



**CITY AND COUNTY OF SAN FRANCISCO      OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
Controller

**Monique Zmuda**  
Deputy Controller

May 5, 2008

The Honorable Gavin Newsom  
Mayor, City and County of San Francisco  
Room 200, City Hall

The Honorable Board of Supervisors  
Room 244, City Hall

**Re: FY 2007-08 Nine-Month Budget Status Report**

Dear Mayor Newsom, Ladies and Gentlemen:

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. This report is the Nine-Month Budget Status Report that is based on sources of funds received and uses of funds expended from July 1, 2007 through March 31, 2008. The purpose of the report is to apprise the City's policy makers of the current and projected budgetary status of the General Fund and other key operating funds.

**I. OVERVIEW**

We project an available fund balance of \$41.64 million for the General Fund by the end of fiscal year 2007-2008 (FY 2007-08). Key factors contributing to the projected General Fund year-end balance are summarized below.

**Chart A: Key Factors Contributing to the FY 2007-08 Projected Year-End Balance, (millions)**

|   | Joint<br>Report | Change          | 9-Month<br>Report |
|---|-----------------|-----------------|-------------------|
| Prior Year Fund Balance & Reserves            | \$ 18.99        | \$ (4.27)       | \$ 14.72          |
| Current Year                                  |                 |                 |                   |
| Sources, Revenues & Transfers In              | \$ (11.88)      | \$ 4.71         | \$ (7.17)         |
| Uses, Operations & Transfers Out              | \$ (17.40)      | \$ 53.14        | \$ 35.74          |
| Required Rainy Day Reserve Deposits           | \$ -            | \$ -            | \$ -              |
| Required Other Reserves                       | \$ (2.24)       | \$ (10.91)      | \$ (13.15)        |
| General Reserve                               | \$ 20.15        | \$ (8.66)       | \$ 11.49          |
| <b>Projected Fiscal Year-End Fund Balance</b> | <b>\$ 7.62</b>  | <b>\$ 34.02</b> | <b>\$ 41.64</b>   |

In the Joint Report, the projected fund balance is used as a source of funding for the upcoming year's budget. For comparison, the Nine-Month Report's \$41.64 million projected fund balance is \$34.02 million higher than the \$7.62 million assumed in the Joint Report. Additionally, higher budget savings incentive reserves of \$10.91 million are projected due in large part to planned, mid-year departmental savings.

The projected current fiscal year-end fund balance is based on current revenue and spending patterns. Actual fiscal year-end balances may differ due to changes in revenues, spending rates, the amount of additional supplemental appropriations, and releases of reserves ultimately approved by the Mayor and the Board. The following pages provide a summary of key budgetary issues, helping to frame the projection uncertainties.

### **General Fund Balance & Prior Year Reserves**

At the time the budget for FY 2007-08 was prepared, we anticipated starting the current fiscal year with a General Fund beginning balance of \$118.89 million and prior-year reserves of \$23.50 million. When the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007 was completed in December 2007, we confirmed that the ending balance from the previous fiscal year was \$131.88 million, along with prior-year reserve balances of \$29.50 million. As a result, there is an additional \$18.99 million in prior-year sources (\$12.99 million of prior-year fund balance and \$6.00 million of prior-year reserves), less \$4.27 million used to fund a capital supplemental appropriation at Public Health, available from FY 2006-07.

### **Current Revenues and Transfers In**

We project revenues and transfers in to be \$7.17 million under the FY 2007-08 budget. Projected increases in revenue from higher Property Tax, Hotel Room Tax, Business Tax, Settlements and Sales Tax are offset by projected shortfalls in a number of areas including Real Property Transfer Tax, Federal and State Grants and Subventions, various charges for services, and revenues linked to statewide sales tax activities, including Public Safety Sales Tax and Health and Welfare Realignment.

Realized revenues through the first nine months of FY 2007-08 have been incorporated into our revenue projections. Our projections are also based on discussions with department staff and industry experts, as well as analyses of key economic indicators and forecasts. Chart B below provides a high-level summary of key revenue changes from budget. Chart F (page 9) provides a more detailed revenue summary followed by descriptive narrative.

**Chart B: General Fund Revenues & Transfers In Budget Summary – FY 2007-08, (millions)**

|  | FY 2006-07         | FY 2007-08         | <i>sort order</i>  |                     |
|--|--------------------|--------------------|--------------------|---------------------|
| Revenues & Transfers-In, US\$ Millions   | Year-End Actuals   | Revised Budget     | 9-Month Projection | Surplus (Shortfall) |
| Property Tax                             | \$ 894.82          | \$ 934.72          | \$ 961.01          | \$ 26.29            |
| Hotel Room Tax                           | \$ 143.07          | \$ 148.87          | \$ 163.51          | \$ 14.64            |
| Business Taxes                           | \$ 336.76          | \$ 359.72          | \$ 373.15          | \$ 13.43            |
| Fines, Forfeitures & Penalties           | \$ 4.72            | \$ 5.58            | \$ 9.26            | \$ 3.68             |
| Sales Tax                                | \$ 107.81          | \$ 111.55          | \$ 113.55          | \$ 2.00             |
| Other Revenues                           | \$ 229.35          | \$ 233.73          | \$ 234.28          | \$ 0.55             |
| <b>Subtotal - Key Surpluses</b>          | <b>\$ 1,716.54</b> | <b>\$ 1,794.16</b> | <b>\$ 1,854.76</b> | <b>\$ 60.60</b>     |
| Real Property Transfer Tax               | \$ 143.98          | \$ 123.52          | \$ 91.57           | \$ (31.95)          |
| Other Grants & Subventions               | \$ 38.43           | \$ 30.43           | \$ 22.25           | \$ (8.19)           |
| State Social Service Subventions         | \$ 126.14          | \$ 135.00          | \$ 127.03          | \$ (7.97)           |
| Federal Grants & Subventions             | \$ 183.57          | \$ 221.91          | \$ 214.08          | \$ (7.83)           |
| Medicare, Medical & Health Charges       | \$ 47.05           | \$ 52.10           | \$ 49.24           | \$ (2.86)           |
| Public Safety Service Charges            | \$ 25.65           | \$ 27.00           | \$ 24.66           | \$ (2.34)           |
| Prop 172 Public Safety Sales Tax         | \$ 69.29           | \$ 73.27           | \$ 70.97           | \$ (2.30)           |
| Health & Welfare Realignment             | \$ 172.43          | \$ 170.17          | \$ 168.10          | \$ (2.07)           |
| Interest Income                          | \$ 40.12           | \$ 35.52           | \$ 33.94           | \$ (1.57)           |
| Health/Mental Health Subventions         | \$ 68.78           | \$ 80.92           | \$ 79.42           | \$ (1.50)           |
| General Government Service Charges       | \$ 27.09           | \$ 31.75           | \$ 31.31           | \$ (0.44)           |
| <b>Subtotal - Key Shortfalls</b>         | <b>\$ 942.53</b>   | <b>\$ 981.58</b>   | <b>\$ 912.57</b>   | <b>\$ (69.01)</b>   |
| <b>Total Revenues</b>                    | <b>\$ 2,659.07</b> | <b>\$ 2,775.75</b> | <b>\$ 2,767.33</b> | <b>\$ (8.42)</b>    |
| <b>Transfers In</b>                      | <b>\$ 62.23</b>    | <b>\$ 70.35</b>    | <b>\$ 71.59</b>    | <b>\$ 1.25</b>      |
| <b>Total Revenues &amp; Transfers In</b> | <b>\$ 2,721.30</b> | <b>\$ 2,846.09</b> | <b>\$ 2,838.92</b> | <b>\$ (7.17)</b>    |

**Current Operating Expenditures & Transfers Out**

Based on current spending patterns, we project overall departmental expenditures and transfers-out savings of \$35.74 million by fiscal year-end. Chart C below incorporates departmental savings as well as required baseline set-asides, reserve deposits and subsidy transfers out. Most departments are projected to be on budget by fiscal year-end, both in their revenue and expenditure performance. However, a few are projected to have net budgetary shortfalls, and others have net budgetary savings. Departments with key variances are summarized below. Chart G (on page 19) provides further budgetary detail for all departments including prior-year actuals and current year expenditure appropriations.

**Chart C: Departmental Budget Summary of Sources & Uses – FY 2007-08, (millions)**

| <b>Net Shortfall Departments</b>                  |           | <i>Sort Order</i>               |                              |                              |
|---|-----------|---------------------------------|------------------------------|------------------------------|
| <b>US\$ millions</b>                              |           | <b>SOURCES</b>                  | <b>USES</b>                  | <b>NET</b>                   |
|   |           | <b>Surplus / (Short) Budget</b> | <b>Under / (Over) Budget</b> | <b>Savings / (Shortfall)</b> |
| Sheriff *   | \$        | (4.48)                          | -                            | (4.48)                       |
| Juvenile Probation                                |           | (4.18)                          | 1.30                         | (2.88)                       |
| Elections *                                       |           | 0.99                            | (2.66)                       | (1.67)                       |
| City Attorney                                     |           | 1.05                            | (2.29)                       | (1.24)                       |
| Convention Facilities                             |           | -                               | (1.09)                       | (1.09)                       |
| Police  |           | (0.76)                          | 0.00                         | (0.76)                       |
| District Attorney                                 |           | (1.22)                          | 0.74                         | (0.48)                       |
| Public Health excluding Subsidies to Hospitals    |           | (4.78)                          | 6.68                         | 1.91                         |
| SF General & Laguna Honda Hospitals               |           |                                 | (2.00)                       | (2.00)                       |
| Total Public Health                               |           |                                 |                              | (0.09)                       |
| Board of Appeals                                  |           | (0.03)                          | 0.00                         | (0.03)                       |
| <b>Subtotal - Departments with Net Shortfalls</b> | <b>\$</b> | <b>(13.41)</b>                  | <b>0.68</b>                  | <b>(12.72)</b>               |
| <b>Net Surplus Departments</b>                    |           | <i>Sort Order</i>               |                              |                              |
|   |           | <b>SOURCES</b>                  | <b>USES</b>                  | <b>NET</b>                   |
|   |           | <b>Surplus / (Short) Budget</b> | <b>Under / (Over) Budget</b> | <b>Savings / (Shortfall)</b> |
| Human Services                                    | \$        | (7.97)                          | 24.09                        | 16.12                        |
| Recreation & Parks                                |           | 0.12                            | 2.85                         | 2.97                         |
| Fire Department                                   |           | (0.27)                          | 2.14                         | 1.87                         |
| Public Works                                      |           | (0.34)                          | 2.10                         | 1.76                         |
| City Administrator                                |           | (0.43)                          | 1.61                         | 1.18                         |
| Assessor / Recorder                               |           | 0.24                            | 0.77                         | 1.01                         |
| Treasurer / Tax Collector                         |           | 0.42                            | 0.00                         | 0.42                         |
| Controller  |           | (0.11)                          | 0.35                         | 0.24                         |
| Adult Probation                                   |           | (0.48)                          | 0.71                         | 0.23                         |
| Mayor's Office                                    |           | 0.00                            | 0.15                         | 0.15                         |
| Fine Arts Museum                                  |           | 0.00                            | 0.14                         | 0.14                         |
| Ethics Commission                                 |           | 0.00                            | 0.14                         | 0.14                         |
| Status of Women                                   |           | 0.00                            | 0.12                         | 0.12                         |
| Board of Supervisors                              |           | 0.00                            | 0.12                         | 0.12                         |
| Arts Commission                                   |           | 0.00                            | 0.10                         | 0.10                         |
| Human Resources                                   |           | 0.00                            | 0.33                         | 0.33                         |
| Public Defender                                   |           | 0.00                            | 0.02                         | 0.02                         |
| City Planning                                     |           | (0.65)                          | 0.65                         | 0.00                         |
| <b>Subtotal - Departments with Net Savings</b>    | <b>\$</b> | <b>(9.46)</b>                   | <b>36.38</b>                 | <b>26.92</b>                 |
| Non-Departmental & General Tax Revenues           |           | 15.70                           |                              | 15.70                        |
| Baselines - Library                               |           |                                 | (0.63)                       | (0.63)                       |
| Baselines - Municipal Transportation Agency (MTA) |           |                                 | (2.97)                       | (2.97)                       |
| Parking Tax in lieu Transfer - MTA                |           |                                 | (1.71)                       | (1.71)                       |
| <b>Total Current Year Operations</b>              | <b>\$</b> | <b>(7.17)</b>                   | <b>31.74</b>                 | <b>24.58</b>                 |
| General Reserve                                   |           | 11.49                           | 4.00                         | 15.49                        |
| Prior Year Fund Balance & Reserves                |           | 14.72                           |                              | 14.72                        |
| Pending Supplementals Use of General Reserve      |           |                                 | (0.75)                       | (0.75)                       |
| Required Reserve (Deposits) - Children's Baseline |           |                                 | (1.49)                       | (1.49)                       |
| Required Reserve (Deposits) - Citywide Savings    |           |                                 | (7.94)                       | (7.94)                       |
| Required Reserve (Deposits) - Rec & Park Savings  |           |                                 | (2.97)                       | (2.97)                       |
| Required Reserve (Deposits) - Rainy Day           |           |                                 | -                            | 0.00                         |
| <b>Projected Net Surplus / (Shortfall)</b>        | <b>\$</b> |                                 |                              | <b>41.65</b>                 |

\* Net shortfall after supplemental appropriations from the General Reserve.

**Contribution Transfers Out, Baselines & Other Required Reserve Set-Asides**

**Contribution Transfers Out - San Francisco General & Laguna Honda Hospitals:** Based on current projected revenues and expenditures, San Francisco General Hospital will have a net shortfall of \$1.70 million, resulting in a like amount of increased subsidy from the General Fund. Additionally, Laguna Honda Hospital is projected to have a shortfall of \$0.30 million, resulting in a like amount of increased subsidy from the General Fund. These transfers can be funded with savings in Public Health's General Fund Budget.

**Contribution Transfers Out – Baselines (Revenue Impacted):** The Charter specifies that Children's Services, Public Education, Library Preservation, and Municipal Transportation (i.e. the Municipal Railway (MUNI) and Parking & Traffic) baselines shall receive a minimum appropriation amount (baseline) from the General Fund. The required baselines are adjusted as discretionary revenues change throughout the year. Higher required contributions are primarily due to better revenues in Property Tax and Hotel Room Tax revenues. Additionally, the Charter requires an allocation for public transportation equivalent to 40 percent of Parking Tax revenues for the current fiscal year. These requirements are summarized in Chart D below. Even with the updated discretionary revenue projections, the Public Education and Children's Services baselines continue to reflect surplus funding. Those with shortfall funding noted below will require additional transfers including \$0.63 million for Library Preservation and \$4.68 million for the MTA.

**Chart D: Revenue-Driven Baseline Appropriation Funding Summary, (millions)**

| Baseline                     | FY 2006-07                                  | FY 2007-08                                      | Current<br>Year<br>Required<br>Baseline | Projected<br>Surplus/<br>(Shortfall) as of<br>9-Month Report |
|------------------------------|---|---|---|--|
|                              | Balances<br>Used in<br>FY 2007-08<br>Budget | Revised Budget<br>General Fund<br>Appropriation |   |  |
| <b>Revenue Driven</b>        |   |   |   |  |
| Children's Services          | \$1.40                                      | \$102.95  | \$97.48                                 | \$4.07   |
| <b>Public Education</b>      |   |   |   |  |
| Baseline                     |   | \$6.46  | \$5.54                                  | \$0.92   |
| Enhancement                  |   | \$30.00   | \$30.00                                 | \$0.00   |
| Subtotal Public Education    | \$0.00                                      | \$36.46   | \$35.54                                 | \$0.92   |
| Library Preservation         |   | \$42.15   | \$42.78                                 | (\$0.63)   |
| Municipal Railway            |   | \$130.82  | \$133.09                                | (\$2.27)   |
| Parking & Traffic            |   | \$48.10   | \$48.80                                 | (\$0.70)   |
| Parking Tax In Lieu, 1st 40% |   | \$24.05   | \$25.76                                 | (\$1.71)   |
| Subtotal MTA                 | \$0.00                                      | \$202.97  | \$207.65                                | (\$4.68)   |
| <b>Total</b>                 | <b>\$1.40</b>                               | <b>\$384.53</b>                                 | <b>\$383.45</b>                         | <b>(\$0.32)</b>  |

A number of required reserves are also mandated by the Charter and the Municipal Code. The Rainy Day and Budget Savings Incentive Reserves are summarized in the table below and discussed in further detail in the narrative immediately following the table.

