236.3	0.2
State Government					
Social Service Subventions	133.5	128.0	128.0	128.0	-
Health & Welfare Realignment - Sales Tax	101.9	100.6	100.6	92.7	(7.8)
Health & Welfare Realignment - VLF	45.6	46.7	46.7	42.9	(3.9)
Health/Mental Health Subventions	85.7	96.7	93.2	93.2	-
Public Safety Sales Tax	63.7	65.1	65.1	62.7	(2.3)
Motor Vehicle In-Lieu	2.7	1.4	1.4	1.4	-
Other Grants & Subventions	41.9	20.0	19.7	11.8	(7.9)
State Budget Reduction Placeholder	-	(18.0)	-	-	-
Total State Subventions	475.0	440.5	454.7	432.8	(22.0)
CHARGES FOR SERVICES:					
General Government Service Charges	29.3	33.9	33.9	31.4	(2.5)
Public Safety Service Charges	23.9	26.2	26.2	21.5	(4.7)
Recreation Charges - Rec/Park	8.8	9.6	9.8	10.2	0.5
MediCal, MediCare & Health Service Charges	50.5	54.1	54.2	52.6	(1.6)
Other Service Charges	10.0	15.1	15.1	15.0	(0.1)
Total Charges for Services	122.6	138.8	139.2	130.7	(8.4)
RECOVERY OF GEN. GOV'T. COSTS	13.3	8.2	8.2	7.4	(0.8)
OTHER REVENUES	7.7	22.7	23.9	18.3	(5.5)
TOTAL REVENUES	2,752.9	2,792.8	2,815.8	2,774.0	(41.8)
TRANSFERS INTO GENERAL FUND:					
Airport	26.8	26.2	26.9	27.4	0.4
Other Transfers	105.5	59.3	61.4	59.0	(2.4)
Total Transfers-In	132.3	85.6	88.3	86.4	(2.0)
TOTAL GENERAL FUND RESOURCES	2,885.2	2,878.4	2,904.1	2,860.4	(43.8)
SF General Hospital Sales Tax Realignment	16.2	16.1	16.1	14.7	(1.4)
SF General Hospital VLF Realignment	36.6	37.3	37.3	34.4	(2.9)
TOTAL INCLUDING SFGH REALIGNMENT	\$ 2,938	\$ 2,932	\$ 2,958	\$ 2,909	\$ (48.0)

Property Tax. General Fund property tax revenues are projected to be \$8.1 million under the original budget, representing a \$25.0 million improvement over the Six-Month Report projection. The improved outlook is due to increased staffing at the Assessor’s office and Tax Collector’s office that has allowed those offices to speed up the pace of working through the backlog of prior year supplemental and escape assessments and collection of delinquent accounts. The projection continues to allow for the maintenance of reserves to support potential refunds that may result from pending property tax appeals. The improved property tax outlook has also reduced shortfalls in the special revenue funds receiving property tax set-asides—the Children’s Fund (\$0.9 million improvement from the Six-Month Report Projection), Library Preservation Fund (\$0.7 million improvement) and Open Space fund (\$0.7 million improvement). The improved special fund revenues are reflected in the Other Funds highlights provided in Appendix 4.

Business Tax revenues are projected to be \$34.5 million under budget, a \$15.3 million reduction from the Six-Month Report projection. Year to date business registration tax collections are projected to be twelve percent below prior year collections due to reductions in the number of firms paying the tax and the amounts paid. Payroll taxes are projected to be 12.2% below FY 2008-09 given tax year 2009 returns data indicating a 12.2% drop in payroll tax due. Tax year 2010 prepayments made during the current fiscal year are calculated from each firm’s 2009 tax liability, and we assume no significant prepayment reductions. Delinquent business registration and payroll tax collections are projected to be down \$4.0 million given year to date collections, and tax refunds are projected to increase \$1.8 million, resulting in a 12.9% decline in total business tax revenue from FY 2008-09.

Local Sales Tax revenues are projected to be \$2.9 million under budget, or 6.2% under prior year actuals. This is unchanged from the Six-Month Report projection. Cash collections for the first and second quarters of FY 2009-10 were down 17.7% and 6.1% from the same quarters prior year, respectively. In the second quarter, losses in general retail, restaurants, construction and business-to-business sales were somewhat offset by increases in revenue from higher gasoline prices. We project very modest annual increases of 1.0% in the third quarter and 2.2% in the fourth quarter of the current year, which represent no growth in quarter over quarter seasonally adjusted figures.

Sales Tax Revenue, Local 1% Portion – Including ‘Triple Flip’ (\$ Millions)

Fiscal Year	Direct Allocation	Triple Flip Shifts	Total GF Revenue	Annual Growth	
				\$ Change	% Change
FY 2000-01	\$ 138.3		\$ 138.3	\$ 4.9	3.7%
FY 2001-02	116.8		116.8	(21.5)	(15.5%)
FY 2002-03	115.6		115.6	(1.2)	(1.1%)
FY 2003-04	120.6		120.6	5.1	4.4%
FY 2004-05	94.7	\$ 23.6	118.3	(2.4)	(2.0%)
FY 2005-06	103.1	33.8	136.8	18.6	15.7%
FY 2006-07	107.8	35.6	143.5	6.6	4.8%
Prior Peak FY 2007-08	111.4	37.3	148.7	5.3	3.7%
FY 2008-09	101.7	35.8	137.4	(11.3)	(7.6%)
Budget FY 2009-10	98.2	38.2	136.4	(1.0)	(0.7%)
9-Month Est. FY 2009-10	95.4	33.5	128.9	(8.6)	(6.2%)

