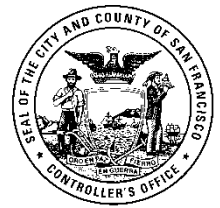


City and County of San Francisco

Office of the Controller

FY 2016-17 Six-Month Budget Status Report



February 10, 2017



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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, 2016, 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 \$299.8 million. This is a \$71.8 million improvement from the current year projections contained in the Five Year Financial Plan and a \$54.4 million improvement versus the subsequent assumptions contained in the Mayor's Office rebalancing plan. The latter plan was published in early December to address the loss of a sales tax increase that was assumed in the adopted budget but was rejected by voters in the November election.
- The Five Year Financial Plan projected shortfalls of \$119.0 million in FY 2017-18 and an additional \$283.4 million in FY 2018-19, for a cumulative total of \$402.4 million. Application of this additional current year fund balance would reduce these shortfalls to \$348.0 million over the two year period. These projections will be updated in March 2017.
- The current year improvement is driven by increased General Fund revenues and departmental savings. Generally, property-value based taxes are exceeding budgeted levels, offset by some weakness in hotel and several other local taxes. Departmental savings are predominantly driven by net savings at the Department of Public Health and the Human Services Agency.
- Historically high transfer tax returns are projected, requiring a \$70.4 million deposit to the Budget Stabilization Reserve. Economic reserves, including the Budget Stabilization Reserve and the City's portion of the Rainy Day Reserve, are projected to total \$368.9 million at year-end, or 8.0% 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 and Port, as described in Appendix 4.

Table 1. FY 2016-17 Projected General Fund Variances to Budget (\$ Millions)

FY 2015-16 Ending Fund Balance	435.2
Appropriation in the FY 2016-17 Budget	(172.1)
Reserved for FY 2017-18 Contingencies	(60.0)
A. FY 2016-17 Starting Fund Balance	203.1
Citywide Revenue Surplus	91.8
Baseline Contributions	(1.9)
Departmental Operations	81.7
Approved & Projected Supplemental Appropriations	(1.7)
Projected Use of General Reserve	1.7
B. Current Year Revenues and Expenditures	171.7
Deposit to Budget Stabilization Reserve	(70.4)
Deposit to Budget Savings Incentive Fund	(4.5)
C. Withdrawals from / (Deposits) to Reserves	(74.9)
D. FY 2016-17 Projected Ending Balance	299.8
Previous Projected Ending Balance - December 2016	228.0
E. Improvement versus Five Year Projection	71.8
Mayor's Rebalancing Plan Current Year Revenue Surplus	17.4
E. Improvement versus Rebalancing Plan	54.4

A. General Fund Starting Balance

Total projected ending fund balance at the time the FY 2016-17 and FY 2017-18 budget was adopted was \$423.3 million, of which \$172.1 million was appropriated in FY 2016-17, \$191.2 million was appropriated in FY 2017-18, and \$60 million was reserved for FY 2017-18 contingencies. The General Fund available fund balance at the end of FY 2015-16 was \$435.2 million, or \$11.9 million more than projected.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$91.8 million compared to revised budget, primarily due to higher than budgeted property and property transfer tax revenues, offset by shortfalls in hotel, parking, and sales tax. Of the \$41.4 million projected shortfall in sales tax revenue, \$37.5 million reflects the loss of sales tax revenue anticipated in the budget that will not be realized given the failure of Proposition K on the November 2016 ballot. Revenue variances are further described in Appendix 1.

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

	Revised Budget	6-Month Projection	Surplus (Shortfall)
Property Taxes	1,412.0	1,450.0	38.0
Business Taxes	669.5	683.2	13.7
Sales Tax - Local 1% and Public Safety	339.6	298.1	(41.4)
Hotel Room Tax	409.3	381.9	(27.4)
Utility User & Access Line Taxes	141.3	143.6	2.4
Parking Tax	92.8	84.7	(8.1)
Real Property Transfer Tax	248.9	360.0	111.1
Interest Income	14.0	15.3	1.3
1991 and Public Safety Realignment	220.1	218.7	(1.3)
Motor Vehicle In-Lieu and All Other	-	1.8	1.8
Franchise Taxes	16.8	16.8	-
Airport Transfer-In	43.6	45.3	1.8
Total Citywide Revenues	3,607.7	3,699.5	91.8

Baseline Contributions

Table 3 shows projections for baseline and parking tax in-lieu transfers to the MTA, Public Library, and Public Education Enrichment Fund are increased by a net \$1.9 million compared to budget. The MTA baseline is projected to grow by \$13.8 million due to growth in Aggregate Discretionary Revenue (ADR), while the Prop B MTA population baseline is adjusted downward by \$4.5 million due to lower than projected employment growth during 2015, which reduces San Francisco's daytime population. Together with a projected \$6.5 million reduction in the MTA's parking tax in-lieu transfer, the net change in MTA baselines is an increase of \$2.8 million over budget. The Library baseline is projected to be reduced by \$1.1 million because the projected General Fund return of \$4.5 million offsets a projected increase of \$3.4 million due to ADR.

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

	Original Budget	6-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	3,169.8	3,321.2	151.4
MTA Baseline 9.2% ADR	291.5	305.3	13.8
MTA Population Change Baseline	38.0	33.5	(4.5)
80% Parking Tax In-Lieu Transfer to MTA	74.3	67.8	(6.5)
MTA Baseline Transfers	403.8	406.6	2.8
Library Baseline 2.3% ADR	72.5	71.4	(1.1)
Public Education Fund Baseline 0.3% ADR	4.6	4.8	0.2
Total Baseline Transfers	480.9	482.8	1.9

Departmental Operations

The Controller's Office projects a net departmental operations surplus of \$81.7 million summarized in Table 4 below and further detailed and discussed in Appendix 2. Expenditure savings in General City Responsibility, Homelessness and Supporting Housing, and the Department of Public Works are offset by the shortfall in sales tax in Table 2 above, and reflect expenditures supported by sales tax revenue anticipated in Proposition K that will remain on reserve following the failure of the measure.

Table 4. FY 2016-17 Departmental Operations Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
Sheriff	(1.2)	0.5	(0.7)
City Attorney	(0.6)	(0.0)	(0.6)
Subtotal Departments with Net Deficits \$	(1.8)	\$ 0.4	\$ (1.4)
Net Surplus Departments			
Public Health	32.6	(2.6)	30.0
General City Responsibility*		17.3	17.3
Human Services	(27.8)	36.3	8.6
Public Works*	0.1	8.1	8.1
Homelessness & Supportive Housing*	-	6.1	6.1
Juvenile Probation	(0.2)	2.5	2.3
City Administrator	-	2.0	2.0
Retirement System	1.5	-	1.5
Fire Department	1.4		1.4
Treasurer/Tax Collector	(1.5)	2.7	1.2
Other Net Surplus	(5.6)	10.1	4.5
Subtotal Departments with Net Surplus \$	0.6	\$ 82.5	\$ 83.1
TOTAL	\$ (1.2)	\$ 82.9	\$ 81.7

*Expenditure savings offset by sales tax revenue shortfall as described in Appendix 2.