**Chart E: Rainy Day, Baseline and Budget Savings Incentive Reserve Requirements**  
(millions)

| <b>Selected Reserves</b>                    | <b>Actual<br/>June 30, 2007</b> | <b>Budgeted<br/>(Use) in<br/>in the AAO<br/>Current Year</b> | <b>New<br/>Required<br/>Deposits from<br/>Current Year</b> | <b>Supplemental Approp.<br/>Impact<br/>Net Source / (Use)<br/>Current Year</b> | <b>Projected<br/>June 30, 2008</b> |
|---|---------------------------------|--|--|--|------------------------------------|
| Rainy Day - Economic Stabilization          | \$ 117.56                       | \$ -   | \$ -   | \$ -   | \$ 117.56                          |
| Rainy Day - Capital & One-Time Spending     | 16.07                           | (15.83)  | -  | -  | 0.24                               |
| <b>Subtotal - Rainy Day Reserves</b>        | <b>133.62</b>                   | <b>(15.83)</b>   | <b>-</b>   | <b>-</b>   | <b>117.79</b>                      |
| Children's Baseline Reserve                 | 2.89                            | (1.40)   | -  | -  | 1.49                               |
| Budget Savings - Recreation & Park Reserve  | -                               | -  | 2.97   | -  | 2.97                               |
| Budget Savings - Citywide Incentive Reserve | 10.54                           | (6.27)   | 7.94   | (4.27)   | 7.94                               |
| <b>Total</b>                                | <b>\$ 147.05</b>                | <b>\$ (23.50)</b>  | <b>\$ 10.90</b>  | <b>\$ (4.27)</b>   | <b>\$ 130.19</b>                   |

**Required Set-Asides – Rainy Day Reserve Requirements:** As noted in the summary table above, the Rainy Day Economic Stabilization Reserve is projected to be \$117.56 million by fiscal year-end. The Rainy Day Capital & One-Time Reserve is projected to have a balance of \$0.24 million by fiscal year end, given a \$16.07 million balance as of June 30, 2007, less the \$15.83 million used in the FY 2007-08 budget. As of this report, additional revenues of \$7.42 million can be realized before a deposit into the Rainy Day Reserve would be required.

As mandated by local voters, City Charter Section 9.113.5 requires that 50 percent of revenue growth in excess of five percent from the prior year be set aside into the Rainy Day (Economic Stabilization) Reserve. Another 25 percent of revenue growth over five percent is mandated to be set aside into a Rainy Day One-Time or Capital Spending Reserve. The remaining 25 percent can be used for any general governmental use (including other Charter-mandated baseline requirements). Revenue growth, as defined under City Charter Section 9.113.5, is currently projected to be 4.7 percent in FY 2007-08 over the prior year. Because projected growth is less than the five percent deposit threshold, we have noted above that no new deposits are required at this time.

**Required Set-Asides – Children's Baseline:** Charter-mandated Children's Baseline reserves (held in the General Fund) of \$1.49 million still remain available. The surplus reserve funding carried over from the prior year is \$2.89 million, of which only \$1.40 million was used in the budget.

**Required Set-Asides – Recreation & Park Budget Savings Incentive Reserve:** Charter Section 16.107 requires that "overall Department expenditure savings shall be retained by the Department to be dedicated to one-time expenditures." At the beginning of the fiscal year, there was no balance in this reserve. The department is projected to end the year with overall expenditure

savings of \$2.97 million in the General Fund, resulting in a like amount of projected deposits into Recreation & Park's Budget Savings Incentive Reserve.

**Required Set-Asides – Citywide Budget Savings Incentive Reserve:** As required under Ordinance 210-06, 25 percent of the total appropriation savings by General Fund departments and the Department of Public Health's hospital funds is to be deposited into this reserve. Based on currently projected net departmental savings, deposits of \$7.94 million currently projected for FY 2007-08 and a like amount of projected fiscal year-end balance.

### **Supplemental Appropriations**

Board and Voter approved and assumed-approved, General Fund supplemental appropriations are \$14.91 million. General Fund Reserve or Fund Balance support \$9.51 million of these supplemental appropriations. This includes \$0.75 million pursuant to the recently passed Proposition G (Golden Gate Park Stables Matching Fund), which ultimately depends on matching requirements based on donations received between April 1, 2008 and March 31, 2009.

Supplemental requests currently pending at the Board which represent program expansion have not been included in the nine-month projections, unless specifically noted. Finally, there are some supplemental requests pending Mayor or Board approval and anticipated supplemental requests, given projected shortfalls in noted departments. These requests could be funded by various sources, including the General Reserve, Fund Balance, the Rainy Day One-Time Reserve as well as other settlement revenue and expenditure savings. Please see a summary of approved, as well as anticipated and pending supplemental appropriation requests in **Appendix A**. To the degree that supplemental appropriations (other than those we have already assumed) are approved using General Fund resources, including the General Reserve or projected Fund Balance resources, the FY 2007-08 projected year-end balance will be reduced.

### **Expenditure Reserves**

Each year, the Board of Supervisors, Mayor, or Controller place certain budget items on reserve, requiring subsequent approval from the reserving party before these funds can be spent. **Appendix B** provides a list of the remaining balance of all reserves from current and prior years and their remaining balances as of April 30, 2008. For projection purposes, this report assumes that all of the FY 2007-08 Annual Appropriation Ordinance (AAO) Board reserves are released and expended, unless otherwise noted in the departmental narrative below. To the degree that other reserves are not released, not expended and closed to fund balance by year-end, the projected year-end balance would increase. In the event that appropriation reserves are related to work order authority supported through recovery funding from non-General Fund sources, no net General Fund savings would occur.

### **Salary and Benefits Reserve**

The Annual Appropriation Ordinance's Administrative Provisions Section 10.3 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. For FY 2007-08 the budgeted Salary and Benefits Reserve, or Memorandum of Understanding (MOU) Reserve, is equal to \$35.92 million. This consists of the \$24.11 million that was funded as part of the FY 2007-08 AAO and \$11.81 million of carryforward funding from FY 2006-07. This carryforward was assumed in the FY 2007-08 budget. As of April 30, 2008, the Controller's Office had transferred \$19.41 million to individual City departments as detailed in **Appendix C**, which also outlines the projected need for the remaining \$16.51 million reserve. No surplus balance is projected at this time.

### **General Fund Ending Balance**

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$41.64 million as compared to the FY 2006-07 actual fund balance of \$131.88 million.



II. Sources of Funds, Revenues & Transfers In, Chart F

|  | FY 2006-07         |                    | FY 2007-08        |                       |                          |      |
|--|--------------------|--------------------|-------------------|-----------------------|--------------------------|------|
| GENERAL FUND (US\$ millions)               | Year End<br>Actual | Original<br>Budget | Revised<br>Budget | 9-Month<br>Projection | Surplus /<br>(Shortfall) |      |
| PROPERTY TAXES                             | \$ 894.82          | \$ 934.72          | \$ 934.72         | \$ 961.01             | \$ 26.29                 | (1)  |
| BUSINESS TAXES:                            |                    |                    |                   |                       |                          |      |
| Business Registration Tax                  | \$ 8.24            | \$ 8.69            | \$ 8.69           | \$ 9.47               | \$ 0.78                  | (2)  |
| Payroll Tax                                | \$ 328.52          | \$ 351.03          | \$ 351.03         | \$ 363.67             | \$ 12.65                 | (3)  |
| Total Business Taxes                       | \$ 336.76          | \$ 359.72          | \$ 359.72         | \$ 373.15             | \$ 13.43                 |      |
| OTHER LOCAL TAXES:                         |                    |                    |                   |                       |                          |      |
| Sales Tax                                  | \$ 107.81          | \$ 111.55          | \$ 111.55         | \$ 113.55             | \$ 2.00                  | (4)  |
| Hotel Room Tax                             | \$ 143.07          | \$ 148.87          | \$ 148.87         | \$ 163.51             | \$ 14.64                 | (5)  |
| Utility Users Tax                          | \$ 78.73           | \$ 80.21           | \$ 80.21          | \$ 81.15              | \$ 0.94                  | (6)  |
| Parking Tax                                | \$ 64.76           | \$ 64.82           | \$ 64.82          | \$ 64.41              | \$ (0.42)                | (7)  |
| Real Property Transfer Tax                 | \$ 143.98          | \$ 123.52          | \$ 123.52         | \$ 91.57              | \$ (31.95)               | (8)  |
| Stadium Admission Tax                      | \$ 2.34            | \$ 2.96            | \$ 2.96           | \$ 2.46               | \$ (0.50)                | (9)  |
| Total Other Local Taxes                    | \$ 540.70          | \$ 531.92          | \$ 531.92         | \$ 516.64             | \$ (15.28)               |      |
| LICENSES, PERMITS & FRANCHISES             |                    |                    |                   |                       |                          |      |
| Licenses & Permits                         | \$ 7.22            | \$ 7.28            | \$ 7.28           | \$ 6.94               | \$ (0.34)                | (10) |
| Franchise Tax                              | \$ 14.91           | \$ 14.80           | \$ 14.80          | \$ 15.48              | \$ 0.68                  | (11) |
| Total Licenses, Permits & Franchises       | \$ 22.14           | \$ 22.08           | \$ 22.08          | \$ 22.42              | \$ 0.35                  |      |
| FINES, FORFEITURES & PENALTIES             | \$ 4.72            | \$ 3.90            | \$ 5.58           | \$ 9.26               | \$ 3.68                  | (12) |
| INTEREST & INVESTMENT INCOME               | \$ 40.12           | \$ 35.48           | \$ 35.52          | \$ 33.94              | \$ (1.57)                | (13) |
| RENTS & CONCESSIONS                        |                    |                    |                   |                       |                          |      |
| Garages - Rec/Park                         | \$ 10.60           | \$ 9.65            | \$ 9.65           | \$ 9.62               | \$ (0.03)                | (14) |
| Rents and Concessions - Rec/Park           | \$ 6.09            | \$ 8.44            | \$ 8.44           | \$ 8.76               | \$ 0.32                  | (15) |
| Other Rents and Concessions                | \$ 1.76            | \$ 1.72            | \$ 1.72           | \$ 1.72               | \$ -                     | (16) |
| Total Rents and Concessions                | \$ 18.45           | \$ 19.81           | \$ 19.81          | \$ 20.09              | \$ 0.29                  |      |
| INTERGOVERNMENTAL REVENUES                 |                    |                    |                   |                       |                          |      |
| Federal Government                         |                    |                    |                   |                       |                          |      |
| Social Service Subventions                 | \$ 179.70          | \$ 199.88          | \$ 207.64         | \$ 203.46             | \$ (4.18)                | (17) |
| Other Grants & Subventions                 | \$ 3.88            | \$ 14.27           | \$ 14.27          | \$ 10.62              | \$ (3.65)                | (18) |
| Total Federal Subventions                  | \$ 183.57          | \$ 214.14          | \$ 221.91         | \$ 214.08             | \$ (7.83)                |      |
| State Government                           |                    |                    |                   |                       |                          |      |
| Social Service Subventions                 | \$ 126.14          | \$ 133.85          | \$ 135.00         | \$ 127.03             | \$ (7.97)                | (19) |
| Health & Welfare Realignment               | \$ 172.43          | \$ 170.17          | \$ 170.17         | \$ 168.10             | \$ (2.07)                | (20) |
| Health/Mental Health Subventions           | \$ 68.78           | \$ 81.88           | \$ 80.92          | \$ 79.42              | \$ (1.50)                | (21) |
| Public Safety Sales Tax                    | \$ 69.29           | \$ 73.27           | \$ 73.27          | \$ 70.97              | \$ (2.30)                | (22) |
| Motor Vehicle In-Lieu                      | \$ 4.67            | \$ 5.29            | \$ 5.29           | \$ 4.77               | \$ (0.53)                | (23) |
| Other Grants & Subventions                 | \$ 38.43           | \$ 29.72           | \$ 30.43          | \$ 22.25              | \$ (8.19)                | (24) |
| Total State Subventions                    | \$ 479.75          | \$ 494.17          | \$ 495.08         | \$ 472.53             | \$ (22.55)               |      |
| CHARGES FOR SERVICES:                      |                    |                    |                   |                       |                          |      |
| General Government Service Charges         | \$ 27.09           | \$ 31.75           | \$ 31.75          | \$ 31.31              | \$ (0.44)                | (25) |
| Public Safety Service Charges              | \$ 25.65           | \$ 27.00           | \$ 27.00          | \$ 24.66              | \$ (2.34)                | (26) |
| Recreation Charges - Rec/Park              | \$ 6.21            | \$ 7.46            | \$ 7.46           | \$ 7.46               | \$ -                     | (27) |
| MediCal, MediCare & Health Service Charges | \$ 47.05           | \$ 51.34           | \$ 52.10          | \$ 49.24              | \$ (2.86)                | (28) |
| Other Service Charges                      | \$ 8.11            | \$ 10.88           | \$ 10.87          | \$ 11.17              | \$ 0.30                  | (29) |
| Total Charges for Services                 | \$ 114.11          | \$ 128.42          | \$ 129.17         | \$ 123.83             | \$ (5.34)                |      |
| RECOVERY OF GEN. GOV'T. COSTS              | \$ 11.58           | \$ 8.75            | \$ 8.75           | \$ 8.75               | \$ -                     | (30) |
| OTHER REVENUES                             | \$ 12.36           | \$ 16.10           | \$ 11.49          | \$ 11.62              | \$ 0.12                  | (31) |
| TOTAL REVENUES                             | \$ 2,659.07        | \$ 2,769.20        | \$ 2,775.75       | \$ 2,767.33           | \$ (8.42)                |      |
| TRANSFERS INTO GENERAL FUND:               |                    |                    |                   |                       |                          |      |
| Airport                                    | \$ 23.35           | \$ 23.73           | \$ 23.73          | \$ 25.40              | \$ 1.67                  | (32) |
| Other Transfers                            | \$ 38.88           | \$ 38.58           | \$ 46.61          | \$ 46.19              | \$ (0.42)                | (33) |
| Total Transfers-In                         | \$ 62.23           | \$ 62.31           | \$ 70.35          | \$ 71.59              | \$ 1.25                  |      |
| TOTAL GENERAL FUND RESOURCES               | \$ 2,721.30        | \$ 2,831.50        | \$ 2,846.09       | \$ 2,838.92           | \$ (7.17)                |      |

**Notes to Sources of Funds Schedule:**

- (1) **Property Tax** revenues are projected to be \$26.29 million better than budget. This is primarily due to four key factors: 1) +\$14.87 million from supplemental and escape assessment billings; 2) +\$5.68 million from State revenue backfill allocations related to vehicle license fees; 3) +\$3.05 million from improving assessment appeals experience to date; and 4) \$0.96 million from State revenue backfill allocations for sales tax. San Francisco's net assessed valuation grew 8.5 percent in FY 2007-08 from FY 2006-07, as was largely assumed in the budget.

On a related note, this projection reflects ERAF shifts of \$306.95 million from the City's General Fund to cover the State's Proposition 98 K-14 voter-mandated funding requirements. This amount is partially offset by in lieu payments for the Triple Flip (Sales Tax) and the permanent rollback of the vehicle license fee (projected to be \$38.05 million and \$137.15 million respectively), for a net ERAF shift of \$131.75 million. The projected impact is summarized for the General Fund and affected Special Revenue Funds below.