Hotel Room Tax revenues are projected to be \$18.1 million over budget in the General Fund, \$12.1 million less than projected in the Six-Month Report. Year over year declines in occupancy rates in the first half of the fiscal year have moderated and begun to recover, and declines in average daily room rates (ADR) have finally begun to slow after double-digit losses early in the year. We project RevPAR (revenue per available room, or the combined effect of occupancy, ADR and room supply) to increase approximately 5% over prior year in March and April and approximately 15% over prior year in May and June. After adjusting for seasonality, these increases translate to month over month increases of 2% through year-end. 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 the outcome of this suit.

Hotel Occupancy Rates

MONTH	FY 2007-08	FY 2008-09	FY 2009-10	Change - Value	Change - %
July	84.9%	88.8%	84.2%	-4.6%	-5%
August	87.1%	91.8%	87.5%	-4.3%	-5%
September	86.9%	86.6%	87.2%	0.6%	1%
October	86.4%	82.4%	87.5%	5.1%	6%
November	76.0%	68.5%	70.1%	1.6%	2%
December	64.0%	66.8%	64.8%	-2.0%	-3%
January	64.5%	61.0%	61.4%	0.4%	1%
February	73.9%	59.1%	69.8%	10.7%	18%
March	76.5%	68.3%	76.8%	8.5%	12%
April	77.4%	74.1%			
May	79.8%	73.9%			
June	85.6%	81.2%			
AVG. OCC. RATE - ANNUAL (YTD)	78.6%	75.2%	76.6%		
% Rate Chg from PY	1.7%	-3.4%	1.4%		
% Change from PY	2.2%	-4.3%	1.8%		

Average Daily Room Rates (ADRs)

MONTH	FY 2007-08	FY 2008-09	FY 2009-10	Change - Value	Change - %
July	\$ 183.85	\$ 188.17	\$ 152.84	\$ (35.33)	-19%
August	\$ 185.94	\$ 181.69	\$ 148.60	\$ (33.09)	-18%
September	\$ 200.86	\$ 206.06	\$ 172.74	\$ (33.32)	-16%
October	\$ 213.31	\$ 208.04	\$ 198.42	\$ (9.62)	-5%
November	\$ 192.62	\$ 178.61	\$ 155.02	\$ (23.59)	-13%
December	\$ 156.01	\$ 167.17	\$ 132.81	\$ (34.36)	-21%
January	\$ 182.11	\$ 167.20	\$ 151.47	\$ (15.73)	-9%
February	\$ 192.56	\$ 154.23	\$ 146.54	\$ (7.69)	-5%
March	\$ 184.00	\$ 160.35	\$ 149.41	\$ (10.94)	-7%
April	\$ 179.77	\$ 154.56			
May	\$ 183.13	\$ 152.73			
June	\$ 197.04	\$ 145.54			
AVERAGE ADR - ANNUAL (YTD)	\$ 187.60	\$ 172.03	\$ 156.43		
\$ Change from PY	\$ 12.09	\$ (15.57)	\$ (15.60)		
% Change from PY	6.9%	-8.3%	-9.1%		

NOTE: Actuals based on a PKF industry sample representing 70-80% of all rooms and revenue.

Real Property Transfer Tax revenues are projected to be \$22.3 million over budget, or 38% above prior year levels and an \$8.8 million improvement from the Six-Month Report projection. Current year revenues are largely driven by the recovery of commercial sales activity. As illustrated in the table below, total taxes paid through March were approximately 47% above prior year levels, with the largest increase in the top 1.5% tax tier. Proposition N, passed by the voters in November 2008, increased the property transfer tax rate on transactions valued at over \$5 million from 0.75% to 1.5%. Sixty-five transactions in this tax bracket occurred through March, generating \$13.5 million in tax revenue, indicating a return to more typical levels of commercial transactions from the near complete halt of activity in early 2009. Total transactions through March increased 83% from the prior year, with strong gains at all tax rates except the \$1 million to \$5 million range.

Real Property Transfer Tax Revenue (\$ millions)*									
Tax Rate	@ 0.50%		@ 0.68%		@ 0.75%		@ 1.5%		Total
Fiscal Year	<\$250K		>\$250K		>\$1 M		>\$5 M		Revenue
FY 2004-05	\$	0.6	\$	37.2	\$	78.9		N/A	\$ 116.8
FY 2005-06		0.5		31.4		98.3		N/A	131.3
FY 2006-07		0.4		29.3		114.3		N/A	144.0
FY 2007-08		0.5		24.7		61.0		N/A	86.2
FY 2008-09		0.8		19.8		27.1		1.3	48.9
Through March									
FY 2008-09 YTD	\$	0.3	\$	14.4	\$	19.7	\$	0.7	\$ 35.2
FY 2009-10 YTD		1.5		17.8		18.8		13.5	51.6
Change		335%		23%		-4%		1780%	47%

*Amounts to be adjusted for timing differences between Recorder's System and revenue recognition requirements at year end.