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 use funds from expenditure savings, including savings from permanent salaries and benefits, to cover over-expenditures in overtime, pursuant to San Francisco Administrative Code Section 3.17.

Approved and Pending Supplemental Appropriations – Projected Use of General Reserve

To date, two supplemental appropriations using the General Reserve have been finally approved, including \$0.1 million to the Department of Emergency Management for earthquake relief to Italy and \$1.5 million for legal aid and services to immigrants provided through various departments. An allocation of \$0.1 million has been made to the Ethics Department to implement the requirements of Proposition T, approved in November 2016. Total uses of \$1.7 million, shown in Table 5 below and reflected in section B of Table 1 above, will result in a projected ending balance of \$89.1 million, which will be carried forward to FY 2017-18. The approved budget includes a \$16.2 million deposit to the reserve in FY 2017-18, which will have to be increased by the \$1.7 million in current year uses.

Table 5. FY 2016-17 Uses of General Reserve (\$ Millions)

Department	Status	Use
Emergency Management - Italy Earthquake Relief	Approved	\$ 0.1
Ethics - Lobbyists & Campaign Contributions, Proposition T	Approved	0.1
Various - Legal Aid & Services to Immigrants	Approved	1.5
Uses of General Reserve		\$ 1.7

In addition, this report assumes the approval of two supplemental appropriations funded by an estimated \$13.9 million in new real property transfer tax revenue generated by tax rate increases approved via Proposition W in November 2016: \$9.0 million to provide free access to City College (approved) and \$4.9 million for street tree maintenance (pending). Accordingly, the budget for real property transfer tax revenue has been revised from \$235.0 million to \$253.2 million.

C. Withdrawals from / Deposits to Reserves

A total of \$74.9 million is projected to be deposited into reserves, including \$70.4 million to the Budget Stabilization Reserve due to real property transfer tax revenue above the five-year average, and \$4.5 million to the Citywide Budget Savings Incentive Fund due to projected departmental expenditure savings. There are no projected deposits to the Rainy Day Reserve or 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: \$299.8 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2016-17 of \$299.8 million.

E. Improvement versus Prior Projections: \$71.8 Million from Five Year Financial Plan, \$54.4 Million from Mayor's Rebalancing Plan

The projected ending fund balance of \$299.8 million is \$71.8 million higher than the December 2016 Five Year Financial Plan projection of \$228.0 million. After the Five Year Financial Plan projections were prepared, the Mayor issued a rebalancing plan to address the failure of the proposed sales tax measure on the November 2016 ballot. Revenue from the measure and offsetting expenditures were assumed in the original budget. For FY 2016-17, the rebalancing plan included \$25.9 million in new revenue and \$8.5 million in new expense, resulting in a net \$17.4 million in ending balance. Compared to the Five Year Financial Plan, the improvement in ending balance reported here is \$54.4 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 and business taxes, given the length of the current economic expansion, and economically sensitive sources, such as hotel, sales, and parking taxes, which are experiencing slow to negative growth.
- Changes to federal funding under a new presidential administration. The scope and timing of changes will not be known until the administration begins implementing program changes. The fiscal year 2016-17 original budget includes \$1.2 billion of federal subvention revenue, of which \$1 billion is for entitlement programs administered by the state, including MediCal, Medicare, CalWORKS, and CalFRESH. In addition, the City has budgeted approximately \$200 million in federal grants. The Controller's Office will continue to monitor federal budget and policy changes and reflect their financial impact on the City in upcoming quarterly budget updates and long term financial plans.
- State budget risk. The Governor's proposed budget includes a shift of In-Home Supportive Services (IHSS) and CalWORKS costs from the state to counties that would increase San Francisco's costs by approximately \$50 million. This figure will be updated in the Governor's May Revise issued in early May.

H. Upcoming Projections

An update to the Five Year Financial Plan in mid-March 2017 will provide revenue and expenditure projections for FY 2017-18 through FY 2021-22. FY 2016-17 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2017.

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 \$72.2 million above revised budget, of which \$91.8 million is due to improvements in citywide revenue as discussed in this Appendix 1, offset by departmental shortfalls of \$19.6 million.

	FY 2015-16		FY 2016-17		
GENERAL FUND (\$ Millions)	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,392.3	\$ 1,412.0	\$ 1,412.0	\$ 1,450.0	\$ 38.0
BUSINESS TAXES	659.1	669.5	669.5	683.2	\$ 13.7
OTHER LOCAL TAXES					
Sales Tax	167.9	237.5	237.5	198.8	(38.8)
Hotel Room Tax	387.7	409.3	409.3	381.9	(27.4)
Utility Users Tax	98.7	94.3	94.3	96.7	2.4
Parking Tax	86.0	92.8	92.8	84.7	(8.1)
Real Property Transfer Tax	269.1	235.0	248.9	360.0	111.1
Stadium Admission Tax	1.2	1.4	1.4	1.4	-
Access Line Tax	43.6	47.0	47.0	47.0	-
Total Other Local Taxes	1,054.1	1,117.2	1,131.1	1,170.3	39.2
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	11.1	12.0	12.0	12.0	-
Franchise Tax	16.8	16.8	16.8	16.8	-
Total Licenses, Permits & Franchises	27.9	28.9	28.9	28.9	-
FINES, FORFEITURES & PENALTIES	9.0	4.6	4.7	4.7	-
INTEREST & INVESTMENT INCOME	15.1	14.0	14.0	15.3	1.3
RENTS & CONCESSIONS					
Garages - Rec/Park	10.0	9.8	9.8	8.1	(1.7)
Rents and Concessions - Rec/Park	6.5	5.3	5.3	5.3	-
Other Rents and Concessions	1.7	1.0	1.0	1.0	-
Total Rents and Concessions	18.2	16.1	16.1	14.4	(1.7)
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	243.6	250.6	256.3	242.8	(13.5)
Other Grants & Subventions	-5.8	2.7	2.7	2.5	(0.2)
Total Federal Subventions	237.8	253.3	258.9	245.2	(13.7)
State Government					
Social Service Subventions	204.6	218.9	221.2	208.4	(12.8)
Health & Welfare Realignment - Sales Tax	138.3	144.7	144.7	142.6	(2.1)
Health & Welfare Realignment - VLF	38.0	34.9	34.9	35.2	0.3
Health & Welfare Realignment - CalWORKs MOE	11.7	22.6	22.6	21.1	(1.5)
Health/Mental Health Subventions	111.2	120.4	120.4	131.7	11.3
Public Safety Sales Tax	97.0	102.0	102.0	99.4	(2.6)
Motor Vehicle In-Lieu	0.6	-	-	0.7	0.7
Public Safety Realignment (AB109)	39.8	40.5	40.5	40.9	0.4
Other Grants & Subventions	24.6	16.3	16.3	17.7	1.4
Total State Grants and Subventions	665.9	700.3	702.6	697.6	(5.0)
Other Regional Government					
Redevelopment Agency	2.5	5.5	5.5	4.9	(0.6)
CHARGES FOR SERVICES:					
General Government Service Charges	58.8	66.1	66.1	64.8	(1.4)
Public Safety Service Charges	46.9	41.8	41.8	42.0	0.2
Recreation Charges - Rec/Park	19.8	19.4	19.4	19.4	-
MediCal, MediCare & Health Service Charges	82.0	80.6	80.6	83.6	3.1
Other Service Charges	17.9	17.4	17.4	14.3	(3.1)
Total Charges for Services	225.4	225.2	225.3	224.1	(1.2)
RECOVERY OF GEN. GOV'T. COSTS	9.7	10.9	10.9	10.9	-
OTHER REVENUES	48.7	62.2	61.5	62.0	0.4
TOTAL REVENUES	4,365.6	4,519.7	4,540.9	4,611.3	70.4
TRANSFERS INTO GENERAL FUND:					
Airport	42.5	43.6	43.6	45.3	1.8
Other Transfers	164.0	118.4	125.5	125.5	-
Total Transfers-In	206.5	162.0	169.1	170.9	1.8
TOTAL GENERAL FUND RESOURCES	\$ 4,572.1	\$ 4,681.7	\$ 4,710.0	\$ 4,782.2	\$ 72.2