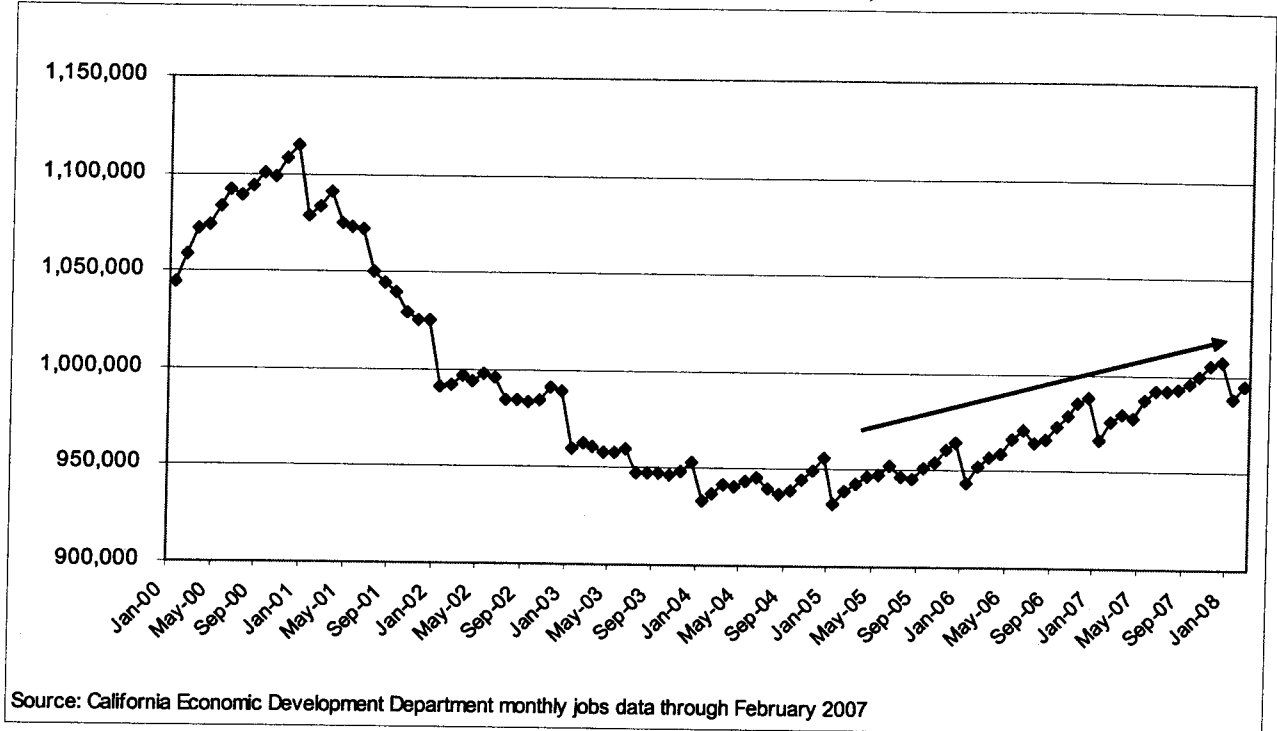
**FY 2007-08 Property Tax Revenue Surpluses Projected**

|                        | <b>Surplus<br/>(Shortfall)</b> |
|------------------------|--------------------------------|
| <b>General Fund</b>    | \$ 26.29                       |
| <b>Children's Fund</b> | \$ 0.53                        |
| <b>Library Fund</b>    | \$ 0.34                        |
| <b>Open Space Fund</b> | \$ 0.34                        |

- (2) **Business Registration** revenues are projected to be \$0.78 million better than budget based on business formations and renewal collections to date.
- (3) **Payroll Tax** revenues are projected to be \$12.65 million better than budget. The FY 2007-08 budget assumed moderate growth in employment of approximately 1.0 to 2.0 percent and 3.0 to 4.0 percent wage increases. Growth in the sectors paying this tax appears to have been better than previously assumed. For example, job growth in Professional and Business Services was 4.5 percent in calendar year 2007 compared to 2.3 percent overall as shown in the table below.

### Jobs Growth Continued Through 2007

Total Employment for the San Francisco PMSA (Marin, San Francisco, San Mateo)



### Jobs Growth Over Last 3 Years San Francisco PMSA (Marin, San Francisco, San Mateo)

| Calendar Year | Jobs           |           |        |
|---------------|----------------|-----------|--------|
|               | Average Annual | Growth /  | %      |
|               | Jobs           | (Decline) | Change |
| 2000          | 1,085,767      |           |        |
| 2001          | 1,057,417      | (28,350)  | -2.6%  |
| 2002          | 990,533        | (66,883)  | -6.3%  |
| 2003          | 954,167        | (36,367)  | -3.7%  |
| 2004          | 942,450        | (11,717)  | -1.2%  |
| 2005          | 948,583        | 6,133     | 0.7%   |
| 2006          | 967,242        | 18,658    | 2.0%   |
| 2007          | 989,533        | 22,292    | 2.3%   |

- (4) **Sales Tax** revenues are projected to be \$2.00 million better than budget, which equates to 5.7 percent growth over prior-year actual receipts. Sales tax generating activity for the quarter ending December 2007 reflected 5.2 percent growth over the same quarter in 2006, with restaurants and transportation growing year-over-year by 2.9 percent and 11.1 percent, respectively. During the same period, growth in the nine-county Bay Area was only 1.5 percent, and statewide receipts were flat.

Several factors exist for the restaurant component of sales tax revenue, including higher hotel occupancies and increasing costs of food and labor. Additionally, construction and fuel-related purchasing activity remains strong due to continued building from projects already in the development pipeline and high gasoline prices. San Francisco's sales tax revenue tends to be more dependent on tourism than most other California cities. On a related note, AB451 (Yee) became effective January 1, 2008, which resulted in the return of sales tax revenue from jet fuel deliveries to San Francisco International Airport. This legislative mandate was assumed in our budget; however, higher jet fuel prices are a component of the \$2.00 million projected surplus.

**Sales Tax Revenue, Local 1% Portion, US\$ million - Including 'Triple Flip'**

|                               |                   | Actuals           |                    |                  | Annual Growth |          |
|-------------------------------|-------------------|-------------------|--------------------|------------------|---------------|----------|
|                               | Fiscal Year       | Direct Allocation | Triple Flip Shifts | Total GF Revenue | \$ Change     | % Change |
| Prior Peak                    | FY 2000-01        | \$ 138.28         |                    | \$ 138.28        | \$ 4.89       | 3.7%     |
|                               | FY 2001-02        | \$ 116.83         |                    | \$ 116.83        | \$ (21.45)    | (15.5%)  |
|                               | FY 2002-03        | \$ 115.58         |                    | \$ 115.58        | \$ (1.25)     | (1.1%)   |
|                               | FY 2003-04        | \$ 120.64         |                    | \$ 120.64        | \$ 5.06       | 4.4%     |
|                               | FY 2004-05        | \$ 94.69          | \$ 23.60           | \$ 118.29        | \$ (2.35)     | (2.0%)   |
|                               | FY 2005-06        | \$ 103.07         | \$ 33.77           | \$ 136.84        | \$ 18.55      | 15.7%    |
|                               | FY 2006-07        | \$ 107.81         | \$ 35.64           | \$ 143.45        | \$ 6.61       | 4.8%     |
|                               | Budget FY 2007-08 | \$ 111.55         | \$ 37.09           | \$ 148.64        | \$ 5.18       | 3.6%     |
| 9-Month Projection FY 2007-08 |                   | \$ 113.55         | \$ 38.05           | \$ 151.60        | \$ 8.14       | 5.7%     |

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$14.64 million better than budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$224.99 million, or 12.6 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continue to strengthen. The tables on page 14 summarize Hotel Occupancy and Average Daily Room Rates (ADRs) by month. Our projection is based on realized revenue collections to date, data from hotel industry experts, and an assumption of moderate growth in occupancy and room rates over prior year actuals for the remainder of FY 2007-08. Our current forecast assumes average occupancy rates of 79.2 percent (3.3 percent growth over the prior year) and average daily room rates (ADRs) of \$188.03 (8.7 percent growth over the prior year). Hotel room tax revenues fluctuate primarily based on these two variables along with changes in the number of available rooms.

**Hotel Tax Revenue - All Funds (\$ millions)**

|                    | Fiscal Year       | Total     | Annual Growth |          |
|--------------------|-------------------|-----------|---------------|----------|
|                    |                   |           | \$ Change     | % Change |
| Prior Peak         | FY 2000-01        | \$ 188.38 | \$ 6.28       | 3.4%     |
|                    | FY 2001-02        | \$ 132.23 | \$ (56.15)    | (29.8%)  |
|                    | FY 2002-03        | \$ 128.59 | \$ (3.63)     | (2.7%)   |
|                    | FY 2003-04        | \$ 148.23 | \$ 19.64      | 15.3%    |
|                    | FY 2004-05        | \$ 157.94 | \$ 9.71       | 6.6%     |
|                    | FY 2005-06        | \$ 179.47 | \$ 21.53      | 13.6%    |
|                    | FY 2006-07        | \$ 199.77 | \$ 20.30      | 11.3%    |
|                    | Budget FY 2007-08 | \$ 210.34 | \$ 10.57      | 5.3%     |
| 9-Month Projection | FY 2007-08        | \$ 224.99 | \$ 25.22      | 12.6%    |

## HOTEL OCCUPANCY RATES

| MONTH     | FY 1999-00 | FY 2000-01 |
|-----------|------------|------------|
| July      | 88.0%      | 87.5%      |
| August    | 81.3%      | 90.2%      |
| September | 86.9%      | 88.5%      |
| October   | 82.7%      | 87.9%      |
| November  | 74.1%      | 72.7%      |
| December  | 62.1%      | 64.4%      |
| January   | 67.0%      | 63.5%      |
| February  | 79.7%      | 70.4%      |
| March     | 88.6%      | 72.9%      |
| April     | 84.7%      | 70.7%      |
| May       | 84.4%      | 76.9%      |
| June      | 91.7%      | 80.0%      |

AVG. OCC. RATE  
% Rate Chg from PY  
% Change from PY

80.9%  
1.1%  
1.4%  
Prior Peak

## AVERAGE DAILY ROOM RATES (ADRS)

| MONTH     | FY 1999-00 | FY 2000-01 |
|-----------|------------|------------|
| July      | \$ 154.98  | \$ 175.56  |
| August    | \$ 150.06  | \$ 165.89  |
| September | \$ 158.09  | \$ 180.33  |
| October   | \$ 153.22  | \$ 191.46  |
| November  | \$ 148.02  | \$ 169.40  |
| December  | \$ 146.22  | \$ 162.24  |
| January   | \$ 153.17  | \$ 174.24  |
| February  | \$ 156.25  | \$ 181.78  |
| March     | \$ 164.96  | \$ 179.18  |
| April     | \$ 164.39  | \$ 168.79  |
| May       | \$ 168.41  | \$ 191.63  |
| June      | \$ 175.50  | \$ 173.72  |

AVERAGE ADR  
\$ Change from PY  
% Change from PY

157.77  
10.25  
6.9%  
176.19  
18.41  
11.7%  
Prior Peak

AVERAGE ADR - Inflation Adjusted to Peak  
% Change from Prior Peak

\$ 146.56 \$ 152.74 \$ 164.29

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

| ... | FY 2005-06 | FY 2006-07 | FY 2007-08             |
|-----|------------|------------|------------------------|
|     | 84.4%      | 82.0%      | 86.5%                  |
|     | 87.2%      | 82.7%      | 88.2%                  |
|     | 88.0%      | 86.5%      | 87.6%                  |
|     | 84.1%      | 85.7%      | 86.4%                  |
|     | 70.9%      | 71.8%      | 76.5%                  |
|     | 61.5%      | 62.4%      | 65.3%                  |
|     | 62.1%      | 61.8%      | 63.2%                  |
|     | 65.9%      | 72.1%      | 73.9% <i>Estimated</i> |
|     | 75.2%      | 74.7%      | 76.6%                  |
|     | 77.6%      | 76.9%      | 78.8%                  |
|     | 76.4%      | 82.5%      | 84.6%                  |
|     | 80.6%      | 81.1%      | 83.1%                  |

76.2%  
2.1%  
2.8%  
76.7%  
0.5%  
0.7%  
79.2%  
2.5%  
3.3%  
Approaching Prior Peak

| ... | FY 2005-06 | FY 2006-07 | FY 2007-08                 |
|-----|------------|------------|----------------------------|
|     | \$ 150.67  | \$ 163.57  | \$ 176.57                  |
|     | \$ 149.44  | \$ 162.20  | \$ 179.69                  |
|     | \$ 166.10  | \$ 179.76  | \$ 193.75                  |
|     | \$ 171.60  | \$ 201.01  | \$ 216.24                  |
|     | \$ 152.40  | \$ 166.18  | \$ 195.20                  |
|     | \$ 145.15  | \$ 150.90  | \$ 157.17                  |
|     | \$ 158.56  | \$ 168.82  | \$ 180.93                  |
|     | \$ 157.58  | \$ 182.61  | \$ 197.90 <i>Estimated</i> |
|     | \$ 170.10  | \$ 167.06  | \$ 181.09                  |
|     | \$ 166.27  | \$ 174.40  | \$ 189.05                  |
|     | \$ 168.92  | \$ 186.08  | \$ 201.71                  |
|     | \$ 169.55  | \$ 172.53  | \$ 187.02                  |

\$ 160.53 \$ 172.93 \$ 188.03  
\$ 12.32 \$ 12.40 \$ 15.10  
8.3% 7.7% 8.7%  
146.56 152.74 164.29  
-6.8%

- (6) **Utility Users Tax** revenues are projected to be \$0.94 million better than budget. This projected surplus is due to a \$2.40 million shortfall in energy due mainly to lower natural gas prices earlier in the year and reductions in electricity rates for businesses effective January 1, 2008, offset by a \$2.94 million surplus in telephone services due to continued growth in cellular phone revenues and a \$0.40 million surplus in water revenue. On a related note, commercial water rates were increased by 15.0 percent but due, in part, to conservation efforts a net increase of only 5.4 percent revenue growth is projected.
- (7) **Parking Tax** revenues are projected to be \$0.42 million less than budget based on slightly lower collections year to date.
- (8) **Real Property Transfer Tax** revenues are projected to be \$31.95 million less than budget. As shown in the table below, record transactions occurred in the commercial sector in FY 2003-04, FY 2004-05, FY 2005-06, and FY 2006-07. The FY 2007-08 budget assumed a 14.2 percent decrease from the FY 2006-07 actual collections. Collections through late April were 30.5 percent lower than the same period in the prior year, and volumes were down 5.7 percent. Projections assume a continuation of the slowdown in the remaining three months of the fiscal year.