Transaction Count									
Tax Rate	@ 0.50%		@ 0.68%		@ 0.75%		@ 1.5%		Total
Fiscal Year	<\$250K		>\$250K		>\$1 M		>\$5 M		Total
FY 2004-05		1,176		8,699		3,056		N/A	12,931
FY 2005-06		931		7,400		3,355		N/A	11,686
FY 2006-07		800		7,225		3,003		N/A	11,028
FY 2007-08		810		6,498		2,951		N/A	10,259
FY 2008-09		1,611		5,332		1,627		11	8,581
Through March									
FY 2008-09 YTD		578		3,878		1,219		5	5,680
FY 2009-10 YTD		4,354		4,710		1,254		65	10,383
Change		653%		21%		3%		1200%	83%

Utility Users Tax revenues are projected to be \$5.5 million better than budget, or 3.0% over prior year actuals, an improvement of \$3.1 million over the Six-Month Report projection. Changes are driven by a 10% increase in telephone user tax revenues and a 6% increase in water user tax revenues, offset by a 4.5% decline in gas and electric user tax revenues. Gas and electric user taxes are applied only to commercial consumption, which has declined due to falling natural gas prices and reduced office consumption. The increase in water users tax revenue is due to the net effect of a 15% rate increase effective July 1, 2009 and decreased

commercial consumption. The increase in telephone user tax revenue is largely due to the effect of Proposition 0, passed in November 2008, which clarified that the tax base includes fees and bundled services. While many individual and business users continue to eliminate traditional wire lines, many are moving to smart phones with data plans with base monthly charges that can be nearly double those of standard cell phones.

Access Line Tax revenues are projected to be \$5.6 million under budget, or approximately 10% below prior year levels and \$2.1 million less than projected in the Six-Month Report. The same trends that are increasing telephone user tax revenue are affecting this source. Both businesses and households continue to eliminate wire lines, and it is likely they are eliminating some wireless lines as well. In the first half of FY 2009-10, the percent of wireless only households increased 21% over FY 2008-09 on an annualized basis (after annual increases of 40% in FY 2006-07 and 26% in FY 2007-08). Because the access line tax is assessed on a per-line basis, it has declined with these cuts in the total number of lines.

Interest & Investment Income is projected to be \$2.7 million under budget, or 40% below prior year actuals and no change from the Six-Month Report projection. The budget assumed a 25% decline in average monthly interest rates, to 1.9%, due to the historically low federal funds rate, however, year to date rates through March have been down 25% and are projected to end the year 32% below prior year, and cash balances are projected to be slightly lower as well.

Health & Welfare Realignment revenues in the General Fund are projected to be under budget by a total of \$11.7 million. This is unchanged from the Six-Month Report. Current year trends in the sales tax portion of realignment revenues, which are based on statewide sales tax receipts, show the City 9.1% below prior year actual revenues, and year to date vehicle license fee (VLF) revenues are 4.1% below prior year. We currently project these trends to continue through year-end. The portion of a vehicle's value that is subject to the fee ranges from 100% for new vehicles to 15% for vehicles 11 years or older, thus the value of new car sales is the most important variable in determining VLF revenue.

Public Safety Sales Tax revenues are projected to be \$2.3 million under budget, or 1.5% below prior year actuals and unchanged from the Six-Month Report. The shortfall is due to an estimated 8% decline in the statewide sales tax base for this subvention largely offset by a 7.1% increase in San Francisco's share of taxable sales.