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

Property Tax revenue in the General Fund is projected to be \$38.0 million (2.7%) above budget and \$57.7 million (4.1%) over prior year actual revenue. The improvement is primarily due to increases in expected supplemental and escape property tax assessments. Growth in the unsecured assessment roll also increased the revenue projected by approximately \$9.9 million. Property tax set asides to special revenue funds are increased by \$5.6 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	72.6	74.8	2.3
Open Space Fund	51.8	53.5	1.7
Library Preservation Fund	51.8	53.5	1.7
Total	176.2	181.8	5.6

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 \$13.7 million (2.1%) above budget, and \$24.1 million (3.7%) over prior year actual revenues. The projected growth in business tax revenues is due to growth in wages and employment in San Francisco continued from last fiscal year. For FY 2015-16, the Bureau of Labor Statistics reported 6.0% growth in employment and 9.0% wage growth over the previous fiscal year.

The City began phasing out its payroll tax in the second half of FY 2013-14 and phasing in a gross receipts tax by reducing the payroll tax rate and increasing the gross receipts tax rates. While overall payroll in San Francisco is expected to grow, payroll tax collections are expected to decline by 24.3% between FY 2015-16 and FY 2016-17 due to the lower tax rate. Gross receipts collections are expected to grow by 101.4% from prior year, due mainly to the increasing tax rates. Business registration and administrative office revenues are projected to grow by 6% over prior year. This reflects the expectations of continued growth in employment and wages.

Local Sales Tax revenues are projected to be \$38.8 million (16.3%) below budget and \$30.9 million (18.4%) over FY 2015-16 actual sales tax receipts. Adjusting to include the annualized effect of the Triple Flip, revenue is projected to increase by \$5.4 million (2.8%) from FY 2015-16. The shortfall compared to FY 2016-17 budget is primarily due to the failure of the November 2016 sales tax ballot initiative (Proposition K), as well as a reduction in the underlying growth assumption from 3.5% to 2.8% given recent performance. Continued decline in sales of general consumer goods, low fuel prices, as well as negative audit adjustments contribute to a lower projected growth rate, which had already slowed to 3.0% in FY 2015-16.

Hotel Room Tax revenues are projected to be \$27.4 million (6.7%) below budget and \$5.8 million (1.5%) below prior year actual revenues. The decrease from budget and prior year collections is due to weaker than expected collections growth in the first half of the fiscal year, and revised expectations on changes to Revenue per Available Room (RevPAR).

RevPAR, which is the combined effect of occupancy, average daily room rates, and room supply, experienced year-over-year declines every month between June 2016 and October 2016, the latest month with available data. Most of this decline is due to lower room rates.

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.

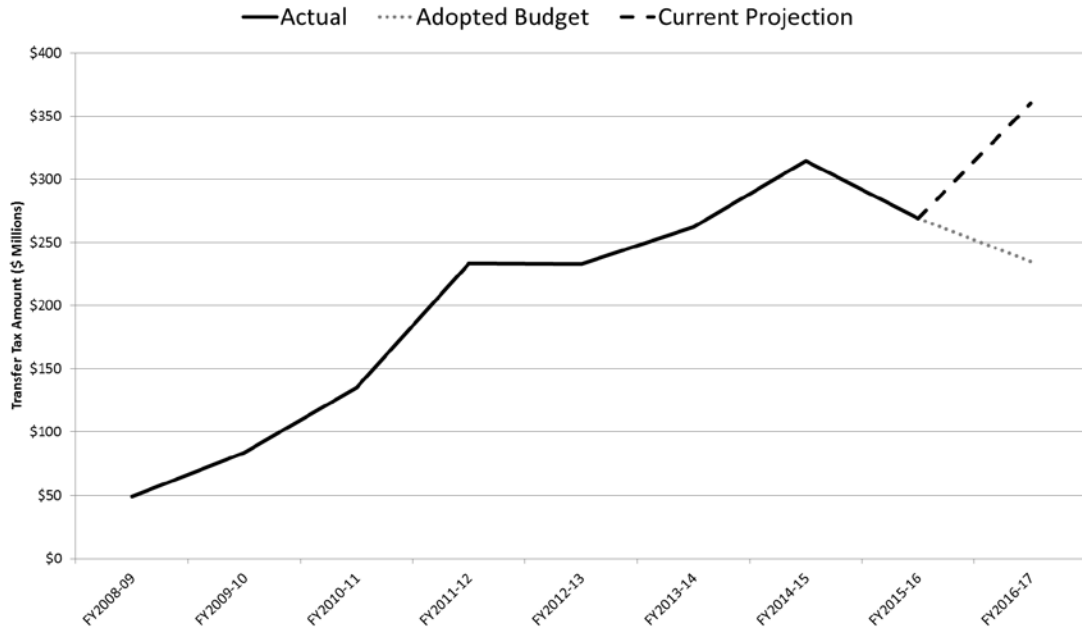
Utility Users Tax revenues are projected to be \$2.4 million (2.5%) above budget and \$2.0 million (2.0%) below FY 2015-16 actual revenues. This projection reflects higher than expected collections for gas and water users tax in the first half of the fiscal year offset by declines in telephone users tax revenue. The City began to collect telephone users' tax for prepaid mobile telephony services (MTS) in April 1, 2016 due to the passage of AB 1717. The FY 2016-17 projection includes \$0.3 million of prepaid MTS revenue.

Parking Tax revenues are projected to be \$8.1 million (8.7%) below budget and \$1.3 million (1.5%) below prior year revenues. The downward revision is based on lower than expected collections in parking tax revenues in the first six months of the fiscal year compared to prior year. The decline in FY 2015-16 was attributable to reduced rates in City-operated parking garages as well as the reduction in parking demand due to ride sharing. This trend is expected to continue in the current 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 \$111.1 million (47.3%) over budget and \$90.9 million (33.8%) above 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 five 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 2016-17 at an increasing pace. This is due in large part to the relative attractiveness of San Francisco real estate compared with other investment options worldwide.