This revenue has traditionally been one of the General Fund's more volatile sources and is affected by investor interest (especially in the commercial sector), economic cycles, interest rates, and increasingly, exchange rates, which given the weak dollar has resulted in heightened international investor interest in the recent past. Low mortgage and capitalization rates have helped this revenue in recent history as well. Based on our review of the Recorder's transaction data for the past several years (summarized below), current revenue variances appear to be primarily attributed to fewer large commercial transactions in the \$1 million and greater market segment.

| Fiscal Year           | Real Property Transfer Tax Revenue (\$ millions) |          |           |             |           | Transaction Count |         |         |        |  |
|-----------------------|--|----------|-----------|-------------|-----------|-------------------|---------|---------|--------|--|
|                       | @ 0.50%  | @ 0.68%  | @ 0.75%   | Timing      | Total     | @ 0.50%           | @ 0.68% | @ 0.75% | Total  |  |
|                       | <\$250K  | >\$250K  | >\$1 M    | Differences | Revenue*  | <\$250K           | >\$250K | >\$1 M  |        |  |
| FY 1997-98            | \$ 2.77  | \$ 19.34 | \$ 22.89  | \$ (0.99)   | \$ 44.01  | 4,363             | 6,449   | 673     | 11,485 |  |
| FY 1998-99            | \$ 2.05  | \$ 23.20 | \$ 31.87  | \$ (0.99)   | \$ 56.13  | 3,424             | 7,425   | 925     | 11,774 |  |
| FY 1999-00            | \$ 1.18  | \$ 25.51 | \$ 41.57  | \$ 1.62     | \$ 69.88  | 2,019             | 7,368   | 1,360   | 10,747 |  |
| FY 2000-01            | \$ 0.46  | \$ 22.87 | \$ 38.96  | \$ 0.05     | \$ 62.34  | 665               | 6,076   | 1,362   | 8,103  |  |
| FY 2001-02            | \$ 0.41  | \$ 25.38 | \$ 21.21  | \$ 0.28     | \$ 47.27  | 625               | 6,760   | 1,270   | 8,655  |  |
| FY 2002-03            | \$ 0.48  | \$ 29.31 | \$ 21.37  | \$ 0.31     | \$ 51.48  | 693               | 7,513   | 1,311   | 9,517  |  |
| FY 2003-04            | \$ 0.74  | \$ 37.78 | \$ 41.05  | \$ (0.72)   | \$ 78.85  | 1,180             | 9,460   | 2,237   | 12,877 |  |
| FY 2004-05            | \$ 0.65  | \$ 37.16 | \$ 78.89  | \$ 0.10     | \$ 116.80 | 1,176             | 8,699   | 3,056   | 12,931 |  |
| FY 2005-06            | \$ 0.46  | \$ 31.44 | \$ 98.33  | \$ 1.05     | \$ 131.28 | 931               | 7,400   | 3,355   | 11,686 |  |
| FY 2006-07            | \$ 0.41  | \$ 29.25 | \$ 114.31 | \$ 0.00     | \$ 143.98 | 800               | 7,225   | 3,003   | 11,028 |  |
| FY 2007-08 Budget     | \$ 0.42  | \$ 27.18 | \$ 95.92  | \$ -        | \$ 123.52 | 680               | 7,160   | 2,640   | 10,480 |  |
| FY 2007-08 Projection | \$ 0.47  | \$ 25.47 | \$ 65.64  | \$ -        | \$ 91.57  | 884               | 6,409   | 3,145   | 10,438 |  |

\$1M+ Segment ... Some slowdown in Commercial Transactions.

| Through April Actuals |         |          |          |    |        |       |        |       |       |
|-----------------------|---------|----------|----------|----|--------|-------|--------|-------|-------|
| FY 2006-07 YTD        | \$ 0.34 | \$ 24.06 | \$ 80.14 | \$ | 104.53 | 573   | 5,364  | 2,028 | 7,965 |
| FY 2007-08 YTD        | \$ 0.37 | \$ 19.93 | \$ 52.32 | \$ | 72.63  | 633   | 4,758  | 2,123 | 7,514 |
| YTD Change            | 10.9%   | -17.2%   | -34.7%   |    | -30.5% | 10.5% | -11.3% | 4.7%  | -5.7% |

\* Adjusted for timing differences between Recorder's System and revenue recognition requirements.

- (9) **Stadium Admission Tax** revenues are projected to be \$0.50 million below budget, reflecting only moderate growth over prior-year collections.

- (10) **Licenses and Permit** revenues are projected to be \$0.34 million under budget as a result of legislation passed to reduce the cost of permits for café tables and chairs collected by the Department of Public Works.
- (11) **Franchise Tax** revenues are projected to be \$0.68 million better than budget. Cable television revenues continue to increase and are projected to be \$0.40 million better than budget, mainly due to increases in the use of specialty services like high definition television and pay per view. Electricity and steam franchise fees are projected to be \$0.08 million and \$0.07 million better than budget, respectively, and natural gas revenues are projected to be \$0.13 million better than budget due to increased consumption outpacing lower natural gas prices than were assumed in the first half of the fiscal year. The energy component of this revenue category is based on calendar year usage, whereas the Utility User Tax's energy component is tied to fiscal year consumption patterns and only applies to non-residential usage.
- (12) **Fines, Forfeitures and Penalty** revenue is projected to be \$3.68 million better than budget due to \$0.74 million in penalties and settlements received by the District Attorney's office, a projected \$1.03 million of settlement revenues for General Fund costs incurred for the November 2007 Cosco Busan oil spill, \$1.95 million in settlements received from Elections Systems & Software (ES&S) by the Department of Elections and the City Attorney, and \$0.04 million received by Public Health, offset slightly by the loss of \$0.08 million in court fines at Adult Probation.
- (13) **Interest Income** is projected to be \$1.57 million under budget because recent interest rate cuts by the Fed have decreased the projected average yield on the City's pooled investments from 5.25 percent, as assumed in the budget, to an estimated 4.44 percent through fiscal year end. The Fed has cut the Fed funds rate seven times since the start of the FY 2007-08, from 5.25 percent to 2.00 percent as of April 30, 2008.
- (14) **Recreation & Parks Garage** revenues are projected to be \$0.03 million under budget, due to lower demand than assumed in the budget.
- (15) **Rents and Concessions – Recreation & Parks** revenues are projected to be \$0.32 million better than budget, mainly due to Japanese Tea Garden concessions.
- (16) **Other Rents and Concessions** revenues are projected to be on budget.
- (17) **Federal Social Service Subventions** revenues are projected to be \$4.18 million under budget due to a shortfall in Title IVe Foster Care funding at Juvenile Probation stemming from updated claiming practices, in part due to revised claiming guidelines.
- (18) **Federal Other Grants & Subventions** revenues are projected to be \$3.65 million under budget due to audit disallowances for the Southwest Border Prosecution Initiative (SWBPI) program.
- (19) **State Social Service Subventions** revenues are projected to be \$7.97 million under budget primarily due to lower prior-year revenue allocations and caseloads at the Department of Human Services; however, again this is more than offset by savings. A summary of all Human Services operations is included in the expenditure section below.
- (20) **Health & Welfare Realignment** revenue is projected to be \$2.07 million under budget due to a statewide weakening in sales tax activities and vehicle sales.



- (21) **Health & Mental Health Subventions** revenues are \$1.50 million below budget primarily because of a drop in State Child Support Services subventions to the Department of Public Health; however, this is covered by a like amount of savings in program spending. A summary of all Public Health operations is included in the expenditure section below.
- (22) **Public Safety Sales Tax** revenue is projected to be \$2.30 million under budget due to lower statewide allocations than were previously assumed. While the budget had assumed growth, current year collections are now projected to only yield an amount similar to prior-year actual collections. The allocation of this revenue by the State is tied to the City's proportionate share of statewide sales activity in the prior calendar year, so even though San Francisco's sales tax activity is growing, this positive news is being largely offset by weak statewide sales activity.
- (23) **Motor Vehicle in Lieu (MVL-VLF)** revenues that are directly allocated by the State are projected to be \$0.53 million under budget due to weakness in vehicle sales. However, on a related note, the indirect allocation, made the State through Property Tax shifts related to the permanent roll-back of vehicle license fees, is projected to be \$5.68 million better than budgeted as this allocation grows with the change in counties' assessed valuations. The net impact of these two components is a surplus of \$5.15 million. The portion affecting property taxes is shown above in the Property Tax section.
- (24) **Other Grants and Subventions** revenues are projected to be \$8.19 million below budget due to the elimination of estimated mandated cost reimbursement claims of \$8.19 million.
- (25) **Service Charges – General Government** revenues are projected to be \$0.44 million under budget. Notable programmatic variances include:
- - \$0.65 million in City Planning Building Permit and Environmental Review fees,
  - - \$0.12 million in Public Works Miscellaneous Service charges,
  - - \$0.11 million in District Attorney Bad Check fees,
  - - \$0.03 million in Board of Appeals fees,
  - +\$0.04 million in other Public Works fees,
  - +\$0.09 million in Elections filing fees,
  - +\$0.10 million in Public Works Street Space fees, and
  - +\$0.24 million in Assessor / Recorder Recording fees.
- (26) **Service Charges - Public Safety** revenues are projected to be \$2.34 million under budget. Notable programmatic variances include:
- - \$2.71 million in Sheriff Boarding of Prisoners fees,
  - - \$0.43 million in City Administrator for Farmer's Market fees,
  - - \$0.39 million in Adult Probation Costs and Other Charges
  - - \$0.21 million in Fire Inspection fees,
  - - \$0.08 million in District Attorney Community Court fees,
  - - \$0.06 million in Police DUI Emergency Response fees,
  - - \$0.06 million in Police Loudspeaker Vehicle fees,
  - - \$0.04 million in Police Other Public Safety Charges,
  - +\$0.15 million in Police False Alarm Response fees,
  - +\$0.40 million in 10B Police Overtime Overhead recovery fees, and
  - +\$1.09 million in Fire Ambulance fees.
- (27) **Recreation Charges – Rec/Park** revenues are projected to be on budget.

- (28) **Service Charges – MediCal, Medicare, & Health Services** are projected to be \$2.86 million under budget due to \$2.36 million of lower Public Health revenue related to Primary Care and \$0.50 million in targeted case management reimbursement rates. A summary of all Public Health operations is included in the expenditure section below.
- (29) **Other Service Charges** are projected to be \$0.30 million better than budget due to increased service charge revenue at the Treasurer/Tax Collector.
- (30) **Recoveries** are projected to be on budget.
- (31) **Other Revenues** are projected to be \$0.12 million better than budget due to higher miscellaneous Treasurer/Tax Collector revenues.
- (32) **Transfers In – Airport.** The General Fund 15 percent share of parking and rental car concession revenues at San Francisco International Airport is projected to be \$1.67 million better than budget as a result of additional passenger traffic from new carrier service (including Jet Blue, Southwest and Virgin America) as well as higher international traffic.
- (33) **Transfers In – Other** are projected to be \$0.42 million under budget due a drop in transfers from the Department of Public Health related to lower than budgeted pharmacy expenses for Healthy San Francisco participants.

**III. Uses of Funds, Chart G, (millions)**

| <b>GENERAL FUND (US\$ millions)</b>                    | <b>FY 2006-07</b>  | <b>FY 2007-08</b>      | <b>FY 2007-08</b>     | <b>9-Month</b>            | <b>9-Month</b>               |
|--|--------------------|------------------------|-----------------------|---------------------------|------------------------------|
|  | <b>Actuals</b>     | <b>Original Budget</b> | <b>Revised Budget</b> | <b>Projected Year-End</b> | <b>Surplus / (Shortfall)</b> |
| <b>PUBLIC PROTECTION</b>                               |                    |                        |                       |                           |                              |
| Adult Probation  | \$ 10.73           | \$ 12.31               | 12.40                 | \$ 11.69                  | \$ 0.71                      |
| Superior Court   | 31.26              | 31.80                  | 34.33                 | 34.33                     | -                            |
| District Attorney                                      | 30.35              | 33.14                  | 33.63                 | 32.89                     | 0.74                         |
| Emergency Management                                   | 5.19               | 3.57                   | 3.70                  | 3.70                      | -                            |
| Fire Department  | 225.23             | 234.11                 | 244.32                | 242.18                    | 2.14                         |
| Juvenile Probation                                     | 33.90              | 38.43                  | 39.55                 | 38.25                     | 1.30                         |
| Public Defender  | 21.64              | 23.37                  | 23.76                 | 23.74                     | 0.02                         |
| Police   | 307.05             | 341.24                 | 346.94                | 346.94                    | -                            |
| Sheriff  | 136.59             | 146.93                 | 151.92                | 151.92                    | -                            |
|  | <b>801.94</b>      | <b>864.90</b>          | <b>890.56</b>         | <b>885.65</b>             | <b>4.91</b>                  |
| <b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>     |                    |                        |                       |                           |                              |
| Public Works   | 50.94              | 49.78                  | 97.72                 | 95.62                     | 2.10                         |
| Economic & Workforce Development                       | 3.10               | 5.13                   | 11.13                 | 11.13                     | -                            |
| Municipal Transportation Agency                        | 0.25               | -                      | 0.94                  | 0.94                      | -                            |
| Board of Appeals                                       | 0.57               | 0.62                   | 0.62                  | 0.62                      | -                            |
| Public Utilities Commission                            | 0.24               | -                      | 0.06                  | 0.06                      | -                            |
|  | <b>55.10</b>       | <b>55.53</b>           | <b>110.48</b>         | <b>108.38</b>             | <b>2.10</b>                  |
| <b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>    |                    |                        |                       |                           |                              |
| Children, Youth & Their Families                       | 21.04              | 29.67                  | 36.58                 | 36.58                     | -                            |
| Human Services   | 536.64             | 598.42                 | 633.24                | 609.15                    | 24.09                        |
| Environment  | 1.04               | 1.47                   | 5.56                  | 5.56                      | -                            |
| Human Rights Commission                                | 1.13               | 1.06                   | 1.06                  | 1.06                      | -                            |
| County Office of Education                             | 0.07               | 0.08                   | 0.08                  | 0.08                      | -                            |
| Status of Women  | 3.61               | 3.33                   | 3.36                  | 3.24                      | 0.12                         |
|  | <b>563.53</b>      | <b>634.03</b>          | <b>679.87</b>         | <b>655.66</b>             | <b>24.21</b>                 |
| <b>COMMUNITY HEALTH</b>                                |                    |                        |                       |                           |                              |
| Public Health  | 410.17             | 468.61                 | 499.92                | 493.24                    | 6.68                         |
| <b>CULTURE &amp; RECREATION</b>                        |                    |                        |                       |                           |                              |
| Asian Art Museum                                       | 6.71               | 6.76                   | 7.07                  | 7.07                      | -                            |
| Arts Commission  | 7.63               | 8.99                   | 11.67                 | 11.57                     | 0.10                         |
| Fine Arts Museum                                       | 9.82               | 10.80                  | 10.98                 | 10.84                     | 0.14                         |
| Law Library  | 0.60               | 0.59                   | 0.59                  | 0.59                      | -                            |
| Recreation & Parks                                     | 65.95              | 70.75                  | 86.44                 | 83.59                     | 2.85                         |
| Academy of Sciences                                    | 2.24               | 3.96                   | 3.96                  | 3.96                      | -                            |
|  | <b>92.95</b>       | <b>101.85</b>          | <b>120.71</b>         | <b>117.62</b>             | <b>3.09</b>                  |
| <b>GENERAL ADMINISTRATION &amp; FINANCE</b>            |                    |                        |                       |                           |                              |
| City Administrator                                     | 44.76              | 67.62                  | 72.03                 | 70.42                     | 1.61                         |
| Assessor / Recorder                                    | 10.96              | 12.47                  | 12.95                 | 12.19                     | 0.77                         |
| Board of Supervisors                                   | 10.01              | 10.57                  | 11.91                 | 11.79                     | 0.12                         |
| City Attorney  | 10.95              | 11.87                  | 12.03                 | 14.32                     | (2.29)                       |
| Controller   | 18.02              | 15.30                  | 19.27                 | 18.92                     | 0.35                         |
| City Planning  | 19.44              | 22.38                  | 24.50                 | 23.85                     | 0.65                         |
| Civil Service Commission                               | 0.61               | 0.58                   | 0.60                  | 0.60                      | -                            |
| Ethics Commission                                      | 1.83               | 3.59                   | 9.75                  | 9.61                      | 0.14                         |
| Human Resources  | 9.41               | 11.10                  | 25.48                 | 25.16                     | 0.33                         |
| Health Service System                                  | -                  | -                      | -                     | -                         | -                            |
| Mayor  | 11.69              | 20.41                  | 42.61                 | 42.46                     | 0.15                         |
| Housing De-Appropriation per AAO                       | -                  | (33.05)                | -                     | -                         | -                            |
| Elections  | 9.85               | 19.20                  | 20.37                 | 23.03                     | (2.66)                       |
| Retirement System                                      | 0.37               | 0.51                   | 1.45                  | 1.45                      | -                            |
| Telecommunications & Information Services              | 4.20               | 3.98                   | 5.96                  | 5.96                      | -                            |
| Treasurer / Tax Collector                              | 20.58              | 21.03                  | 22.67                 | 22.67                     | -                            |
|  | <b>172.69</b>      | <b>187.55</b>          | <b>281.58</b>         | <b>282.42</b>             | <b>(0.84)</b>                |
| <b>GENERAL CITY RESPONSIBILITIES</b>                   | <b>58.54</b>       | <b>75.40</b>           | <b>78.79</b>          | <b>78.79</b>              | <b>-</b>                     |
| <b>TOTAL GENERAL FUND EXPENDITURES</b>                 | <b>2,154.92</b>    | <b>2,387.88</b>        | <b>2,661.91</b>       | <b>2,621.76</b>           | <b>40.15</b>                 |
| Baseline Funding to Library Preservation Fund          | 39.62              | 42.15                  | 42.15                 | 42.78                     | (0.63)                       |
| Baseline Funding to Parking & Traffic Fund             | 47.20              | 48.10                  | 48.10                 | 48.80                     | (0.70)                       |
| Baseline Transfer to Municipal Railway Fund            | 123.91             | 130.82                 | 130.82                | 133.09                    | (2.27)                       |
| Parking Tax In Lieu Transfer to Municipal Railway Fund | 25.91              | 24.04                  | 24.04                 | 25.75                     | (1.71)                       |
| Subsidy Transfer to SF General Hospital Fund           | 129.89             | 141.78                 | 146.05                | 147.75                    | (1.70)                       |
| Subsidy Transfer to Laguna Honda Hospital Fund         | 45.66              | 50.02                  | 50.02                 | 50.32                     | (0.30)                       |
| Transfer to All Other Special Revenue Funds            | 17.27              | 40.66                  | 41.07                 | 42.16                     | (1.09)                       |
| <b>Baselines &amp; Selected Subsidy Transfers Out</b>  | <b>429.46</b>      | <b>477.57</b>          | <b>482.25</b>         | <b>490.65</b>             | <b>(8.40)</b>                |
| Reserves   | -                  | 56.11                  | 32.67                 | 28.67                     | 4.00                         |
| <b>TOTAL GENERAL FUND USES</b>                         | <b>\$ 2,584.37</b> | <b>\$ 2,921.56</b>     | <b>\$ 3,176.83</b>    | <b>\$ 3,141.09</b>        | <b>\$ 35.74</b>              |