Appendix 2. General Fund Department Budget Projections

Table A2-1. General Fund Supported Operations

GENERAL FUND (\$ millions)	Uses Revised Budget	9-Month Uses Projected Year-End	9-Month Uses Savings / (Deficit)	9-Month Revenue Surplus / (Shortfall)	9-Month Net Surplus / (Deficit)	9-Month Net Sources and Uses Variance from 6 month	Notes
PUBLIC PROTECTION							
Adult Probation	11.9	11.7	0.3	-	0.3	0.3	1
Superior Court	34.4	34.4	-	-	-	3.3	
District Attorney	32.7	32.7	-	0.3	0.3	0.3	2
Emergency Management	45.5	43.6	1.9	(0.1)	1.8	1.8	3
Fire Department	256.7	256.7	-	(3.2)	(3.2)	(1.4)	4
Juvenile Probation	33.5	33.5	-	(0.8)	(0.8)	-	5
Public Defender	24.6	24.5	0.1	-	0.1	1.9	
Police	389.7	389.7	-	0.3	0.3	0.3	6
Sheriff	145.3	146.0	(0.7)	(0.0)	(0.8)	0.7	7
PUBLIC WORKS, TRANSPORTATION & COMMERCE							
Public Works	49.6	45.9	3.7	(3.8)	(0.0)	(0.0)	
Economic & Workforce Development	12.7	12.7	-	-	-	-	
Board of Appeals	0.8	0.8	0.1	(0.1)	0.0	0.0	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT							
Children, Youth & Their Families	26.3	26.3	-	-	-	-	
Human Services	639.5	610.8	28.7	(4.0)	24.6	5.9	8
Environment	3.2	3.2	0.1	-	0.1	0.1	
Human Rights Commission	0.7	0.7	-	-	-	-	
County Education Office	0.1	0.1	-	-	-	-	
Status of Women	3.3	3.3	-	-	-	-	
COMMUNITY HEALTH							
Public Health	521.6	523.3	(1.7)	(2.1)	(3.8)	(0.9)	9
Subsidy Transfer to SF General Hospital Fund	124.2	109.4	14.8	-	14.8	3.5	9
Subsidy Transfer to Laguna Honda Hospital Fund	39.8	44.9	(5.1)	-	(5.1)	2.0	9
CULTURE & RECREATION							
Asian Art Museum	6.6	6.6	-	-	-	-	
Arts Commission	9.5	9.5	-	-	-	-	
Fine Arts Museum	10.8	10.9	(0.0)	-	(0.0)	(0.0)	
Law Library	0.7	0.7	-	-	-	-	
Recreation and Parks	71.2	71.0	0.2	(0.1)	0.1	0.9	10
Academy of Sciences	4.2	4.2	-	-	-	-	
GENERAL ADMINISTRATION & FINANCE							
City Administrator	54.8	54.9	(0.1)	(0.1)	(0.2)	(0.2)	11
Assessor / Recorder	15.9	15.9	-	-	-	-	
Board of Supervisors	11.8	11.8	-	-	-	-	
City Attorney	8.1	9.8	(1.8)	0.9	(0.9)	(0.9)	12
Controller	27.8	27.1	0.7	-	0.7	0.4	13
City Planning	23.5	22.6	0.9	(0.9)	-	-	
Civil Service Commission	0.5	0.5	-	-	-	-	
Ethics Commission	6.2	6.2	-	0.1	0.1	0.1	
Human Resources	15.5	15.4	0.1	-	0.1	0.1	
Health Service System	0.3	0.3	-	-	-	-	
Mayor	15.9	15.9	-	-	-	-	
Elections	12.2	13.6	(1.4)	(3.1)	(4.5)	0.1	14
Retirement System	1.6	1.6	-	-	-	-	
Technology	5.2	5.2	-	-	-	-	
Treasurer/Tax Collector	23.6	23.0	0.6	(0.6)	(0.0)	(0.0)	
GENERAL CITY RESPONSIBILITIES	143.5	142.1	1.5	4.0	5.4	6.5	15
TOTAL GENERAL FUND	2,865.6	2,822.8	42.8	(13.4)	29.4	24.7	

Notes to General Fund Department Budget Projection

The following notes provide explanations for the projected variances for each departments' projected actual revenues and expenditures compared to the revised budget, which accounts for the mid-year budget balancing actions by the Mayor and the Board to maintain expenditures in line with declining revenues.

1. Adult Probation

The Adult Probation Department projects a \$0.3 million savings in salaries and fringe benefits.

2. District Attorney

The District Attorney projects to end the fiscal year with a net \$0.3 million surplus. The projected \$0.3 million revenue surplus includes \$0.3 million in consumer settlement and other revenues and \$0.2 million in grant budgets obtained to secure departmental overhead costs, offset by a \$0.2 million shortfall in bad check diversion fees and community court fees.

3. Emergency Management

The Department of Emergency Management projects to end the fiscal year with a net surplus of \$1.8 million. The Department projects a revenue shortfall of \$0.1 million, primarily in emergency medical technician certification fee revenues. The Department projects expenditure savings of \$1.9 million consisting of \$1.1 million in salaries and fringe benefits and \$0.8 million in debt service savings.

4. Fire Department

The Fire Department projects to end the fiscal year with a net \$3.2 million shortfall. This is due to a \$2.4 million projected shortfall in fire prevention fees and other revenues, a \$0.7 million revenue shortfall for the sale of the 909 Tennessee Fire House, and a \$2.8 million projected shortfall in recoveries for fire and medical services, offset by \$2.8 million in savings in uniform salaries and fringe benefits.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net deficit of \$0.8 million due to a revenue shortfall in State vehicle license fee collections passed through to counties.

6. Police Department

The Police Department projects to end the fiscal year with a net surplus of \$0.3 million due to a revenue surplus in third party reimbursement of police services, other public safety charges, and Alarm Fee revenues.

7. Sheriff

The Sheriff projects to end the fiscal year with a net \$0.7 million shortfall. The projected \$1.1 million expenditure deficit includes \$0.8 million in salaries (of which \$0.6 million is due to under-recoveries for security provided to the Superior Courts) and \$0.3 in workers' compensation payments. This expenditure shortfall is projected to be partially offset by \$0.4 million in contract savings. The Sheriff plans to submit a \$0.7 million supplemental to cover the expenditure deficit.

8. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$24.6 million surplus. The Department projects expenditure savings of \$28.7 million, consisting primarily of:

- \$11.0 million of savings in Family and Children Services programs due to an updated projection of the impact of deleted caseworker positions based on FY 2009-10 time studies in Child Welfare Services and a shift in time study to Food Stamps Employment and Training in the County Adult Assistance Program.
- \$13.4 million of savings representing reduced In-Home Support Services (IHSS) worker county share of wages due to litigation staying the State from their budgeted reduction in State support for those wages. This litigation is further discussed below.
- \$4.0 million savings in aid program savings due to a lower than budgeted caseload for Family and Children Services program aid and CalWorks Aid.

The \$4.0 million revenue shortfall projection is due to reduced federal reimbursements for Child Welfare Services as a result of the Department's expenditure savings, and a timestudy shift from Welfare-to-Work services to non-General Fund American Recovery and Reinvestment Act programs. An additional revenue shortfall of \$3.5 million in Health and Welfare Realignment revenue allocated to the Human Services Agency is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection.