Voter approval of transfer tax rate increases for transactions over \$5 million in November 2016 (Proposition W) are projected to result in an incremental \$18.2M in revenue in the current year. This rate change, as well as historically high transfer tax returns in the first seven months of the fiscal year, result in a projected increase of \$111.1 million over budget, as shown in the table below.

Real Property Transfer Tax Revenue, FY 2008-09 to FY 2016-17 (\$millions)



Access Line Tax revenues are projected to be on budget, and \$3.4 million (7.8%) above FY 2015-16 actual revenues. The City started to collect the access line tax for prepaid mobile telephony services (MTS) beginning April 1, 2016 due to the passage of AB 1717. FY 2016-17 projection includes \$0.3 million of prepaid MTS revenue.

Interest & Investment revenues are projected to be \$1.3 million (9.2%) above budget in the General Fund and \$0.2 (1.3%) million above prior year actual revenues. Average monthly pooled interest rates and cash balances were higher than expected, and revenues through December were above budgeted amounts as a result.

State and Federal Grants and Subventions are projected to be \$18.7 million (1.9%) below budget and \$39.1 million (4.3%) greater than prior year actual revenues. The projected decrease from budget is due to a \$26.3 million decrease in federal and state social service subventions, \$2.9 million decrease in 1991 Health and Welfare Realignment and 2011 Public Safety Realignment, and \$2.6 million decrease in Public Safety Sales Tax, offset by an increase of \$11.3 million in Health and Mental Health subventions and \$2.1 million in Motor Vehicle In-Lieu and other grants and subventions.

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	36.1	35.9		0.2	0.2	1
Superior Court	30.6	30.6	-	-	-	
District Attorney	47.0	46.6	0.0	0.4	0.4	
Emergency Management	49.9	49.9	-	0.0	0.0	2
Fire Department	342.0	342.0	1.4		1.4	3
Juvenile Probation	40.0	37.6	(0.2)	2.5	2.3	4
Public Defender	33.7	33.7	-	0.2	0.2	5
Police	497.9	497.9	-	-	-	6
Department of Police Accountability	6.9	6.0	0.0	0.8	0.8	7
Sheriff	198.8	198.3	(1.2)	0.5	(0.7)	8
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	56.7	48.7	0.1	8.1	8.1	9
Economic & Workforce Development	42.3	41.0	(1.3)	1.3	-	10
Board of Appeals	1.0	0.9	0.0	0.1	0.1	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	40.6	40.6	-	-	-	
Human Services Agency	749.2	712.9	(27.8)	36.3	8.6	11
Human Rights Commission	3.4	3.4	-	-	-	
Homelessness and Supportive Housing	164.0	157.9	-	6.1	6.1	12
Status of Women	7.2	7.2	-	-	-	
COMMUNITY HEALTH						
Public Health	1,059.6	1,062.2	32.6	(2.6)	30.0	13
CULTURE & RECREATION						
Asian Art Museum	10.8	10.8	-	-	-	
Arts Commission	5.4	5.4	-	-	-	
Fine Arts Museum	14.8	14.8	-	-	-	
Law Library	1.7	1.7	-	-	-	
Recreation and Park Department	89.5	87.7	(1.7)	1.7	-	14
Academy of Sciences	6.2	6.2	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	48.9	46.9	-	2.0	2.0	15
Assessor/Recorder	21.5	21.3	0.0	0.2	0.2	16
Board of Supervisors	14.5	14.1	0.0	0.3	0.3	17
City Attorney	12.0	12.0	(0.6)	(0.0)	(0.6)	18
Controller	14.3	14.0	0.1	0.3	0.4	
City Planning	46.6	43.4	(3.2)	3.2	-	19
Civil Service Commission	1.0	1.0	-	(0.0)	(0.0)	
Ethics Commission	3.6	2.7	-	0.9	0.9	20
Human Resources	15.9	15.5	-	0.4	0.4	21
Health Service System	0.8	0.8		-	-	
Mayor	27.3	27.3	-	-	-	
Elections	15.0	15.0	0.5	0.0	0.5	22
Technology	2.7	2.7	-	-	-	
Treasurer/Tax Collector	33.2	30.4	(1.5)	2.7	1.2	23
Retirement System	2.2	2.2	1.5	-	1.5	24
GENERAL CITY RESPONSIBILITY	157.3	140.0		17.3	17.3	25
TOTAL GENERAL FUND	3,952.1	3,869.3	(1.2)	82.9	81.7	

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 \$0.2 million due to salary and fringe savings.

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 increase is mainly due to the increase in call volume and continued efforts to improve emergency call response times.

3. Fire Department

The Fire Department projects to end the fiscal year with a net surplus of \$1.4 million mainly due to a \$0.3 million surplus from fire prevention revenue and \$1.2 million surplus in ambulance fee reimbursement that are partially offset by a \$0.1 million decrease in other revenues. The Department expects to request a supplemental to re-appropriate Airport Fire Services' salary and benefit savings to overtime expenses to cover specialized training requirement that delayed staffing needs to the Airport.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$2.3 million. Revenue is projected to be \$0.2 million under budget due to a projected decrease of \$0.4 million from juvenile activity and camps revenue offset by a \$0.2 million projected increase from claimable activities in federal programs. The Department is projecting expenditure savings in salary and fringe benefits of \$2.5 million due to hiring delays.

5. Public Defender

The Public Defender's Office projects to end the fiscal year with a net surplus of \$0.2 million in salary and fringe benefits savings due to delayed hiring.

6. Police Department

The Police Department projects to end the fiscal year within the budget. The Department expects to request a supplemental to reappropriate regular salaries and fringe benefit savings for overtime expenses due to training, Court pay related overtime, and new or increased service requests.

7. Department of Police Accountability

Proposition G, approved by voters in November 2016, renamed the Office of Citizen Complaints as the Department of Police Accountability and required that its budget be separated from the Police Department budget. The Department is projecting to end the fiscal year with a net surplus of \$0.8 million from salary and benefit savings due to delays in hiring.

8. Sheriff

The Sheriff's Department projects to end the fiscal year with a net deficit of \$0.7 million. The Department projects a revenue shortfall of \$1.2 million primarily due to housing fewer than expected federal prisoners. Actual expenditures are projected to be lower than budgeted by \$0.5 million due to a CalPERs reimbursement for advance disability. The Department is working with other City departments on workorder agreements for contracted service requests. Expected workorder recoveries in the second half of the year may address the projected shortfall. A supplemental request to re-appropriate regular salaries and fringe benefit savings for overtime expenses is anticipated as the Department is committed to maintaining required minimum staffing levels being affected by staff attrition or leave and contracted services requests.

9. Public Works

The Department of Public Works projects to end the year with an \$8.1 million surplus. The Department projects a \$0.1 million net revenue surplus primarily due to street space revenue coming in higher than budget and \$8.1 million in expenditure savings on Controller's reserve related to the loss of funding from the failure of Proposition K sales tax revenue assumed in the budget.

10. 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 \$1.3 million primarily due to decreased developer revenues that are fully offset by expenditure savings in personnel and consulting services of \$1.3 million.