### **Notes to Uses of Funds Schedule:**

Most departments are managing their operations closely to budget. Though, a number of departments warrant further discussion – either because of operational issues or budgetary challenges. Notable department highlights are summarized below by Major Service Area. All projections highlighted in the table on the previous page are based on current spending patterns and identified savings plans when noted.

### **Public Protection Departments**

The **Adult Probation Department** is projected to end the fiscal year with \$0.71 million in salary and fringe benefit savings due to projected retirements and hiring delays. This is projected to be partially offset by a revenue shortfall of \$0.48 million. Overall, the Adult Probation Department is projected to end the fiscal year with a net \$0.23 million surplus.

The **Superior Court** is projected to end the year on budget. A supplemental appropriation of \$2.26 million was approved earlier this year.

The **District Attorney's Office** is projected to end the year with \$0.74 million in expenditure savings due mainly to salary and fringe savings. However, as discussed in the revenue sections, the department is anticipating a revenue shortfall of \$1.22 million. This shortfall is mainly due to audit disallowances for the Southwest Border Prosecution Initiative program and is only partially offset by higher settlement revenues. The department overall is projecting a net General Fund shortfall of \$0.48 million. The department has approximately \$0.71 million of projected fund balance in special revenue funds which may, in part, be considered to bridge their net General Fund budgetary shortfall.

The **Department of Emergency Management** is projected to end the year on budget with respect to General Funds. See *Appendix D Other Funds Highlights – Select Special Revenue Funds* for additional information about the 911 Fund.

The **Fire Department** is projected to end the year with \$2.14 million in expenditure savings due primarily to salary and fringe savings, offset by projected overtime spending and estimated over-expenditures in work order services. Additionally, the department is projected to have a revenue shortfall of \$0.27 million due to lower Proposition 172 Public Safety Sales Tax allocations (which are 50 percent allocated to Police and 50 percent to Fire), which is partially offset by a projected surplus in Ambulance fees. Overall, the Fire Department is projected to end the fiscal year with a net \$1.87 million surplus.

The **Juvenile Probation Department** is projected to end the year with expenditure savings of \$1.30 million, due primarily to a \$1.12 million expenditure contingency reserve. Projected over-expenditure of \$0.39 million in salaries, non-personnel services and materials and supplies stemming from a higher census at Juvenile Hall are projected to be offset by savings in capital projects, utilities, and workers' compensation costs. In addition, revenues are projected to be \$4.18 million less than budget due to a change in the methodology used to calculate reimbursable costs for Title IVe Foster Care funding. Overall, the Juvenile Probation department is projected to end the fiscal year with a \$2.88 million net shortfall.

The **Public Defender** is projected to end the year with net expenditure savings of \$0.02 million in salaries and fringe as a result of delayed hiring and employees that have been on medical leave without pay.

The **Police Department** is projected to end the fiscal year on expenditure budget. A projected over-expenditure of \$7.80 million in overtime, related to training Academy and on-going violence reduction efforts, is projected to be offset by permanent salaries and fringe benefit savings. In addition, \$1.79 million over expenditure in Workers' Compensation costs will be offset by savings in transfers and work orders with other city departments. Revenues are projected to be \$0.76 million less than assumed in the budget primarily due to lower Prop 172 Public Safety Sales Tax revenues (which are 50 percent allocated to Police and 50 percent to Fire) with partially offsetting fee revenue surpluses including higher 10B Overtime overhead reimbursements and False Alarm Response Fee revenues. Overall, the Police Department is projected to end the fiscal year with a net shortfall of \$0.76 million.

The **Sheriff's Department** is projected to end the year on expenditure budget. This projection assumes the Mayor approves a supplemental appropriation using \$5.40 million of General Fund Reserve to cover projected over-expenditures. Higher expenditures are due primarily to increased salary and fringe costs related to the opening of four additional inmate housing units (with the Department expecting to open another one in May) to address prison over-crowding, as well as increased jail health costs provided through a work order with the Public Health Department. Additionally, the Sheriff's Department is projected to end the year with a \$4.48 million revenue shortfall, due to the disallowance by the federal government of \$1.77 million in reimbursable claims from the Southwest Border Prosecution Initiative (SWBPI), and the suspension of contracts with the State Department of Corrections and U.S. Marshals Service worth a total of \$2.71 million for the boarding of prisoners. Overall, the Sheriff's Department is projected to end the year with a net departmental shortfall of \$4.48 million in the General Fund due to this revenue weakness.

#### **Public Works, Transportation & Neighborhood Development Departments**

The **Department of Public Works** is projected to end the year with \$2.10 million in expenditure savings in its General Fund operations due primarily to \$1.78 million in mid-year reductions. Department revenues are projected to be short by \$0.34 million due to a budgeted fee increase for café tables and chairs that was subsequently approved at a reduced level. Overall, the department is projected to end the year with a net operating surplus of \$1.76 million in its General Fund operations. See also *Appendix D Other Funds Highlights – Select Special Revenue Funds* for additional information about the Gas Tax Fund.

The **Economic & Workforce Development Department** is projected to end the year on expenditure budget. The supplemental appropriation of \$0.75 million for the Small Business Assistance Center, Proposition I, is included in this projection.

The **Board of Appeals** is projected to end the year on expenditure budget, but has a slight fee revenue shortfall of \$0.03 million.

#### **Human Welfare & Neighborhood Development Departments**

The **Human Services Agency** is projected to end the year with \$24.09 million of expenditure savings. The projected expenditure shortfall is due to \$7.94 million in lower than budgeted Aid

program costs, including Foster Care Aid and CAAP/PAES Aid, and \$16.15 million in operations, specifically CalWorks and Homeless Services. The department continues to see lower than expected caseloads in these program areas. Additionally, the department is experiencing a shortfall in the In-Home Supportive Services Program due to increases in services hours. These shortages are mitigated by savings in other areas. Revenues are projected to be \$7.97 million under budget due in large part to lower prior-year revenue claiming. Overall, the department is projected to have net departmental savings of \$16.12 million. Key programs contributing to the net savings are highlighted in the following table.

**Human Services Projected Surplus/(Deficit)**  
Fiscal Year Ending June 30, 2008  
Better/(Worse) than Budget

| <b>HUMAN SERVICES</b>               | <b>SOURCES</b>                  | <b>USES</b>                      | <b>Sort Order<br/>NET</b>                       |
|-------------------------------------|---------------------------------|----------------------------------|---|
| <b>US\$ Millions</b>                | <b>Surplus/<br/>(Shortfall)</b> | <b>Savings /<br/>(Shortfall)</b> | <b>Department<br/>Savings /<br/>(Shortfall)</b> |
| <b>Aid Programs</b>                 |                                 |                                  |   |
| Foster Care Aid                     | \$ 2.41                         | \$ 4.53                          | \$ 6.94   |
| CAAP/PAES Aid                       | 3.66                            | 2.60                             | 6.26  |
| IHSS - In Home Supportive Services  | 0.80                            | (0.14)                           | 0.66  |
| Adoption Aid                        | (0.94)                          | 1.18                             | 0.23  |
| Other Aid Programs                  | (1.12)                          | 1.07                             | (0.06)  |
| Seriously Emotionally Disturbed Aid | 0.52                            | (1.29)                           | (0.77)  |
| <b>Subtotal Aid Programs</b>        | <b>\$ 5.31</b>                  | <b>\$ 7.94</b>                   | <b>\$ 13.25</b>                                 |
| <b>Operations</b>                   |                                 |                                  |   |
| CalWorks                            | \$ (1.75)                       | \$ 6.59                          | \$ 4.85   |
| Homeless Services                   | 0.55                            | 1.79                             | 2.35  |
| DAAS Operations                     | 3.00                            | (2.13)                           | 0.87  |
| Food Stamps                         | (0.57)                          | 1.40                             | 0.83  |
| Medi-Cal Eligibility                | 0.11                            | 0.54                             | 0.65  |
| Workforce Development               | 0.41                            | 0.15                             | 0.56  |
| CAAP/CAPI Eligibility & Services    | 0.09                            | 0.29                             | 0.38  |
| Other Economic Support Programs     | -                               | 0.34                             | 0.34  |
| Federal Direct Grant                | (1.50)                          | -                                | (1.50)  |
| Child Welfare Programs              | (1.62)                          | (0.29)                           | (1.91)  |
| Other Operations                    | (12.01)                         | 7.46                             | (4.55)  |
| <b>Subtotal Operations</b>          | <b>\$ (13.28)</b>               | <b>\$ 16.15</b>                  | <b>\$ 2.86</b>                                  |
| <b>Total Aid &amp; Operations</b>   | <b>\$ (7.97)</b>                | <b>\$ 24.09</b>                  | <b>\$ 16.12</b>                                 |

The Department on the Status of Women is projected to end the year with expenditure savings of \$0.12 million due to mid-year reductions in salaries and benefits and grants.

The Children, Youth & Their Families Department, the Department of Environment, the Human Rights Commission, and the County Office of Education are all projected to end the year on expenditure budget.

## Public Health

The Department of Public Health is projected to have a net shortfall of \$0.09 million, comprised of a net operating revenue surplus of \$4.87 million, offset by over-expenditures of \$4.97 million as discussed below.

### Health Department Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 2008

| <u>PUBLIC HEALTH</u>                 | <u>SOURCES</u>          | <u>USES</u>              | <u>NET</u>                             |
|--------------------------------------|-------------------------|--------------------------|--|
| US\$ Millions                        | Surplus/<br>(Shortfall) | Savings /<br>(Shortfall) | Department<br>Savings /<br>(Shortfall) |
| <b>S.F. General Hospital</b>         | 7.73                    | (9.43)                   | (1.70)                                 |
| <b>Laguna Honda Hospital</b>         | 1.92                    | (2.22)                   | (0.30)                                 |
| <b><u>GENERAL FUND</u></b>           |                         |                          |  |
| Primary Care                         | (2.36)                  | 1.53                     | (0.82)                                 |
| Health at Home                       | -                       | 1.68                     | 1.68                                   |
| Jail Health                          | -                       | -                        | -                                      |
| Public Health                        | (2.00)                  | 2.09                     | 0.09                                   |
| Mental Health                        | (0.42)                  | 0.47                     | 0.05                                   |
| Substance Abuse                      | -                       | 0.91                     | 0.91                                   |
| <b>Subtotal - General Fund</b>       | <b>\$ (4.78)</b>        | <b>\$ 6.68</b>           | <b>\$ 1.91</b>                         |
| <b>Gifts and Other Bequests</b>      | <b>\$ -</b>             |                          | <b>\$ -</b>                            |
| <b>Department Total - All Funds^</b> | <b>\$ 4.87</b>          | <b>\$ (4.97)</b>         | <b>\$ (0.09)</b>                       |

^ Net of Safety Net Care Pool/Healthy Plan Match IGT Transfers

## Hospital Operations

- SF General:** SF General Hospital is projected to end the year with a \$7.73 million revenue surplus due to \$5.64 million of net patient service revenue associated with better than budgeted census, \$14.65 million from prior-year revenue claiming settlements. This is offset by a projected \$10.86 million shortfall of revenues from Healthy San Francisco and \$1.71 million of capitation revenues and payments from the Safety Net Care Pool. For the first nine months of the fiscal year, the average daily census for the Acute Medical/Surgery Units was 4.1 percent higher than assumed in the budget. Expenditures are projected to be over budget by \$9.43 million due to higher than budgeted personnel and non-personal costs offset by savings from Healthy San Francisco, including \$0.25 million for savings from the workers compensation clinic. The net operating deficit is projected to be \$1.70 million.
- Laguna Honda:** Revenues are projected to be \$1.92 million higher than budget due to a favorable \$4.00 million settlement of previously denied Medi-Cal reimbursement, offset by reduced revenue associated with lower patient volumes at the Clarendon Hall facility. Expenditures are projected to be over budget by \$2.22 million due to increased costs for materials and supplies, non-personal services, and security services provided by the Sheriff's Department, offset by salary and fringe benefit savings also associated with the lower census.

### Non-Hospital Operations (General Fund)

| Division             | Net<br>Surplus/<br>(Shortfall)<br>millions | Explanation   |
|----------------------|--|---|
| Primary Care         | \$(0.82)                                   | Capitation/Managed Care revenue shortfall of \$2.36 million, offset by \$1.53 million savings in salaries and fringe benefits.  |
| Health at Home       | \$1.68                                     | \$1.68 million of salary and fringe benefit expenditure savings due to high vacancy rates.  |
| Jail Health Services | \$0.00                                     | A pending supplemental appropriation would fund the increased salary and fringe benefit expenditures due to the opening of additional units at the San Bruno Jail by the Sheriff's Department related to prisoner overcrowding.   |
| Public Health        | \$0.09                                     | Revenues Shortfall of \$2.00 million from: <ul style="list-style-type: none"> <li>• CA Child Support Services: (\$1.50)</li> <li>• Targeted Case Management (\$0.50)</li> </ul>   |
| Mental Health        | \$0.05                                     | Offset by related \$2.09 million expenditure savings in salaries and fringe benefits and non-personal costs.<br>Lower pharmacy related expenditures of \$0.47 million is offset by a revenue shortfall \$0.42 million from lower transfers for Healthy San Francisco due to reduction in pharmacy related expenditures. |
| Substance Abuse      | \$0.91                                     | Savings of \$0.91 million due to lower than budgeted salary and fringe benefit costs.   |
| <b>TOTAL</b>         | <b>\$1.91</b>                              |   |

### Culture & Recreation Departments

The **Arts Commission** is projected to end the year with \$0.10 million in expenditure savings related to the International Arts Festival.