In-Home Supportive Services (IHSS) Litigation: In response to legal challenges, a federal court has stayed the State's planned reduction in the level of support provided to counties for IHSS worker wages. As long as the stay remains in effect, or if the State loses its case, the effect will save the Human Services Agency \$13.4 million. If the State were to win a ruling allowing the retroactive imposition of their wage support reduction back to July 1, 2009, that would result in an additional cost to the City of \$13.4 million. Separate litigation related to eligibility changes imposed by the State on IHSS clients could also have a substantial impact on the City's expenditure levels in this program, but the Human Services Agency does not currently have an estimate as to the magnitude of the potential savings or additional costs of alternative outcomes of this litigation.

9. Public Health

The Department of Public Health projects to end the fiscal year with a net surplus of \$5.9 million. This net surplus includes a \$3.8 million deficit for non-hospital operations in the General Fund, a \$14.8 million surplus for San Francisco General Hospital, and a \$5.1 million shortfall for Laguna Honda Hospital.

The Department intends to submit a supplemental appropriation request to use surplus patient revenues from San Francisco General Hospital to cover the projected expenditure shortfalls in all Public Health funds.

Table A2-2 summarizes the Department's projected net surplus:

Table A2-2. Department of Public Health (DPH) FY 2009-10 Projected Surplus / (Deficit)

Fund	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Public Health General Fund	\$ (2.1)	\$ (1.7)	\$ (3.8)
San Francisco General Hospital	29.4	(14.6)	14.8
Laguna Honda Hospital	1.8	(6.8)	(5.1)
Total All Funds	\$ 29.1	\$ (23.1)	\$ 5.9

An additional shortfall of \$12.3 million allocated to the Department of Public Health from Health and Welfare Realignment revenue is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection.

Non-hospital operations in the General Fund

The Department of Public Health projects a \$3.8 million deficit in its non-hospital operations in the General Fund, of which \$2.1 million is for a revenue shortfall and \$1.7 million is for expenditure deficit. The revenue shortfall consists of a projected \$4.0 million shortfall in Mental Health revenues due to a delay in submission of a State Plan Amendment to access federal matching funding for Short-Doyle / Medi-Cal excess costs. The Department projects to receive this revenue during FY 2010-11. This revenue shortfall is offset by a \$1.9 million projected surplus of patient service revenues. The projected expenditure deficit consists of \$1.7 million due to cost overruns in salaries and fringe benefits.

San Francisco General Hospital

The Department of Public Health projects a \$14.8 million surplus for the San Francisco General Hospital. The Department estimates a \$29.4 million revenue surplus due to \$19.0 million of additional anticipated net patient revenue, \$9.1 million of additional Safety Net Care Pool revenue, and \$5.3 million in prior year settlements to Medi-Cal Waiver payments, offset by a projected \$3.9 million shortfall in projected revenue from the Health Care Coverage Initiative that provides funding for the Healthy San Francisco program. The additional net patient revenue and safety net care pool is related to higher census levels than were assumed in the budget. The revenue surplus is offset by a \$14.6 million expenditure deficit consisting of cost overruns of \$8.7 million in salaries and fringe benefits and \$3.8 million in contract costs transferring interns and resident salaries from the Department of Public Health to the University of California. A supplemental appropriation of additional net patient revenue has been introduced and is pending Board of Supervisor approval to cover the projected expenditure deficit.

Laguna Honda Hospital

The Department projects a \$5.1 million deficit for Laguna Honda Hospital, made up of a projected \$4.9 million in salary expenditures over budget and a projected \$1.9 million deficit

in materials and supplies. This expenditure shortfall is slightly offset by a \$1.8 million revenue surplus in Medi-Cal payments related to a recent court order for the State to increase payment rates effective February 25, 2010. A supplemental appropriation of additional net patient revenue has been introduced and is pending Board of Supervisor approval to cover the projected expenditure deficit.

AB 1383/AB188 - Hospital Fee

The State has submitted a State Plan Amendment to the Center for Medicare and Medicaid Services (CMS) and is in negotiation with CMS. If approved by CMS, the Hospital Fee would increase MediCal rates to private hospitals and fund a \$590 million grant to designated public hospitals, including San Francisco General Hospital Medical Center (SFGH). While the outcome of this process is uncertain, it could result in \$30 - 40 million to SFGH for FY 2009-10 as its share of the \$590 million grant. Potential revenues from the fee have not been included in this report's projections since the plan amendment has not yet been approved by the federal government and timing of any receipt of the fees remains uncertain.

10. Recreation and Park

The Recreation and Park Department projects to end the fiscal year with a net \$0.1 million surplus. This includes a net \$0.2 million expenditure surplus, resulting from an over expenditure of \$0.9 million in salaries offset by \$0.5 million in fringe benefit savings and \$0.6 million in project cost savings. The Department also anticipates a \$0.1 million revenue shortfall made up of a projected \$1.2 million shortfall in parking meter revenues and an additional \$0.2 million shortfall in concessions, offset by higher than anticipated special event permits, facilities rentals, program fees, and Coit Tower admission.