11. Human Services Agency

The Human Services Agency projects to end the fiscal year with an \$8.6 million surplus due to \$36.3 million projected expenditure savings, which are offset by \$27.8 million lower than budgeted revenue. Overall expenditure savings are mainly comprised of lower than expected caseload costs in the in-home supportive services program (IHSS, \$2.4 million); reduced aid assistance payments due to declining caseload in CalWORKs (\$1.6 million), child welfare programs (\$2.8 million), and CAAP (\$1.5 million); and a net \$26.8 million savings due to delays in hiring and ramp up of new services, programmatic changes, and contract underspending, largely in food stamps and Department of Aging and Adult Services (DAAS) programs. An overall revenue shortfall is attributed to lower than budgeted revenue for IHSS (\$2.4M), CalWORKs (\$1.5 million), child welfare (\$1.4 million), and CAAP (\$0.5 million) aid assistance programs; revenue reductions that correspond with lower levels of spending (primarily \$8.3 million in DAAS, \$6.4 million in food stamps, and other programs \$6.4M); and 1.0 million less than expected in other federal and state revenues.

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

Program	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
In Home Supportive Services (IHSS)	(2.4)	2.4	-
CalWORKs Assistance	(1.5)	1.6	0.1
Child Welfare Assistance	(1.4)	3.1	1.7
CAAP Assistance	(0.5)	1.5	1.0
Other Aid Assistance/Programs	0.1	0.9	1.0
Aging and Adult Services	(8.3)	11.2	2.9
Food Stamps	(6.4)	8.4	2.0
All Other Programs	(7.4)	7.2	(0.1)
Total	\$ (27.8)	\$ 36.3	\$ 8.6

12. Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing projects to end the year with \$6.1 million in expenditure savings. The Department projects \$0.5 million of savings in personnel costs due to delays in hiring, and \$12.1 million of expenditures placed on reserve in the budget pending the approval of the sales tax measure on the November 2016 (Proposition K). Given the failure of the measure, the reserves will remain in place, and these expenditures will not occur. Savings are offset by \$6.5 million in expenses included in the Mayor's post-election rebalancing plan.

13. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$30.0 million. Overall department revenues are projected to be \$32.6 million above budget, and expenditures are also projected to be \$2.6 million above budget.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	14.3	8.1	22.4
Laguna Honda Hospital	4.6	1.4	6.0
Zuckerberg San Francisco General Hospital	13.8	(12.1)	1.6
Total	32.6	(2.6)	30.0

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Mental Health, Substance Abuse, Jail Health, Health at Home, and Public Health, have a combined revenue surplus of \$14.3 million. This includes \$11.8 million in projected revenue for the first year of San Francisco's Whole Person Care pilot program under the Medi-Cal 1115 Waiver, \$3.5 million higher than expected revenue from capitation/Managed Care settlement for Primary Care, and \$0.8 million higher than budgeted State Alcohol Funds revenue. These revenue surpluses are partially offset by \$1.3 million less than budgeted reimbursement for Short Doyle Medi-Cal for Substance Abuse and \$0.5 million below budget Primary Care net patient revenues. Expenditures are expected to be \$8.1 million below budget, primarily due

to delays in hiring new positions in Public Health and favorable prior year cost report settlements resulting in a surplus in professional services for Mental Health.

Laguna Honda Hospital

The Department projects a \$6.0 million net surplus at Laguna Honda Hospital. A \$4.6 million revenue surplus is due to a higher-than-budgeted increase in the Medi-Cal SNF per diem rate. Expenditures are projected to be \$1.4 million below budget in personnel costs.

Zuckerberg San Francisco General Hospital

The Department projects \$1.6 million surplus at Zuckerberg San Francisco General Hospital (ZSFGH). Revenues are projected to be \$13.8 million above budget, including \$13.9 million higher than budgeted payments under the Global Payment Program and a \$4.3 million surplus in net patient revenues. These revenue surpluses are partially driven by a higher than budgeted patient census, and therefore are offset by expenditure deficits due to higher than budgeted labor costs and intergovernmental transfer (IGT) payments.

Expenditures are projected to exceed the budget by \$12.1 million. \$8.6 million of this shortfall is due to higher than expected overtime and per-diem cost due to unexpectedly high patient census and to backfill the delays in hiring for nursing and other operating positions. The Department anticipates requesting a supplemental to re-appropriate other expenditure savings for overtime expenses. In addition, IGT payments are \$3.5 million higher than budget as discussed above.

14. Recreation and Park Department

The Recreation and Park Department projects to end the fiscal year with a balanced budget. The Department projects a revenue shortfall of \$1.7 million from lower than expected net revenue from the Union Square and St. Mary's garages due to disruptions related to the Central Subway Project. The Department plans to mitigate this deficit through expense savings, including salary and fringe benefits.

15. City Administrator

The City Administrator projects a net surplus of \$2.0 million at year-end due to delays in hiring resulting in savings from salary and benefits.

16. Assessor Recorder

The Assessor Recorder projects to end the fiscal year with a \$0.2 million surplus at year end. The Department projects a revenue surplus of \$0.04 million due to greater than expected recording fees and an expenditure surplus of \$0.2 million from salary and fringe benefit savings.

17. Board of Supervisors

The Board of Supervisors projects a \$0.3 million surplus at the end of the fiscal year, driven primarily from salary and fringe benefits savings.

18. City Attorney

The City Attorney's Office projects a net \$0.6 million year-end shortfall largely due to a projected \$0.6 shortfall in revenue from OCII (Office of Community Investment and Infrastructure, the Redevelopment successor agency) collection. Increases to work order recoveries in the second half of the year may address the projected shortfall.

19. City Planning

The City Planning Department projects to end the year with a revenue deficit of \$3.2 million, which assumes the recognition of \$2.1 million in deferred credit. This deficit will be offset by expenditure savings in salary and fringe benefits and contracts. The budget assumed 4% growth in permit revenues, a slowdown from unprecedented growth in prior years; however, revenues are now projected to remain flat from FY 2015-16. Recognizing \$2.1 million in deferred credits will decrease the projected year-end deferred revenue balance to \$10.9 million.

20. Ethics

The department projects expenditure savings \$0.9 million, largely in salaries and benefits.

21. Human Resources

The Department of Human Resources projects to end the fiscal year with a \$0.4 million surplus. The department projects \$0.9 million in expense savings offset by \$0.5 million in reduced recoveries, assuming ratification of labor contract extensions that, if approved, avoid the need for full negotiations with 35 unions.

22. Elections

The Elections Department projects to end the fiscal year with a \$0.5 million surplus due to a revenue surplus from unbudgeted reimbursement from the State for June 2016 election costs and a higher than anticipated number of paid ballot arguments submitted for the November 2016 election.

23. Treasurer/Tax Collector

The Treasurer/Tax Collector projects to end the fiscal year with a net surplus of \$1.2 million due to salary and fringe benefit savings of \$2.7 million offset by a \$1.5 million shortfall in credit card transaction fees due to delays in implementing a credit card transaction fee collection system.