The **Fine Arts Museum** is projected to end the year with \$0.14 million in expenditure savings primarily due to salary and fringe savings.

**Recreation and Park** is projected to end the year with \$2.85 million of expenditure savings in due to salary and fringe savings and the allocation of eligible expenses to the Open Space Fund. These savings will be kept by the department as part of the Recreation and Parks Budget Savings Incentive Reserve discussed earlier. Additionally, revenues are projected to be \$0.12 million better than budget as discussed in the Revenue Section. Overall, Recreation and Park is projected to end the year with a \$2.97 million net surplus. See also *Appendix D Other Funds Highlights – Select Special Revenue Funds* for additional information about the Golf and Open Space Funds.

The **Asian Arts Museum**, **Law Library** and the **Academy of Sciences** are all projected to end the year on expenditure budget.



### **General Administration & Finance Department**

The **City Administrator** is projected to end the year with \$1.61 million in expenditure savings due primarily to \$1.03 million in mid-year reductions. In addition to the mid-year reductions, the department is projected to have savings of \$0.93 million in salaries, non-personnel services, materials and supplies, and services of other departments, which is projected to be partially offset by \$0.35 million in lower than budgeted recoveries from work orders with other city departments. Department revenues are projected to be \$0.43 million under budget due to a delay in the takeover of the United Nations Plaza markets, which are currently operated by a non-profit organization permitted with the City. Overall, the department is projected to end the year with a \$1.18 million net surplus, which could be used as a funding source for the projected shortfall of \$1.09 million in the Convention Facilities Fund. See also *Appendix D – Select Special Revenue Funds* for more information on the Convention Facilities Fund.

The **Assessor-Recorder's Office** is projected to end the year with a \$0.77 million of expenditure savings due to hiring delays. The Department projects a revenue surplus of \$0.24 million due to an increase of Recorder revenues for a net departmental surplus of \$1.01 million.

The **Board of Supervisors** are projected to have \$0.12 million of salary savings from delayed hiring.

The **City Attorney's Office** is projected to have a \$2.29 million shortfall due to under-recoveries from billable clients. This departmental shortfall is partially offset by the Elections Systems & Software (ES&S) settlement, \$1.05 million of which has been allocated to the City Attorney for Consumer Protection costs, for an overall net department shortfall of \$1.24 million.

The **Civil Service Commission** is projected to end the year on expenditure budget.

The **Controller** is projected to end the year with \$0.35 million in expenditure savings in salaries and other one-time contract costs due to planned mid-year savings. Department revenues are projected to be \$0.11 million under budget related to audit disallowances of Southwest Border Prosecution Initiative (SWBPI) reimbursements. Overall, the department is projected to end the year with a \$0.24 million net surplus.

The **City Planning Department** is projected to have expenditure savings of \$0.65 million due to salary savings. These savings are offset by a revenue shortfall of \$0.65 million due to less than expected environmental review fees, and greater than anticipated refunds. This assumes a supplemental for the Transbay Joint Power Authority (TJPA) revenues to support TJPA expenses. Overall, the department is projected to end the year on budget.

The **Ethics Commission** plans to complete the year with cost savings of \$0.14 million primarily due to hiring delays. On a related note, the Mayoral Candidate Public Financing funding went unused during the November 2007 election, our projection assumes that the department will carry forward the remaining \$6.13 million in funding for future public financing grants.

The **Human Resources Department** is projected to end the year with \$0.33 million in expenditure savings due to \$0.08 million in mid-year reductions and \$0.25 million from the unused supplemental appropriation for the workers compensation clinic at San Francisco General Hospital. The department has projected savings in non-personnel services, work order spending, and Worker's Compensation for small departments; however, these savings are projected to be partially offset by planned hiring and increased spending on recruitment and training.

The **Health Service System** is projected to end the year on expenditure budget.

The **Mayor's Office** is projected to end the year with \$0.15 million in expenditure savings due to salary and fringe benefit savings.

The **Elections Department** is projected to end the year with a \$2.66 million expenditure deficit. Over-expenditures of \$6.20 million are projected primarily in professional services due to the new contract with Sequoia Voting Systems and the unanticipated special election in April 2008. The department will be requesting a supplemental appropriation to cover this shortfall funded in part by \$3.54 million in new State Proposition 41 grant revenue and \$0.99 million in surplus settlement revenue from ES&S, candidate filing fees, and ballot argument fees. The projection assumes that the department will request General Fund Reserve to cover the remaining \$1.67 million departmental shortfall. See also *Appendix D Other Funds Highlights – Select Special Revenue Funds* for additional information about the General Services Grant Fund.

The **Department of Telecommunications & Information Systems** is projected to end the year on budget.

The **Treasurer / Tax Collector's Office** is projected to end the year with expenditures on budget. In addition, the Department expects a revenue surplus of \$0.42 million due to projected various service charges.

#### **Transfers Out**

- 1) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contributions to the Library** are projected to be \$0.63 million more than is currently budgeted due to higher discretionary revenues.
- 2) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contributions to Parking & Traffic** are projected to be \$0.70 million more than budgeted due to higher discretionary revenues.
- 3) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contributions to MUNI** are projected to be \$2.27 million more than budgeted due to higher discretionary revenues.
- 4) Pursuant to the Charter Public Transit Funding Requirements, outlined on page 5, the **Transfer Out – Parking Tax In Lieu Contributions** made to the MTA for public transportation are projected to be \$1.71 million more than budgeted due to higher parking tax revenues.
- 5) The **Transfer Out – Contribution to SFGH** is projected to be \$1.70 million more than budget due to a net shortfall at San Francisco General Hospital. This results in an increased General Fund subsidy transfer being required from General Fund savings at Public Health. See the discussion concerning Public Health above.
- 6) The **Transfer Out – Contribution to LHH** is projected to be \$0.30 million more than budget due to a net shortfall at Laguna Honda Hospital from General Fund savings at Public Health. See the discussion concerning Public Health above.

**Workers Compensation**

Overall, the City's FY 2007-08 workers' compensation costs are projected to be \$2.02 million greater than FY 2006-07 actuals, while still being \$3.17 million better than was assumed in the FY 2007-08 budget. This results in a 4.2 percent projected savings from budgeted levels. However, in General Fund Supported operations, workers' compensation costs are projected to be \$0.63 million over-budget primarily due to over-expenditure in the Police, Fire, and Public Health Departments, the Sheriff's Office, and the District Attorney's Office. These deficits are partially offset by significant savings in the Recreation and Park Department and Human Services Agency. Estimates are based on nine months of actual claims as well as projected spending until the end of the fiscal year assuming prior-year spending patterns and inflation.

### Projected Workers Compensation Costs

(In Millions)

| (In Millions)                             |            | FY 2006-07 |                | FY 2007-08         |                     |                  |   |
|---|------------|------------|----------------|--------------------|---------------------|------------------|---|
| Fund/Service Area                         | (millions) | Actuals    | Revised Budget | 9-Month Projection | Surplus / (Deficit) | % Change from PY |   |
| <b>GENERAL FUND</b>                       |            |            |                |                    |                     |                  |   |
| Recreation & Park                         |            | \$ 2.68    | \$ 3.66        | \$ 2.92            | \$ 0.74             | 8.9%             | ↑ |
| Human Services                            |            | 2.44       | 2.80           | 2.06               | \$ 0.74             | -15.6%           |   |
| Human Resources w/ All Other Small Depts. |            | 1.50       | 1.55           | 1.10               | \$ 0.45             | -26.6%           |   |
| City Attorney                             |            | 0.27       | 0.32           | 0.10               | \$ 0.22             | -63.8%           |   |
| Juvenile Probation                        |            | 1.25       | 1.29           | 1.19               | \$ 0.10             | -4.6%            |   |
| Emergency Management                      |            | 0.42       | 0.47           | 0.44               | \$ 0.03             | 4.0%             |   |
| Adult Probation                           |            | 0.32       | 0.31           | 0.31               | \$ (0.00)           | -2.6%            |   |
| Health Service System                     |            | 0.10       | 0.04           | 0.05               | \$ (0.01)           | -50.1%           |   |
| Fine Arts Museum                          |            | 0.21       | 0.21           | 0.24               | \$ (0.02)           | 10.3%            |   |
| Treasurer/Tax Collector                   |            | 0.19       | 0.20           | 0.24               | \$ (0.04)           | 23.2%            |   |
| District Attorney                         |            | 0.40       | 0.11           | 0.23               | \$ (0.12)           | -43.0%           |   |
| Sheriff                                   |            | 2.86       | 2.63           | 2.76               | \$ (0.13)           | -3.4%            |   |
| Public Health                             |            | 1.03       | 1.15           | 1.29               | \$ (0.14)           | 24.3%            |   |
| Fire Department                           |            | 7.40       | 8.08           | 8.56               | \$ (0.48)           | 15.7%            |   |
| Police Department                         |            | 10.16      | 12.52          | 14.31              | \$ (1.79)           | 40.8%            |   |
| Subtotal General Fund (GF)                |            | \$ 31.24   | \$ 35.33       | \$ 35.78           | \$ (0.45)           | 14.5%            |   |
| <b>GENERAL FUND SUBSIDIZED</b>            |            |            |                |                    |                     |                  |   |
| Public Health                             |            |            |                |                    |                     |                  |   |
| SF General Hospital                       |            | \$ 5.39    | \$ 5.17        | \$ 5.21            | \$ (0.03)           | -3.3%            |   |
| Laguna Honda Hospital                     |            | 2.85       | 3.34           | 3.49               | \$ (0.15)           | 22.3%            |   |
| Subtotal General Fund Subsidized          |            | \$ 8.24    | \$ 8.51        | \$ 8.70            | \$ (0.18)           | 5.6%             |   |
| Subtotal General Fund & Subsidized        |            | \$ 39.47   | \$ 43.84       | \$ 44.48           | \$ (0.63)           | 12.7%            |   |
| % Change from FY 2006-07 Actuals          |            |            |                | 12.7%              |                     |                  |   |
| % Change from FY 2007-08 Revised Budget   |            |            |                | 1.4%               |                     |                  |   |

### Projected Workers Compensation Costs

(In Millions)

(In Millions)

|   | FY 2006-07      |                 | FY 2007-08         |                     |                  |   |
|---|-----------------|-----------------|--------------------|---------------------|------------------|---|
| Fund/Service Area                       | Actuals         | Revised Budget  | 9-Month Projection | Surplus / (Deficit) | % Change from PY |   |
| <b><u>OTHER FUNDS</u></b>               |                 |                 |                    |                     |                  |   |
| Municipal Transportation Agency*        | \$ 19.94        | \$ 19.00        | \$ 17.31           | \$ 1.69             | -13.2%           | ↑ |
| Public Library**                        | \$ 0.93         | 1.11            | 0.04               | 1.06                | -95.6%           |   |
| Public Utilities Commission             | \$ 3.43         | 3.62            | 3.20               | 0.42                | -6.7%            |   |
| Public Works                            | \$ 2.72         | 3.10            | 2.75               | 0.35                | 1.4%             |   |
| Port                                    | \$ 0.58         | 1.16            | 0.81               | 0.35                | 39.5%            |   |
| Police Department (Airport)             | \$ 0.44         | 0.68            | 0.44               | 0.24                | -0.5%            |   |
| Building Inspections                    | \$ 0.14         | 0.19            | 0.10               | 0.09                | -32.2%           |   |
| Telecommunications & Info Svcs          | \$ 0.29         | 0.35            | 0.31               | 0.04                | 7.3%             |   |
| Child Support Services                  | \$ 0.10         | 0.13            | 0.09               | 0.04                | -9.2%            |   |
| Rent Board                              | \$ 0.00         | 0.01            | 0.02               | (0.01)              | 220.7%           |   |
| City Administrator                      | \$ 0.23         | 0.24            | 0.29               | (0.05)              | 0.0%             | ↑ |
| War Memorial                            | \$ 0.17         | 0.19            | 0.35               | (0.16)              | 103.1%           |   |
| Airport Commission                      | \$ 1.61         | 1.64            | 1.91               | (0.27)              | 18.6%            |   |
| <b>Subtotal Non-General Fund</b>        | <b>\$ 30.59</b> | <b>\$ 31.41</b> | <b>\$ 27.61</b>    | <b>\$ 3.80</b>      | <b>-9.8%</b>     |   |
| <b>GRAND TOTAL</b>                      | <b>\$ 70.07</b> | <b>\$ 75.25</b> | <b>\$ 72.09</b>    | <b>\$ 3.17</b>      | <b>2.9%</b>      |   |
| % Change from FY 2006-07 Actuals        |                 |                 | 2.9%               |                     |                  |   |
| % Change from FY 2007-08 Revised Budget |                 |                 | -4.2%              |                     |                  |   |

\* The Municipal Railway contracts out its own Workers Compensation program with a third party administrator.

\*\* Public Library projection includes \$1 million subrogation recovery in November 2007.

\*\*\* Retirement System and Trial Court actuals and budget are excluded from all years.

**Energy – Natural Gas**

Energy costs are projected to be \$3.03 million under budget. The General Fund Supported operations are projected to show savings of \$1.09 million, and other self-supporting operations are projected to show savings of \$1.94 million.

**Energy Costs – Variance from Budget (\$ Millions)**

|  |              |               |               | <i>Sort Order</i><br><b>Variance<br/>from<br/>Budget</b> |
|--|--------------|---------------|---------------|--|
| <b><u>GENERAL FUND</u></b>                       | <b>Power</b> | <b>Gas</b>    | <b>Steam</b>  |  |
| Recreation & Parks                               | 0.03         | 0.23          | -             | 0.26   |
| Sheriff  | 0.01         | 0.11          | -             | 0.12   |
| Juvenile Probation                               | 0.06         | 0.06          | -             | 0.12   |
| Public Works                                     | 0.07         | 0.04          | -             | 0.11   |
| Real Estate                                      | 0.15         | (0.06)        | -             | 0.10   |
| Fine Arts Museum                                 | 0.01         | 0.05          | -             | 0.06   |
| Administrative Services                          | 0.00         | 0.06          | -             | 0.06   |
| Other Departments                                | (0.02)       | 0.06          | (0.04)        | (0.00)   |
| <b>Subtotal General Fund</b>                     | <b>0.31</b>  | <b>0.56</b>   | <b>(0.04)</b> | <b>0.83</b>  |
| <b><u>GENERAL FUND SUBSIDIZED</u></b>            |              |               |               |  |
| SF General Hospital                              | -            | 0.15          | -             | 0.15   |
| Laguna Honda Hospital                            | -            | 0.09          | -             | 0.09   |
| Convention Facilities                            | 0.11         | 0.00          | (0.09)        | 0.02   |
| <b>Subtotal General Fund Subsidized</b>          | <b>0.11</b>  | <b>0.24</b>   | <b>(0.09)</b> | <b>0.26</b>  |
| <b>Subtotal General Fund &amp; GF Subsidized</b> | <b>0.42</b>  | <b>0.80</b>   | <b>(0.14)</b> | <b>1.09</b>  |
| <b><u>OTHER FUNDS</u></b>                        |              |               |               |  |
| Public Utilities Commission                      | 1.46         | 0.03          | -             | 1.48   |
| Airport  | 0.43         | (0.03)        | -             | 0.40   |
| Public Works Non-GFS                             | 0.21         | (0.00)        | -             | 0.21   |
| Municipal Transportation Authority               | 0.08         | (0.00)        | -             | 0.08   |
| Other Departments                                | (0.04)       | (0.02)        | -             | (0.06)   |
| Public Library                                   | (0.04)       | (0.02)        | (0.09)        | (0.16)   |
| <b>Subtotal Other Funds</b>                      | <b>2.08</b>  | <b>(0.05)</b> | <b>(0.09)</b> | <b>1.94</b>  |
| <b>Grand Total</b>                               | <b>2.50</b>  | <b>0.75</b>   | <b>(0.23)</b> | <b>3.03</b>  |

**Overtime Costs**

Overtime costs are projected to represent 6.5 percent of personnel salary costs versus the 4.9 percent assumed in the budget. This results in overtime costs exceeding budget by approximately \$48.13 million. The table below includes an overtime summary by key user department, with a straight-line projection of year-end overtime costs. As in the past, the MTA, Police, Public Health, Fire, Sheriff and the PUC are the large users of overtime staffing, accounting for more than 90 percent of total overtime spending in the City.