11. General Services Agency – City Administrator

The General Services Agency (GSA) – City Administrator projects to end the fiscal year with a net deficit of \$0.2 million. The Department projects a revenue shortfall of \$0.1 million primarily due to a decrease in the Sale of Surplus Property revenues. The Department projects a \$0.1 million expenditure deficit due to a decrease in unallocated recoveries attributed to the 1.9% Committee on Information Technology (COIT) surcharge. This surcharge is tied to all IT purchases within the City and County of San Francisco and because IT equipment purchases have decreased, the recovery has decreased as well.

12. City Attorney

The City Attorney projects a net \$0.9 million shortfall at the end of the fiscal year. The projected \$1.8 million expenditure deficit is due to \$3.7 million in underrecoveries from other departments, offset by \$0.8 million in salary and fringe benefit savings and \$1.1 million of carryforward project savings. The department projects a \$0.9 million revenue surplus from attorney's fees for cases and bond dealings.

13. Controller

The Controller projects to end the fiscal year with expenditure savings of \$0.7 due to \$0.2 million in salary and fringe benefit savings, \$0.3 million in savings for contractual services, and \$0.2 million for City Services Auditor negotiated contract savings.

14. Elections

The Department of Elections projects to end the fiscal year with a net deficit of \$4.5 million. The Department projects a revenue shortfall of \$3.1 million due to the State not reimbursing costs associated with the May 19, 2009 special election. The Department projects a \$1.4 million expenditure deficit due to reductions in work order recoveries.

15. General City Responsibility

The projected \$5.7 million savings in General City Responsibility includes a \$4.0 million revenue surplus and \$1.6 million expenditure savings. The \$4.0 million revenue surplus includes additional funds from the San Bruno Jail settlement revenue beyond those assumed in the Mid-Year Balancing Plan. The \$1.6 million expenditure savings includes:

- \$1.9 million savings from a reduced transfer to the Convention Facilities special revenue fund due to debt service savings,
- \$1.5 million savings from a reduced transfer to the Library Preservation fund to reflect a reduced baseline transfer as detailed in Appendix 4, note 6,
- \$1.2 million in finance corporation debt service savings and project savings,
- \$0.4 million deficit to transfer funds from the General Fund to cover the Department of Public Health Refuse Lien Fund shortfall, and
- \$2.5 million deficit to cover the anticipated shortfall in the Cigarette Litter Abatement special revenue fund (see Appendix 4, note 2).

Appendix 3. Salary and Benefits Reserve Update

Table A3-1. Salary and Benefits Reserve (\$ millions)

SOURCES

Adopted AAO Salary and Benefits Reserve	\$ 13.2
SEIU - Education Fund	0.5
Carryforward FY 2008-09 Salary and Benefits Reserve	0.3
Total Sources	\$ 14.0

USES

Transfers to Departments

Police Wellness, Premium, and Compensatory Time Payouts	\$ 5.2
Fire Wellness, Premium, and Compensatory Time Payouts	3.1
Other Departments Wellness, Premium, and Compensatory Time Payouts	1.7
SEIU "As-Needed" Temporary Healthcare (DHR)	1.0
Various Departments - Tuition Reimbursement	0.7
Various Depts - Local 21 Life Insurance	0.2
Visual Display Terminal Insurance - Quarters 1-3	0.1
Public Health Wellness, Premium, and Compensatory Time Payouts	0.1
Total Transfers to Departments	\$ 12.1

Remaining Allocations

Other Departments Wellness, Premium, and Compensatory Time Payouts	\$ 1.4
Training and Tuition Reimbursement (Fire Fighters, SEIU employees, Various)	0.3
Police Officers Association Recruitment Committee	0.3
Visual Display Terminal Insurance - FY 2009-10 Quarters 3 - 4	0.0
Total Remaining Allocations	\$ 2.0

Total Uses	\$ 14.0
-------------------	----------------

Net Surplus / (Shortfall)	\$ -
----------------------------------	-------------

Appendix 4. Other Funds Highlights

Table 4-1 Other Fund Highlights

	Prior Year			FY 2009-10				
	FY 2008-09 Year-End Available Fund Balance	Fund Balance Used in FY 09-10 Budget	Starting Available Fund Balance	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Operating Surplus / (Deficit)	Estimated Year-end Fund Balance	Note
<u>SELECT SPECIAL REVENUE FUNDS</u>								
Building Inspection Operating Fund	\$1.7	\$1.2	\$0.5	\$0.7	\$0.3	\$1.0	\$1.5	1
Cigarette Litter Abatement Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	2
Children's Fund	\$0.0	\$0.7	\$0.0	(\$0.7)	\$0.7	\$0.0	\$0.0	3
Convention Facilities Fund	(\$0.3)	\$0.0	(\$0.3)	(\$0.4)	\$0.7	\$0.3	(\$0.0)	4
Golf Fund	(\$0.6)	\$0.0	(\$0.1)	(\$0.5)	\$0.5	\$0.0	(\$0.1)	5
Library Preservation Fund	\$14.1	\$1.3	\$12.7	(\$1.6)	\$2.7	\$1.2	\$13.9	6
Open Space Fund	\$5.4	\$5.4	\$0.0	(\$0.6)	\$0.8	\$0.3	\$0.3	7
War Memorial Fund	\$2.4	\$1.4	\$1.0	\$0.0	\$0.5	\$0.5	\$1.5	8
<u>SELECT ENTERPRISE FUNDS</u>								
Airport Operating Fund	\$86.4	\$68.8	\$17.5	\$28.2	\$13.4	\$41.6	\$59.1	10
MTA – ALL Funds	\$57.8	\$42.2	\$15.6	(\$31.4)	\$15.8	(\$15.6)	\$0.0	11
Port Operating Fund	\$26.4	\$7.8	\$18.6	\$0.0	\$9.1	\$9.1	\$27.7	12
PUC – Hetch Hetchy Operating Fund	\$102.5	\$29.9	\$72.6	\$10.6	\$16.8	\$27.4	\$100.0	13
PUC – Wastewater Operating Fund	\$23.9	\$0.0	\$23.9	(\$19.7)	\$12.7	(\$7.0)	\$16.9	14
PUC – Water Operating Fund	\$56.6	\$3.5	\$53.1	(\$24.6)	\$4.1	(\$20.5)	\$32.6	15