24. Retirement System

The department projects a surplus of \$1.5 million fees from the deferred compensation program, comprised of \$1.7 million in prior year revenues offset by \$0.2 million weakness in current year revenue given experience in the first six months of the fiscal year.

25. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. Expenditure savings of \$17.3 million are projected as transfers to the MTA and reserve deposits assumed in the budget will remain on reserve due to the failure of Proposition K sales tax. These savings are offset by a like amount of sales tax revenue shortfall. Funds appropriated for nonprofit COLAs are assumed allocated to departments, as reflected in the update to the Five Year Financial Plan issued December, 2016.

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. Current projected uses of the Management Reserve total \$107.5 million, including potential liability of disallowed SB1128 reimbursement, reductions to supplemental payments for Medi-Cal managed care for Seniors and Persons with Disabilities, and greater budgeted withholding of 1991 health and welfare realignment subventions.

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 2017-18 budget.

Table A3.1 Reserve Balances (\$ Millions)

	FY 2015-16		FY 2016-17			FY 2017-18		
	Ending Balance	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 69.9	\$ 90.4	\$ 0.5	\$ (1.7)	\$ 89.1	\$ 16.2	\$ -	\$ 105.3
Budget Savings Incentive Fund	58.9	58.6	4.5	-	63.1	-	-	63.1
Recreation & Parks Savings Incentive Reserve	8.7	3.6	-	-	3.6	-	(3.5)	0.1
Rainy Day Economic Stabilization City Reserve	75.0	75.0	-	-	75.0	-	-	75.0
Rainy Day Economic Stabilization School Reserve	43.1	43.1	-	-	43.1	-	-	43.1
Rainy Day One-Time Reserve	45.1	45.1	-	-	45.1	-	-	45.1
Budget Stabilization Reserve	178.4	178.4	70.4	-	248.8	-	-	248.8
Salary and Benefits Reserve	24.6	31.2	-	(31.2)	-	14.0	(14.0)	-
Total	503.8	525.5	75.3	(33.0)	567.9	30.2	(17.5)	580.7
Economic reserves					368.9			
Economic reserves as a % of General Fund revenues					8.0%			

General Reserve: To date, three supplemental appropriations that draw on the General Reserve have been approved: \$0.1 million for Earthquake Relief to Italy, \$0.1 million to the Ethics Department to comply with Proposition T (November 2016) restricting lobbying and campaign contributions, and \$1.5 million for legal aid and services to immigrants. In addition, the failure of the sales tax increase on the November 2016 ballot (Proposition K) reduces the required deposit to the reserve by \$0.5 million, which will return to the reserve at year-end, resulting in a projected ending balance of \$89.1 million, which will be carried forward to FY 2017-18. The approved budget includes a \$16.2 million deposit to the reserve in FY 2017-18, which will have to be increased by the \$1.7 million spent in the current year.

There are two supplemental appropriations not reflected in this table, as they draw on real property transfer tax revenue rather than the General Reserve: \$9.0 million for free City College (approved) and \$4.9 million for street tree maintenance (pending). These appropriations are

assumed approved and reflected in the revised budget for real property transfer tax in Appendix 1.

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 2016-17 and FY 2017-18, the policy requires the General Reserve to be no less than 2.0% and 2.25% of budgeted regular General Fund revenues, respectively.

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 2015-16 year end, the Reserve balance was \$58.6 million. Projected deposits of \$4.5 million and no budgeted uses result in a projected year-end balance of \$63.1 million. The current budget did not appropriate any of the balance for use in FY 2017-18.

Recreation and Parks Savings Incentive Reserve: Through FY 2015-16, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. This Reserve ended FY 2015-16 with \$8.7 million, of which \$5.6 million was appropriated in FY 2016-17, resulting in a starting balance of \$3.6 million. No deposits are projected for the current fiscal year, leaving a projected ending balance of \$3.6 million. The current budget also appropriated \$3.5 million in uses for FY 2017-18. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses will be deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings will be deposited to the citywide Budget Savings Incentive Fund.

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. At FY 2015-16 year-end, the Rainy Day Economic Stabilization Reserve had a balance of \$75.0 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 \$45.1 million. There is no budgeted withdrawal or anticipated deposit 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 \$178.4 million. The budget did not assume any deposit in the current year. However, unexpectedly strong transfer tax revenues through January, including \$73.2 million in December 2016 alone, are projected to result in a deposit of \$70.4 million, and a projected ending balance of \$248.8 million.

Salary and Benefits Reserve: Administrative Provision 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 \$31.2 million (\$14.7 million carried forward from FY 2015-16 and \$16.6 million appropriated in the FY 2016-17 budget). The Controller's Office has transferred \$1.8 million to City departments and anticipates transferring an additional \$20.9 million to City departments by year-end, as detailed in Table A3-2. At this time, \$8.6 million remains available for unknown needs.

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

Sources	
Adopted AAO Salary and Benefits Reserve	\$ 16.6
Carryforward balance from FY 2014-15	14.7
Total Sources	31.2
Uses	
Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1 & Q2)	0.7
Training, development, and recruitment	1.0
Visual display terminal insurance (Q1, Q2)	0.1
Total Transfers to Departments	1.8
Anticipated Allocations	
Public Safety, including wellness, premium, and one-time payouts	15.0
Citywide premium, retirement and severance payouts	3.6
Various training, tuition, and other reimbursements	1.6
SEIU as needed temporary employees healthcare (Q3 & Q4)	0.7
Visual display terminal insurance (Q3 & Q4)	0.1
Total Anticipated Allocations	20.9
Allowance for Unidentified Allocation	8.6
Total Uses	31.2
Net Surplus / (Shortfall)	\$ -

Appendix 4. Other Funds Highlights

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

	Prior Year		FY 2016-17					FY 2017-18		Notes
	FY 2015-16 Year End Fund Balance	Fund Balance Used in FY 2016-17 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	(July 2016) Board Approved Budgeted Use		
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>										
Building Inspection Operating Fund	\$ 7.2	\$ 5.3	\$ 1.9	\$ 7.2	\$ 3.3	\$ 10.5	\$ 12.4	\$ 7.2	1	
Children's Fund	4.6	2.9	1.7	2.0	0.5	2.5	4.2	-	2	
Public Education Special Fund	2.8	-	2.8	0.4	-	0.4	3.2	-	3	
Convention Facilities Fund	17.5	14.0	3.5	-	2.3	2.3	5.8	0.2	4	
Golf Fund	3.3	-	3.3	-	-	-	3.3	-	5	
Library Preservation Fund	29.1	-	29.1	0.5	5.4	5.9	35.0	-	6	
Local Courthouse Construction Fund	0.1	-	0.1	(0.1)	-	(0.1)	0.0	-	7	
Open Space Fund	19.5	3.0	16.5	1.7	-	1.7	18.2	-	8	
Telecomm. & Information Systems Fund	9.8	4.7	5.0	-	-	-	5.0	0.6	9	
General Services Agency-Central Shops Fund	1.5	-	1.5	(0.1)	0.1	-	1.5	-	10	
Arts Commission Street Artist Fund	(0.3)	-	(0.3)	-	0.2	0.1	(0.1)	-	11	
War Memorial Fund	1.8	0.7	1.1	-	0.3	0.3	1.4	0.6	12	
Gas Tax Fund	3.6	1.1	2.5	-	-	0.0	2.5	1.1	13	
Neighborhood Beautification Fund	0.5	-	0.5	-	-	0.0	0.6	-	14	
Election Campaign Fund	\$ 6.9		6.9	\$ -	\$ (0.3)	(0.3)	6.6		15	
<u>SELECT ENTERPRISE FUNDS</u>										
Airport Operating Funds	\$ 180.7	\$ 37.4	\$ 143.3	\$ 5.6	\$ 23.3	\$ 28.9	\$ 172.2	\$ 37.7	16	
MTA Operating Funds	276.1	45.4	230.8	(14.5)	16.1	1.6	232.4	47.3	17	
Port Operating Funds	51.4	33.1	18.3	8.9	18.6	27.5	45.7	19.2	18	
PUC Hetch Hetchy Operating Funds	64.0	11.6	52.4	(5.1)	8.4	3.3	55.7	10.3	19	
PUC Wastewater Operating Funds	118.1	-	118.1	1.5	23.9	25.4	143.5	-	20	
PUC Water Operating Funds	116.6	10.7	105.9	19.8	48.6	68.4	174.3	1.6	21	
DPH Laguna Honda Debt Service Funds	21.0	-	21.0	-	-	-	21.0	-		