**Overtime Spending - All Funds by Major Department**

US\$ Millions, for Overtime Pay

| <b>Fund/Service Area</b>                        | <b>FY 2006-07</b>  | <b>FY 2007-08</b>            |                          | <b>Straight Line Projection***</b> | <b>Surplus/ (Deficit)</b> | <b>Change from Prior Year</b> |                |
|---|--------------------|------------------------------|--------------------------|------------------------------------|---------------------------|-------------------------------|----------------|
|   | <b>Actual</b>      | <b>Adj. Revised Budget**</b> | <b>PPD 4/4/08 Actual</b> |                                    |                           | <b>\$ Million</b>             | <b>Percent</b> |
| <b>MTA</b>                                      |                    |                              |                          |                                    |                           |                               |                |
| Municipal Railway                               | \$ 39.82           | \$ 28.21                     | \$ 34.45                 | \$ 44.95                           | \$ (16.74)                | \$ 5.13                       | 12.9%          |
| Parking & Traffic                               | 2.40               | 2.26                         | 1.93                     | 2.52                               | (0.26)                    | 0.12                          | 4.9%           |
| Subtotal - MTA                                  | 42.22              | 30.47                        | 36.38                    | 47.47                              | (17.00)                   | 65.00                         | 153.9%         |
| <b>Police</b>                                   |                    |                              |                          |                                    |                           |                               |                |
| General Fund Operations                         | 23.87              | 19.02                        | 20.55                    | 26.82                              | (7.80)                    | 2.95                          | 12.4%          |
| Special Law Enforcement Services (10B)*         | 9.11               | 12.28                        | 9.41                     | 12.28                              | -                         | 3.17                          | 34.8%          |
| Grants & Other Non-10B Special Revenues         | 1.60               | 2.71                         | 2.08                     | 2.71                               | -                         | 1.11                          | 69.5%          |
| Airport   | 2.35               | 1.52                         | 1.48                     | 1.94                               | (0.42)                    | (0.41)                        | -17.5%         |
| Subtotal - Police                               | 36.92              | 35.53                        | 33.52                    | 43.75                              | (8.22)                    | 6.82                          | 18.5%          |
| <b>Public Health</b>                            |                    |                              |                          |                                    |                           |                               |                |
| All Other Non-Hospital Operations               | 0.93               | 0.77                         | 0.79                     | 1.04                               | (0.27)                    | 0.11                          | 11.9%          |
| Grants & Other Special Revenues                 | 0.04               | 0.29                         | 0.02                     | 0.03                               | 0.26                      | (0.01)                        | -28.6%         |
| SF General                                      | 8.20               | 8.01                         | 7.25                     | 9.46                               | (1.45)                    | 1.26                          | 15.4%          |
| Laguna Honda Hospital                           | 7.55               | 2.48                         | 6.01                     | 7.84                               | (5.36)                    | 0.29                          | 3.9%           |
| Subtotal - Public Health                        | 16.71              | 11.55                        | 14.07                    | 18.36                              | (6.82)                    | 1.66                          | 9.9%           |
| <b>Fire</b>                                     |                    |                              |                          |                                    |                           |                               |                |
| General Fund Operations                         | 16.17              | 18.75                        | 16.54                    | 21.59                              | (2.84)                    | 5.42                          | 33.5%          |
| Grants & Other Special Revenues                 | 1.58               | 0.22                         | 0.16                     | 0.22                               | -                         | (1.36)                        | -86.4%         |
| Airport   | 1.83               | 1.73                         | 1.29                     | 1.69                               | 0.04                      | (0.14)                        | -7.8%          |
| Port  | 0.28               | 0.22                         | 0.13                     | 0.17                               | 0.05                      | (0.11)                        | -38.7%         |
| Subtotal - Fire                                 | 19.86              | 20.92                        | 18.13                    | 23.66                              | (2.74)                    | 3.81                          | 19.2%          |
| <b>Sheriff</b>                                  | 13.52              | 10.86                        | 12.02                    | 15.68                              | (4.82)                    | 2.16                          | 16.0%          |
| <b>PUC</b>                                      | 6.71               | 2.84                         | 5.52                     | 7.20                               | (4.36)                    | 0.49                          | 7.3%           |
| <b>Subtotal - Big 6</b>                         | <b>\$ 135.95</b>   | <b>\$ 112.18</b>             | <b>\$ 119.64</b>         | <b>\$ 156.13</b>                   | <b>\$ (43.95)</b>         | <b>\$ 20.19</b>               | <b>14.8%</b>   |
| Airport Commission                              | 1.46               | 1.68                         | 1.19                     | 1.55                               | 0.13                      | 0.10                          | 6.6%           |
| Elections                                       | 0.46               | 0.85                         | 0.71                     | 0.93                               | (0.08)                    | 0.47                          | 104.0%         |
| Fine Arts Museum                                | 0.60               | 0.55                         | 0.53                     | 0.69                               | (0.14)                    | 0.08                          | 13.8%          |
| Human Services Agency                           | 1.07               | 0.20                         | 0.81                     | 1.06                               | (0.85)                    | (0.02)                        | -1.7%          |
| Juvenile Probation                              | 2.22               | 1.15                         | 1.86                     | 2.42                               | (1.28)                    | 0.21                          | 9.2%           |
| Recreation & Park                               | 2.33               | 0.61                         | 1.83                     | 2.38                               | (1.78)                    | 0.06                          | 2.4%           |
| All Other Departments                           | 7.43               | 7.44                         | 5.84                     | 7.62                               | (0.18)                    | 0.19                          | 2.6%           |
| <b>Total</b>                                    | <b>\$ 151.52</b>   | <b>\$ 124.66</b>             | <b>\$ 132.41</b>         | <b>\$ 172.79</b>                   | <b>\$ (48.13)</b>         | <b>\$ 21.27</b>               | <b>14.0%</b>   |
| <i>Big 6 % of Total</i>                         | <i>89.7%</i>       | <i>90.0%</i>                 | <i>90.4%</i>             | <i>90.4%</i>                       | <i>91.3%</i>              | <i>94.9%</i>                  |                |
| Change from Prior Year Actual                   | \$ 27.33           | \$ (26.85)                   |                          | \$ 21.27                           |                           |                               |                |
| <b>Total Gross Salaries (Cash Compensation)</b> | <b>\$ 2,371.93</b> | <b>\$ 2,529.07</b>           | <b>\$ 2,023.09</b>       | <b>\$ 2,640.13</b>                 |                           |                               |                |
| <b>Overtime as a % of Total Gross Salaries</b>  | <b>6.4%</b>        | <b>4.9%</b>                  | <b>6.5%</b>              | <b>6.5%</b>                        |                           |                               |                |

\* Police 10B Revised Budget reflects self-appropriation levels equal to the straight-line projection.

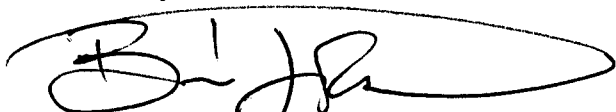
\*\* Adjusted Revised Budget reflects budgetary accounting of transfers for project and grant appropriation.

\*\*\* Straight line projections do not adjust for savings plans,

## CONCLUSION

Funds available are sufficient to carry the City through the remainder of the fiscal year and result in a projected year-end General Fund balance of \$41.64 million. My staff and I are available to respond to any comments or questions you may have at this time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ben Rosenfield', enclosed within a large, horizontal oval shape.

BEN ROSENFIELD  
Controller

Attachments: Appendix A Status of Supplemental Appropriations  
Appendix B Status of Reserves – Current and Prior Years  
Appendix C MOU Reserve Update  
Appendix D Other Fund Highlights – Select Special Revenue Funds  
Appendix E Other Fund Highlights – Select Enterprise Funds

cc: Department Heads  
Nani Coloretti, Mayor's Budget Office  
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations  
FY 2007-08 as of April 30, 2008**

**APPENDIX A**

**Status of Supplemental Appropriations**

Fiscal Year 2007-2008

(as of April 30, 2008)

| <b>GENERAL FUND SUPPORTED SUPPLEMENTALS</b>   | <b>APPROVED<br/>CHANGES</b> | <b>PENDING /<br/>POTENTIAL<br/>CHANGES</b> | <b>USING<br/>GENERAL<br/>RESERVE or<br/>FUND BALANCE</b> |
|---|-----------------------------|--|--|
| <b>Board and Voter Approved Supplementals</b>   |                             |  |  |
| ADM - Special Events Manager in Entertainment Commission  | \$ 45,612                   |  |  |
| ADM - Special Events Manager in Entertainment Commission (savings)  | (45,612)                    |  |  |
| CRT - Indigent Defense  | 2,263,846                   |  | \$ 2,263,846   |
| DPH - Capital Improvements at San Francisco General Hospital  | 4,270,320                   |  |  |
| ECN - Small Business Assistance Center (Proposition I)  | 750,000                     |  | 750,000  |
| GEN - Hurricane Relief in Nicaragua   | 100,000                     |  | 100,000  |
| HRD - Workers Compensation Clinic at SF General Hospital  | 246,000                     |  | 246,000  |
| REC - Golden Gate Park Stables Matching Funds (Proposition G)*  | 750,000                     |  | 750,000  |
| REC - Recreational Opportunity Study at SF Golf Courses   | 50,000                      |  |  |
| REC - Recreational Opportunity Study at SF Golf Courses (savings)   | (50,000)                    |  |  |
| REG - New Voting System and Voting Services (1 of 2)  | 1,130,000                   |  | -  |
| <b>Total Changes Approved</b>   | <b>\$ 9,510,166</b>         |  | <b>\$ 4,109,846</b>                                      |
| <b>Supplementals Pending - Assumed Approved in 9-Month Projection</b>   |                             |  |  |
| SHF - Additional Cost for Inmate Housing Costs (Part 1 of 4)  |                             | \$ 5,724,059                               | \$ 5,400,173   |
| SHF - Additional Cost for Inmate Housing Costs (Part 2 of 4)  |                             | \$ (323,886)                               |  |
| <b>Total Supplemental Pending at the Board or Mayor's Approval<br/>- Assumed Approved in 9-Month Projection</b> | <b>\$ -</b>                 | <b>\$ 5,400,173</b>                        | <b>\$ 5,400,173</b>                                      |
| <b>Total Supplementals Approved and Pending at the Board<br/>- Assumed Approved in 9-Month Projection</b>       | <b>\$ 14,910,339</b>        | <b>\$ 5,400,173</b>                        | <b>\$ 9,510,019</b>                                      |
| <i>Supported by New General Fund Revenues</i>   | <i>1,130,000</i>            |  |  |
| <i>Supported by Rainy Day Reserves</i>  | <i>-</i>                    |  |  |
| <i>Supported by General Fund Reserve</i>  | <i>9,510,019</i>            |  |  |
| <i>Supported by Department Reserve</i>  | <i>-</i>                    |  |  |
| <i>Supported by Fund Balance</i>  | <i>-</i>                    |  |  |
| <i>Supported by Department Savings</i>  | <i>(419,498)</i>            |  |  |
| <i>Supported by Budget Savings Incentive Reserve</i>  | <i>4,270,320</i>            |  |  |
| <b>Supplementals Pending at the Board - Not Assumed Approved in 9-Month Projection</b>                          |                             |  |  |
| CHF - San Francisco Promise Program   | \$ 525,000                  |  | \$ 525,000   |
| DPH - Acute Psychiatric Beds at San Francisco General Hospital  | \$ 2,335,282                |  | \$ 1,368,743   |
| MOH - Supportive Housing for People Who Are Homeless or at Risk of Homelessness                                 | \$ 5,000,000                |  | \$ 5,000,000   |
| REC - Half-Time Senior Administrative Analyst to Staff a Golf Course Task Force                                 | \$ 45,717                   |  |  |
| REC - Dolores Park Capital Improvement Planning   | \$ 200,000                  |  |  |
| <b>Total Supplementals Pending at the Board - Not Assumed Approved in 9-Month Projection</b>                    | <b>\$ 8,105,999</b>         |  | <b>\$ 6,893,743</b>                                      |
| <b>Additional Anticipated Supplementals</b>   |                             |  |  |
| DPH- Surplus Revenues to cover overruns at Laguna Honda and San Francisco General                               | \$ 11,063,000               |  |  |
| REG - New Voting System and Voting Services (2 of 2)  | \$ 2,660,000                |  | \$ 1,672,000   |
| <b>Total Additional Anticipated Supplementals- As Noted in 9-Month Projection</b>                               | <b>\$ 13,723,000</b>        |  | <b>\$ 1,672,000</b>                                      |

\*City must match \$1.00 for every \$3.00 donated, up to a maximum of \$750,000.



| <b>NON-GENERAL FUND SUPPORTED SUPPLEMENTALS</b>                              | <b>APPROVED<br/>CHANGES</b> | <b>PENDING /<br/>POTENTIAL<br/>CHANGES</b> | <b>USING<br/>FUND BALANCE</b> |
|--|-----------------------------|--|-------------------------------|
| <b>Approved Supplementals</b>  |                             |  |                               |
| DPW - Additional Proposition 1B State Funds for Street Resurfacing Projects  | \$ 8,890,628                |  |                               |
| PRT - Fuel Spill Clean-Up Activities   | 250,000                     |  | 250,000                       |
| PUC - Construction at 525 Golden Gate Ave.                                   | 33,521,354                  |  |                               |
| AIR - San Francisco Airport Terminal 2 Boarding Area D Renovations           | 55,000,000                  |  |                               |
| LIB - Improvement and Constructon of San Francisco Public Library Facilities | 34,896,162                  |  |                               |
| PUC-Water System Improvement Program   | 261,757,569                 |  |                               |
| <b>Total Changes Approved</b>  | <b>\$ 394,315,713</b>       |  | <b>\$ 250,000</b>             |
| <b>Supplementals Pending in the Mayor's Office</b>                           |                             |  |                               |
| SHF - Additional Cost Related to Prison Overcrowding (Part 3 of 4)           |                             | \$ 600,000                                 | \$ 600,000                    |
| SHF - Additional Cost Related to Prison Overcrowding (Part 4 of 4)           |                             | 269,044                                    |                               |
| WAR - Premium Pay cost for Engineers   |                             | 275,237                                    | 275,237                       |
| <b>Total Supplementals Pending in the Mayor's Office</b>                     |                             | <b>\$ 1,144,281</b>                        | <b>\$ 875,237</b>             |
| <b>Supplementals Pending at the Board</b>                                    |                             |  |                               |
| AIR - San Francisco International Airport Capital Improvements               |                             | 593,490,962                                |                               |
| PUC - COPS funded Electrical Reliability Project                             |                             | 273,015,000                                |                               |
| <b>Total Supplementals Pending at the Board</b>                              |                             | <b>\$ 866,505,962</b>                      | <b>\$ -</b>                   |
| <b>Additional Anticipated Supplementals</b>                                  |                             |  |                               |
| CPC - Transbay Joint Powers Authority Project Expenses                       |                             | \$ 427,000                                 |                               |
| <b>Total Additional Anticipated Supplementals</b>                            |                             | <b>\$ 427,000</b>                          | <b>\$ -</b>                   |