Select Special Revenue Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$0.5 million in available fund balance after appropriating \$1.2 million in the FY 2009-10 budget. The Department projects an \$0.7 million surplus in operating revenues and \$0.3 million expenditure savings, resulting in a projected fiscal year-end available fund balance of \$1.5 million.

2. Cigarette Litter Abatement Fund

This new fund began with no starting balance and included a \$4.5 million revenue budget for the newly implemented cigarette litter abatement fee, effective September 1, 2009. The first installment of this fee was due from retailers by February 1, 2010. In January 2010, a claim (precursor to a lawsuit) was filed in San Francisco Superior Court contesting the fee. Based on receipts to date, our projection assumes the City will recognize \$2.0 million in fees this fiscal year, resulting in a projected shortfall of \$2.5 million. This report assumes a general fund transfer into the fund of a like amount to support the associated litter abatement expenditures.

3. Children's Fund

The Children's Fund began the fiscal year with an adjusted available fund balance of zero, after adjusting for the \$0.7 million appropriated in the FY 2009-10 budget, and after audit reserves were used to offset the \$0.7 million beginning fund balance shortfall related to prior year projections identified in the Six-Month report. At the time of the Six-Month report, this fund was also anticipated to have a \$1.6 million shortfall in property tax set-aside revenues. Due to the \$0.9 million improvement in supplemental property tax collections allocated to the Fund, the shortfall is now anticipated to be reduced to \$0.7 million. The Department of Children, Youth, and Their Families projects expenditure savings of \$0.7 million to cover the revenue shortfall, leaving the fund with zero projected year-end available fund balance.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with a negative \$0.3 million in available fund balance. The Department projects a revenue shortfall of \$0.4 million, with offsetting expenditure savings of \$0.7 million, resulting in zero projected fiscal year-end available fund balance.

5. Golf Fund

The Golf Fund began the fiscal year with no appropriated fund balance in the budget and a negative \$0.6 million in available fund balance, primarily due to \$0.5 million owed by the Professional Golfers Association (PGA) for the President's Cup, which the department received in FY 2009-10. The Department anticipates a shortfall in other revenues of \$0.5 million due to inclement weather. This shortfall will be offset by reducing expenditures, resulting in a zero projected year-end available fund balance.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$12.7 million in available fund balance. The Department projects expenditure savings of \$2.7 million due to savings in salaries and fringe benefits, books and materials, and debt service. The Department

projects a revenue shortfall of \$0.3 million due to a \$0.6 million decrease in the Property Tax allocation offset by a surplus of \$0.3 million in State grant revenues and charges for library services. Pursuant to San Francisco Charter Section 16.109, the Department would also return the general fund share of expenditure savings, resulting in further reductions to the required baseline contribution of \$1.3 million, for a total revenue shortfall of \$1.6 million. The net result is an operating surplus of \$1.2 million and an expected fiscal year-end available fund balance of \$13.9 million.

7. Open Space Fund

The Open Space Fund began FY 2009-10 with zero available fund balance after \$5.4 million was appropriated in the budget. The Department projects a \$0.6 million shortfall in property tax revenues, more than offset by a \$0.8 million in salary savings, resulting in a projected fiscal year-end available fund balance of \$0.3 million.

8. War Memorial Fund

The War Memorial Fund began the fiscal year with \$1.0 million in available fund balance. The Department projects revenues to be on budget and expenditure savings of \$0.5 million, resulting in a projected fiscal year-end available fund balance of \$1.5 million.

Select Enterprise Funds

9. Airport Operating Fund

The Airport Operating Fund began the fiscal year with \$17.5 million in available fund balance. The Department is projecting a \$28.2 million surplus, consisting of \$9.0 million in revenues and \$19.2 million in fund balance which was budgeted for deferred aviation revenue. The revenue surplus consists of \$7.6 million in parking and concession revenue, \$5.6 million in landing fees, and \$0.6 million in other sales and service revenue, which is partially offset by a shortfall of \$0.4 million in other aviation revenues, \$0.3 million in terminal rentals, and \$4.1 million in interest income. The Department projects to use \$13.7 million of the \$32.8 million budgeted use of fund balance for deferred aviation revenue, which results in \$19.2 million surplus which will be applied to airline rates in future years. The Department is also projecting expenditure savings of \$13.4 million. The expenditure savings consists of \$22.9 million in debt service, \$10.6 million in non-personnel services, \$3.4 million in public safety, \$1.8 million in salaries and fringe benefits, \$1.5 million in services of other departments, \$1.3 million in equipment, and \$0.9 million in materials and supplies. The expenditure savings is partially offset by a projected shortfall of \$0.9 million in light, heat, and power costs, a \$1.1 million higher annual service payment which is due to increases in parking revenues, car rental sales, and Wi-Fi services, and \$27.0 million in other pension benefit liability expenses for the prior two fiscal years that was reserved from revenues and reflected in the Airport's fund balance. The net result is a projected fiscal year-end available fund balance of \$59.1 million.