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection operating fund began the fiscal year with \$1.9 million in available fund balance. The Department projects a \$7.2 million surplus in operating revenues compared to budget due to higher than expected growth in plan review and building permit revenues. Revenue collected in the first half of FY 2016-17 is \$6.3 million less than the same time last year. This is due to a slowdown from unprecedented growth levels in prior years, reflected in a decrease in both valuation and the number of issued permits. Expenditures are projected to be \$3.3 million under budget due to savings from salary and fringe benefits, resulting in a projected fiscal year-end available fund balance of \$12.4 million. In addition, the balances of the department's contingency and other post-employment benefit reserves are currently \$41.0 million and \$13.3 million, respectively.

2. Children's Fund

The Children's Fund began the fiscal year with \$1.7 million in available fund balance. Current year revenues are projected to be \$2.0 million better than budget due to estimated increases in property tax set-aside revenue. Current year expenditures are projected to be \$0.5 million below budget due to salary savings. The projected fiscal year-end available fund balance is \$4.2 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund began the fiscal year with \$2.8 million in available fund balance. Revenues are expected to be \$0.4 million above budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR). The projected fiscal year-end available fund balance is \$3.2 million.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$3.5 million in available fund balance, as \$14.0 million of the prior year ending balance was appropriated in the current year. Debt service savings of \$2.3 million are projected for the Moscone project in the current year, resulting in a projected fiscal year-end available fund balance of \$5.8 million. The approved budget for FY 2017-18 appropriated \$0.2 million.

5. Golf Fund

The Golf Fund began the fiscal year with \$3.3 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 \$29.1 million in available fund balance. The Department projects a revenue surplus of \$5.0 million from increased property tax allocations and baseline revenue, of which \$4.5 million will be returned to the General Fund at year-end, for a net surplus of \$0.5 million. Expenditure savings of \$5.4 million, due to \$3.3 million in personnel cost savings and \$2.1 million savings in non-personnel expenditures, result in a \$5.9 million net operating surplus. The year-end fund balance is projected to be \$35.0 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the fiscal year with just under \$0.1 million in fund balance. Revenue is projected to be \$0.1 million under budget. Therefore, the fund may require additional General Fund support to balance at year-end.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$16.5 million in available fund balance. The Department projects revenues to be \$1.7 million higher than budgeted, reflecting property tax set-aside, and resulting in a projected fiscal year-end available fund balance of \$18.2 million.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$5 million. The Department projects no change to the balance.

10. Central Shops Fund

The Central Shops Fund began the year with an available fund balance of \$1.5 million. A revenue shortfall of \$0.1 million due to lower charges for services are expected to be fully offset by expenditure savings.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with a fund balance shortfall of \$0.3 million. The Department continues to project a small revenue shortfall for the year. An additional one-time General Fund transfer to address the fund balance shortfall and the close of some carryforward budgets will result in an expenditure surplus of \$0.2 million, leading to an projected 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 \$1.1 million. The Department projects expenditure savings of \$0.3 million in personnel cost due to hiring delays and contract savings, resulting in a projected year-end fund balance of \$1.4 million, of which \$0.6 million has been appropriated in the approved FY 2017-18 budget.

13. Gas Tax Fund

The Gas Tax Fund began the year with an available fund balance of \$2.5 million. The Department of Public Works expects to end the year on budget, resulting in a projected year-end balance of \$2.5 million, of which \$1.1 million has been appropriated in the FY 2017-18 budget.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) began the year with a \$0.5 million fund balance. The City Administrator expects salary and fringe benefit savings of \$0.03 million, resulting in a projected year-end balance of \$0.6 million.

15. Election Campaign Fund

The Election Campaign Fund began the year with a \$6.9 million balance. Disbursements from the fund at year-end are projected to be \$1.0 million, or \$0.3 million more than budgeted. The resulting year-end balance is projected to be \$6.6 million.

Select Enterprise Funds

16. Airport Operating Fund

The Airport began the fiscal year with \$143.3 million in available fund balance, including \$130.4 million that has been set aside for postemployment benefits under GASB 45. The department projects a revenue surplus of \$5.6 million, and net expenditure savings of \$23.3 million, for a net operating surplus of \$28.9 million.

The revenue projection includes \$12.0 million in increased operating revenue, offset by \$6.4 million in lower non-operating revenue. In addition, \$23.3 million in expenditure savings are projected, including \$7.1 million in non-personnel expenditure savings, \$4.6 million in services of other departments, \$4.4 million in salary and benefit savings, \$7.7 million in public safety costs, and \$1.2 million in savings for materials and supplies, offset by a \$1.8 million increase to the Annual Service Payment. A fund balance of \$172.2 million is projected by year-end, of which \$37.7 million has been appropriated in the FY 2017-18 budget.

17. Municipal Transportation Agency (MTA) Operating Funds

MTA began the fiscal year with \$230.8 million in available operating fund balance net of the \$45.4 million appropriated to support the FY 2016-17 budget. The Agency is projected to end the year with a net operating surplus of \$1.6 million, resulting in a projected year-end fund balance of \$232.4 million. The FY 2017-18 approved budget includes the use of \$47.3 million of fund balance.

The Agency projects a net revenue surplus of \$1.6 million primarily due to a \$13.7 million increase in General Fund baseline transfers, offset by a \$6.5 million shortfall in parking tax revenue and \$5.6 million shortfall in State Transit Assistance (STA). In addition, given the failure of the November 2016 Sales Tax measure (Prop K) the Agency will forego \$16.1 million of General Fund transfers from sales tax and corresponding expenditures.

18. Port Operating Funds

The Port began the fiscal year with \$18.3 million in available fund balance. The department projects a revenue surplus of \$8.9 million, and net expenditure savings of \$18.6 million, for a net operating surplus of \$27.5 million and a projected year end fund balance of \$45.7 million. The FY 2017-18 approved budget includes the use of \$19.2 million of fund balance.

The \$8.9 million revenue surplus is due to increases of \$1.4 million in maritime, \$2.7 million in real estate, \$1.6 million in one-time revenues associated with the Forest City development project at Pier 70, and \$6.0 million from Pacific Waterfront Partners LLC participation proceeds for the sale of The Piers office and retail development. The \$18.6 million expenditure savings is due to a \$13.4 million reserve designated to future capital uses, \$2.4 million savings in salaries and fringe benefits from currently vacant positions, \$0.9 million in non-personnel services, \$1.4 million in workorders, and \$0.4 million in annual projects due

to the preservation of funds for contingency purposes such as oil spills and hazardous material clean up.

19. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$52.4 million in available fund balance. The Department projects a net revenue shortfall of \$5.1 million mainly due to lower than expected electricity consumption by City departments and lower sales to Turlock Irrigation District, partially offset by a \$2.9 million increase in market sales due to higher Hetchy generation. The Department projects expenditure savings of \$8.4 million consisting of \$1.6 million from salaries and benefit savings due to delay in filling the vacant positions, \$2.0 million from lower power purchases due to wet weather conditions, and \$4.0 million in contingency reserve. This results in a projected year-end fund balance of \$55.7 million.

20. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$118.1 million in available fund balance. The Department projects revenue to be \$1.5 million higher than budget mainly due to increased sewer discharge volumes. Expenditure savings from unspent general reserves of \$23.9 million will result in a projected net operating surplus of \$25.4 million and a fiscal year-end available fund balance of \$143.5 million.

21. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with \$105.9 million in available fund balance. Water Department revenues are projected to be \$19.8 million higher than budget, mainly due to increased retail and wholesale water sales. The Department projects \$48.6 million of expenditure savings, including \$20.9 million of savings from debt service refunding and \$27.0 million of planned underuse of general reserves. This results in a projected fiscal year-end available fund balance of \$174.3 million.

Appendix 5. Overtime Report

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

Department	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17			FY 2016-17 Projection Change from Prior Year Actual		
	Actual	Actual	Actual	Actual	Revised Budget	July through December 2016	Straight Line Projection	Surplus/ (Deficit)	\$ Million	Percent
MTA										
Municipal Railway	46.6	53.3	53.0	56.4	35.4	27.2	54.4	(19.0)	(2.0)	-4%
Parking & Traffic	2.3	2.4	3.3	3.7	1.5	1.6	3.3	(1.7)	(0.5)	-12%
Subtotal - MTA	48.9	55.6	56.3	60.1	36.9	28.8	57.6	(20.7)	(2.5)	-4%
Police										
General Fund Operations	12.7	14.3	19.3	24.6	20.9	11.7	23.4	(2.5)	(1.2)	-5%
Special Law Enforcement Services (10B)	11.3	10.2	10.5	13.0	-	6.5	12.9	(12.9)	(0.1)	-1%
Grants & Other Non-10B Special Revenues	1.7	1.9	2.1	3.1	2.1	0.6	1.2	0.9	(1.9)	-61%
Airport	1.5	1.1	1.2	2.0	2.1	0.8	1.5	0.6	(0.5)	-25%
Municipal Transportation Agency	0.1	0.1	0.1	0.1	-	0.1	0.1	(0.1)	0.0	10%
Subtotal - Police	27.3	27.7	33.2	42.8	25.1	19.6	39.1	(14.0)	(3.7)	-9%
Public Health										
SF General	5.1	5.2	6.6	8.0	6.2	5.0	9.9	(3.8)	2.0	25%
Laguna Honda Hospital	6.4	5.6	6.1	6.0	6.3	3.3	6.5	(0.2)	0.6	9%
All Other Non-Hospital Operations	1.1	1.2	1.5	1.5	1.4	0.8	1.6	(0.2)	0.1	10%
Subtotal - Public Health	12.6	11.9	14.2	15.4	13.9	9.0	18.1	(4.2)	2.7	17%
Fire										
General Fund Operations	40.1	38.0	33.7	42.0	36.0	17.8	35.7	0.3	(6.4)	-15%
Grants & Other Special Revenues	-	0.1	0.2	0.0	(0.0)	-	-	(0.0)	(0.0)	-100%
Airport	3.0	4.5	3.9	4.0	4.4	2.2	4.5	(0.1)	0.5	12%
Port	0.3	0.3	0.3	0.3	0.4	0.2	0.4	(0.0)	0.1	23%
Subtotal - Fire	43.5	42.8	38.2	46.4	40.7	20.3	40.6	0.1	(5.8)	-13%
Sheriff										
General Fund Operations	9.8	9.7	14.2	19.0	12.6	11.3	22.7	(10.1)	3.6	19%
Grants & Other Special Revenues	0.9	0.8	0.6	0.4	0.4	0.3	0.7	(0.3)	0.3	65%
Subtotal - Sheriff	10.7	10.5	14.8	19.5	13.0	11.7	23.3	(10.4)	3.9	20%
Subtotal - Top 5	142.8	148.5	156.8	184.2	129.6	89.4	178.8	(49.2)	(5.4)	-3%
Public Utilities Commission	6.0	6.9	6.9	6.7	4.0	3.2	6.4	(2.4)	(0.2)	-4%
Emergency Management	1.1	1.6	2.6	3.5	3.2	1.8	3.6	(0.4)	0.1	3%
Airport Commission	2.8	3.0	3.9	3.3	3.2	1.4	2.9	0.4	(0.4)	-12%
Human Services	0.8	2.9	3.8	3.7	0.5	1.4	2.8	(2.3)	(0.9)	-25%
Public Works	2.0	2.3	2.8	2.2	1.8	1.2	2.4	(0.6)	0.2	11%
City Admin	0.8	1.3	1.4	1.9	0.6	0.9	1.8	(1.2)	(0.0)	-1%
Juvenile Probation	1.4	1.5	1.6	1.6	0.8	0.7	1.4	(0.6)	(0.3)	-16%
Technology	1.0	1.1	1.0	0.9	0.5	0.5	1.1	(0.6)	0.2	17%
Elections	0.3	0.2	0.2	0.4	0.4	0.5	1.0	(0.6)	0.6	144%
Recreation and Park Commission	0.8	1.2	1.2	1.0	1.4	0.5	1.0	0.3	0.1	8%
All Other Departments	2.7	2.4	2.8	3.1	1.7	1.5	3.0	(1.3)	(0.1)	-3%
Citywide Total	162.6	172.9	184.9	212.4	147.8	103.1	206.3	(58.5)	(6.1)	-3%
Top 5 % of Total	88%	86%	85%	87%	88%	87%	87%			
Change from Prior Year Actual	9.7	10.3	12.0	27.5			(6.1)			
Total Gross Salaries (Cash Compensation)	2,802	2,870	2,951	3,201	3,494	1,596	3,192			
Overtime as a % of Total Gross Salaries	5.8%	6.0%	6.3%	6.6%	4.2%	6.5%	6.5%			

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