10. Municipal Transportation Agency (MTA) – All Funds

MTA began the fiscal year with \$15.6 million in available fund balance. The Department projects a net revenue shortfall of \$31.4 million. This consists of a \$14.8 million shortfall in Taxi Medallion revenues, a \$13.4 million shortfall in Parking and Traffic fees and fines, a \$7.0 million shortfall in a one-time San Francisco County Transportation Authority revenue (sales tax allocation from Proposition K), offset by \$0.2 million net increased transfer from the General fund for Parking Tax in-lieu transfer and reduced General Fund baseline

contribution and \$3.6 million surplus in Transit Fare revenues. The Department projects expenditure savings of \$11.7 million, consisting of an \$11.0 million savings in contracts and other services, \$3.4 million savings in equipment and maintenance, and a \$2.0 million savings in salaries and fringe benefits. These expenditure savings are partially offset by \$2.5 million over budget in insurance and payments to other agencies, \$1.7 million over budget in materials and supplies, and \$0.5 million over budget in rent and building costs. This results in a projected net operating deficit of \$19.7 million and an estimated fiscal year-end negative fund balance of \$4.1 million. MTA is projected to defer \$4.1 million in planned maintenance contract spending to the next fiscal year.

Revenue Category	6 month variance	9 month variance	6 vs. 9 month variance
Transit Fares	-	3.6	3.6
Proposition K Sales Tax Allocation	7.0	-	(7.0)
Operating Grants	5.2	-	(5.2)
Parking and Traffic Fees and Fines	(12.0)	(13.4)	(1.4)
Taxi Services	(3.8)	(14.8)	(11.0)
General Fund Transfer	(1.4)	0.2	1.6
All Other Revenues	(7.0)	(7.0)	-
Subtotal Revenues	(12.0)	(31.4)	(19.4)
Expenditure Category			
Salaries and Benefits	4.4	2.0	(2.4)
Contracts and Other Services	-	11.0	11.0
Materials and Supplies	(6.2)	(1.7)	4.5
Equipment and Maintenance	-	3.4	3.4
Rent and Building	-	(0.5)	(0.5)
Insurance and Payments to Other Agencies	(3.1)	(2.5)	0.6
Subtotal Expenditures	(4.9)	11.7	16.6
Net Operating Surplus/(Deficit)	(16.9)	(19.7)	(2.8)
Beginning Fund Balance	15.6	15.6	-
Projected Available Year-End Fund Balance	(1.4)	(4.1)	(2.7)
Deferred Contracts	-	4.1	4.1
Revised Available Year-End Fund Balance	(1.4)	0.0	1.4

11. Port Operating Fund

The Port Operating Fund began the fiscal year with \$18.6 million in available fund balance above the \$7.8 million appropriated in the budget. The Port is projecting to have an operating surplus of \$9.1 million in the current year due to expenditure savings, including debt service resulting from a delay in the issuance of new Port revenue bonds, and better than expected commercial and industrial rents and other revenues. This results in a projected fiscal year-end available fund balance of \$27.7 million.

12. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$72.6 million available fund balance above the \$29.9 million appropriated in the budget. The Department projects a net revenue surplus of \$10.6 million, including a \$6.5 million award in new allocations of Clean Renewable Energy Bonds and increased power usage from Enterprise departments. Expenditure savings are projected to be \$16.8 million, including \$5.9 million in power purchases, \$4.0 million in general reserve contingency, and \$1.5 million due to lower than anticipated California Independent System Operator market transaction prices. This results in a projected net surplus of \$27.4 million and a fiscal year-end available fund balance of \$100.0 million.

13. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$23.9 million in available fund balance. Revenues are projected to be \$19.7 million lower than budget due to lower water consumption, lower cash balances, and declining interest rates. This shortfall is projected to be offset by \$12.7 million in budgeted reserves and savings from completed and closed projects. This results in a projected net shortfall of \$7.0 million and a fiscal year-end available fund balance of \$16.9 million.

14. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with an available fund balance of \$53.1 million above the \$3.5 million appropriated in the budget. Revenues are projected to be under budget by \$24.6 million, due to a reduction in water consumption, lower cash balances, and declining interest rates. Expenditures are expected to be under budget by \$4.1 million due to completed and closed projects, non-personnel savings, and salary savings, offset by higher electricity costs. This results in a projected net shortfall of \$20.5 million and a projected fiscal year-end available fund balance of \$32.6 million.

Staff Contacts

Leo Levenson, Director of Budget & Analysis, Leo.Levenson@sfgov.org

Nadia Feeser, Acting Budget Manager, Nadia.Feeser@sfgov.org

Michelle Allersma, Revenue Manager Michelle.Allersma@sfgov.org

Aimee Fribourg, Budget Analyst, Aimee.Fribourg@sfgov.org

Joe Nurisso, Budget Analyst, Joe.Nurisso@sfgov.org