## APPENDIX B: Status of Reserves – Current and Prior Years As of April 30, 2008

| Current and Prior Year Reserves                  |  |   |                                |                                 |
|--|--|---|--------------------------------|---------------------------------|
| Department                                       | Fiscal Year<br>Amount Placed on<br>Reserve | Reserve Description                             | Original Balance<br>of Reserve | Remaining Balance<br>of Reserve |
| Administrative Services                          | FY 2007-08                                 | BOARD OF SUPERVISORS DISABILITY ACCESS PROJECTS | 760,163                        | 760,163                         |
| Administrative Services                          | FY 2006-07                                 | CIVIC CENTER RELOCATION PROJECT                 | 800,000                        | 800,000                         |
| <b>Administrative Services Total</b>             |  |   | <b>\$ 1,560,163</b>            | <b>\$ 1,560,163</b>             |
| Airport Commission                               | FY 2005-06                                 | CARGO FACILITY IMPROVEMENTS - UNALLOCATED       | 24,970,000                     | 22,655,000                      |
| Airport Commission                               | FY 2006-07                                 | NOISE INSULATION & MANAGEMNT SYS - UNALLOC      | 2,178,775                      | 2,178,775                       |
| Airport Commission                               | FY 2007-08                                 | INTERNATIONAL TERMINAL IMPROVEMENTS             | 3,224,786                      | 3,224,786                       |
| Airport Commission                               | FY 2007-08                                 | ROADWAY IMPROVEMENTS - UNALLOC                  | 12,789,167                     | 12,789,167                      |
| <b>Airport Commission Total</b>                  |  |   | <b>\$ 43,162,729</b>           | <b>\$ 40,847,729</b>            |
| Assessor/Recorder                                | FY 2005-06                                 | VIACOM LITIGATION                               | 4,493                          | 4,493                           |
| <b>Assessor/Recorder Total</b>                   |  |   | <b>\$ 4,493</b>                | <b>\$ 4,493</b>                 |
| City Planning                                    | FY 2005-06                                 | VISITATION VALLEY REDEV SURVEY AREA STUDY       | 200,000                        | 100,000                         |
| City Planning                                    | FY 2007-08 AAO                             | HISTORIC SURVEY WORK                            | 250,000                        | 175,000                         |
| City Planning                                    | FY 2007-08 AAO                             | WESTERN SOMA CITIZENS PLANNING TASK FORCE       | 80,000                         | 80,000                          |
| <b>City Planning Total</b>                       |  |   | <b>\$ 530,000</b>              | <b>\$ 355,000</b>               |
| Emergency Management                             | FY 2007-08 AAO                             | DEM EMERGENCY SERVICES                          | 403,256                        | 403,256                         |
| <b>Emergency Management Total</b>                |  |   | <b>\$ 403,256</b>              | <b>\$ 403,256</b>               |
| Environment                                      | FY 2003-04                                 | SOUTHEASTERN ENVIRONMENTAL                      | 3,042,693                      | 2,466,149                       |
| <b>Environment Total</b>                         |  |   | <b>\$ 3,042,693</b>            | <b>\$ 2,466,149</b>             |
| Fine Arts Museum                                 | FY 2007-08 AAO                             | DE YOUNG MUSEUM                                 | 204,778                        | 204,778                         |
| <b>Fine Arts Museum Total</b>                    |  |   | <b>\$ 204,778</b>              | <b>\$ 204,778</b>               |
| Human Services                                   | FY 2007-08 AAO                             | EMPLOYMENT SVCS OVERHEAD & SALARIES             | 4,885,205                      | 84,591                          |
| <b>Human Services Total</b>                      |  |   | <b>\$ 4,885,205</b>            | <b>\$ 84,591</b>                |
| Mayor  | FY 2001-02                                 | CDBG HOMELSS PROG ADM 02 (MOCD02/2104)          | 50,000                         | 50,000                          |
| Mayor  | FY 2003-04                                 | ADMINISTRATION BUDGET                           | 774,245                        | 774,245                         |
| Mayor  | FY 2004-05                                 | SEISMIC SAFETY LOAN DISBURSEMENT                | 15,000                         | 15,000                          |
| Mayor  | FY 2005-06                                 | 2005 COMM DEV BLOCK GRANT - MOH                 | 150,000                        | 95,000                          |
| Mayor  | FY 2005-06                                 | CBO'S MASTER POOL ACCOUNT                       | 57,271                         | 57,271                          |
| Mayor  | FY 2006-07                                 | SSL PROG 2007 BMR MASTER POOL                   | 13,217,143                     | 9,415,143                       |
| Mayor  | FY 2006-07                                 | SSL PROG 2007 MRL MASTER POOL                   | 19,782,857                     | 19,782,857                      |
| Mayor  | FY 2007-08 AAO                             | COMMUNITY JUSTICE CENTER                        | 500,000                        | 500,000                         |
| <b>Mayor Total</b>                               |  |   | <b>\$ 34,546,516</b>           | <b>\$ 30,689,516</b>            |
| Port Commission                                  | FY 2003-04                                 | BSW CONSTRUCTION                                | 9,000,000                      | 9,000,000                       |
| Port Commission                                  | FY 2003-04                                 | SOUTHERN WATERFRONT ENVIRONMENTAL               | 412,549                        | 159,549                         |
| <b>Port Commission Total</b>                     |  |   | <b>\$ 9,412,549</b>            | <b>\$ 9,159,549</b>             |
| Public Finance                                   | FY 2004-05                                 | 3COM PARK PROJECT                               | 18,119                         | 998                             |
| <b>Public Finance Total</b>                      |  |   | <b>\$ 18,119</b>               | <b>\$ 998</b>                   |
| Public Utilities Commission                      | FY 2005-06                                 | SOLAR POWER PROJECT                             | 12,500,000                     | 12,500,000                      |
| Public Utilities Commission                      | FY 2006-07                                 | MAYOR'S ENERGY CONSERVATION ACCOUNT             | 6,347,000                      | 3,173,500                       |
| Public Utilities Commission                      | FY 2007-08 AAO                             | HETCH HETCHY ROAD & SAFETY IMPROVEMENTS         | 800,000                        | 800,000                         |
| Public Utilities Commission                      | FY 2007-08 AAO                             | WASTEWATER COLLECTIONS SYSTEM ASSESSMENT        | 1,500,000                      | 1,500,000                       |
| Public Utilities Commission                      | FY 2007-08 AAO                             | CONSERVATION PARK DESIGN PROJECT                | 40,000                         | 40,000                          |
| Public Utilities Commission                      | FY 2007-08 AAO                             | CONVEYANCE/TRANSMISSION                         | 705,000                        | 705,000                         |
| <b>Public Utilities Commission Total</b>         |  |   | <b>\$ 21,892,000</b>           | <b>\$ 18,718,500</b>            |
| Public Works                                     | FY 2005-06                                 | 1990N - ALLOC 4TH ST BRDGE RETRO PE PH2         | 4,000,000                      | 2,515,000                       |
| Public Works                                     | FY 2005-06                                 | STREETSCAPE IMP PROJECTS BUDGET                 | 9,000,000                      | 8,212,000                       |
| Public Works                                     | FY 2006-07                                 | STREETSCAPE IMP PROJECTS BUDGET                 | 7,500,000                      | 7,090,000                       |
| Public Works                                     | FY 2007-08                                 | STREET RESURFACING FY 07/08                     | 9,986,478                      | 9,986,478                       |
| <b>Public Works Total</b>                        |  |   | <b>\$ 30,486,478</b>           | <b>\$ 27,803,478</b>            |
| Recreation & Park                                | FY 1999-2000                               | MID-EMBARCADERO MUSIC CONOURSE                  | 309,000                        | 309,000                         |
| Recreation & Park                                | FY 2002-03                                 | SAVA POOL                                       | 100,000                        | 100,000                         |
| Recreation & Park                                | FY 2004-05                                 | INTEREST EARNED                                 | 54,865                         | 54,865                          |
| Recreation & Park                                | FY 2004-05                                 | OS CAPITAL PROGRAM MGMT - BUDGET                | 3,464,972                      | 3,464,972                       |
| <b>Recreation &amp; Park Total</b>               |  |   | <b>\$ 3,928,837</b>            | <b>\$ 3,928,837</b>             |
| Retirement System                                | FY 2007-08 AAO                             | TEMPORARY SALARIES                              | 241,354                        | 241,354                         |
| <b>Retirement System Total</b>                   |  |   | <b>\$ 241,354</b>              | <b>\$ 241,354</b>               |
| Telecommunications & Info Svcs.                  | FY 2007-08 AAO                             | SECURITY CAMERAS                                | 200,000                        | 200,000                         |
| <b>Telecommunications &amp; Info Svcs. Total</b> |  |   | <b>\$ 200,000</b>              | <b>\$ 200,000</b>               |
| Treasurer/Tax Collector                          | FY 2007-08 AAO                             | BUSINESS ASSISTANCE CENTER                      | 150,000                        | 150,000                         |
| <b>Treasurer/Tax Collector Total</b>             |  |   | <b>\$ 150,000</b>              | <b>\$ 150,000</b>               |
| <b>Grand Total</b>                               |  |   | <b>\$ 154,669,170</b>          | <b>\$ 136,818,390</b>           |

## Appendix C: MOU Reserve Update

### FY 2007-08 Salary and Benefits Reserve Update - Quarter 3

#### SOURCES

##### Salary and Benefits Reserve

|   |                   |
|---|-------------------|
| Adopted AAO Salary and Benefits Reserve                                   | \$ 24,109,924     |
| Remaining FY 2006-07 Salary and Benefits Reserve Balance (assumed in AAO) | 11,806,043        |
| <b>Total Sources</b>  | <b>35,915,967</b> |

#### USES

##### Transferred to Departments

|   |                   |
|---|-------------------|
| Nurses - Additional Positions                                     | 3,703,351         |
| Nurses - Mandated Staffing Levels Related to Work Orders          | 964,891           |
| Nurses - One-time payouts, Premiums, Tuition Reimbursement in MOU | 1,201,403         |
| Fire - Additional Radios  | 268,580           |
| Fire - Effect of MOU increase on Overtime and Premium Pay         | 801,000           |
| Fire - Wage Increases   | 6,803,998         |
| Police Recruitment Committee (DHR)                                | 250,000           |
| Police - Rental/Relocation Assistance Program                     | 4,900             |
| SEIU "As-Needed" Temporary Healthcare                             | 1,000,000         |
| Sheriff - One-time Payouts & Holiday Pay True-up                  | 616,335           |
| Sheriff - Market Wage Adjustment                                  | 2,321,434         |
| Various Depts - Local 21 Life Insurance                           | 283,543           |
| Various Depts - Local 21 Union/City Partnership                   | 16,099            |
| Various Depts - MOU training costs                                | 1,101,817         |
| Visual Display Terminal Insurance - Quarters 1 & 2                | 72,701            |
| <b>Total Transferred to Departments</b>                           | <b>19,410,052</b> |

##### Remaining Allocations

|  |                      |
|--|----------------------|
| MOU increases and other salary adjustments (Fire Fighters, Sheriff's Association, Police Officers, Nurses, Supervising Nurses, SEIU, MEA, Elected Officials) | 699,564              |
| Retirement Payout (Fire Fighters, Police Officers, etc.)   | 5,518,098            |
| Premium, Overtime & Compensation Time Pay  | 4,501,813            |
| Recruitment and Retention (Nurses, Police Officers, SEIU employees)  | 1,981,918            |
| Wellness Program Pay-Outs (Fire Fighters, Police Officers, SEIU)   | 3,155,054            |
| Training (MEA, SEIU employees, Professional Engineers, Stationary Engineers, Police Officers, Various)   | 572,168              |
| Visual Display Terminal Insurance - FY 2007-08 Quarters 3 - 4  | 77,300               |
| <b>Total Remaining Allocations</b>   | <b>16,505,915</b>    |
| <b>Total Uses</b>  | <b>\$ 35,915,967</b> |

**APPENDIX D: Other Fund Highlights – Select Special Revenue Funds (millions)**

|  |   | Prior Year                                  | Current Year                                  |  |  |  |
|--|---|---|---|--|--|--|
|  |   | Fund<br>Balance<br>Surplus /<br>(Shortfall) | Sources<br>Better /<br>(Lower) than<br>Budget | Uses<br>Savings /<br>(Shortfall)<br>from<br>Budget | Net<br>Operating<br>Surplus /<br>(Deficit) | Estimated<br>Year-end<br>Fund<br>Balance |
| <b><u>SELECT SPECIAL REVENUE FUNDS</u></b> |   |   |   |  |  |  |
| (1)  | Building Inspection Fund                  | (\$1.75)                                    | \$2.58  | \$5.40   | \$7.98                                     | \$6.22                                   |
| (2)  | Children’s Fund                           | \$1.89                                      | \$1.07  | \$0.70   | \$1.77                                     | \$3.66                                   |
| (3)  | Child Support Services Fund               | \$0.00                                      | (\$0.03)                                      | \$0.03   | \$0.00                                     | \$0.00                                   |
| (4)  | General Services Grants Fund              | \$0.00                                      | \$3.54  | (\$3.54)   | \$0.00                                     | \$0.00                                   |
| <b>PUBLIC PROTECTION FUNDS</b>             |   |   |   |  |  |  |
| (5)  | 911 Emergency Communications Fund         | \$3.22                                      | (\$1.14)                                      | \$1.00   | (\$0.14)                                   | \$3.08                                   |
| (6)  | District Attorney (DAT) - Special Revenue | \$0.55                                      | \$0.00  | \$0.00   | \$0.00                                     | \$0.55                                   |
| (7)  | DAT - Narcotic Forfeiture & Asset Seizure | \$0.16                                      | \$0.00  | \$0.00   | \$0.00                                     | \$0.16                                   |
| (8)  | Sheriff - Inmate Program Fund             | \$0.62                                      | \$0.03  | (\$0.60)   | (\$0.57)                                   | \$0.05                                   |
| (9)  | Sheriff - Peace Officer Training Fund     | (\$0.00)                                    | \$0.27  | (\$0.27)   | \$0.00                                     | (\$0.00)                                 |
| (10)                                       | Sheriff - Special Maintenance Fund        | (\$0.04)                                    | \$0.00  | \$0.04   | \$0.04                                     | \$0.00                                   |
| <b>PUBLIC WORKS FUNDS</b>                  |   |   |   |  |  |  |
| (11)                                       | Gas Tax Fund                              | \$0.00                                      | (\$0.02)                                      | \$0.00   | \$0.02                                     | \$0.00                                   |
| (12)                                       | DPW Overhead Fund                         | \$4.24                                      | (\$1.03)                                      | \$0.00   | (\$1.03)                                   | \$3.21                                   |
| (13)                                       | Solid Waste Projects Fund                 | \$0.22                                      | \$0.00  | \$0.10   | \$0.10                                     | \$0.32                                   |
| <b>CULTURAL &amp; RECREATION FUNDS</b>     |   |   |   |  |  |  |
| (14)                                       | Convention Facilities Fund                | \$1.25                                      | (\$2.55)                                      | \$0.21   | (\$2.34)                                   | (\$1.09)                                 |
| (15)                                       | Golf Fund                                 | \$0.05                                      | (\$0.23)                                      | \$0.23   | \$0.00                                     | \$0.05                                   |
| (16)                                       | Library Preservation Fund                 | \$15.20                                     | \$0.97  | \$2.92   | \$3.89                                     | \$19.09                                  |
| (17)                                       | Marina Yacht Harbor Fund                  | \$2.14                                      | \$0.00  | \$0.00   | \$0.00                                     | \$2.14                                   |
| (18)                                       | Open Space Fund                           | \$7.62                                      | \$0.74  | \$0.92   | \$1.67                                     | \$9.29                                   |
| (19)                                       | War Memorial Fund                         | \$1.39                                      | \$0.00  | (\$0.28)   | (\$0.28)                                   | \$1.12                                   |
| <b>NEIGHBORHOOD DEVELOPMENT FUNDS</b>      |   |   |   |  |  |  |
| (20)                                       | Downtown Park Fund                        | \$0.59                                      | \$0.00  | \$0.11   | \$0.11                                     | \$0.70                                   |
| (21)                                       | Neighborhood Beautification Fund          | \$0.03                                      | \$0.00  | \$0.00   | \$0.00                                     | \$0.03                                   |
| (22)                                       | Rent Arbitration Board Fund               | \$0.19                                      | \$0.11  | \$0.24   | \$0.35                                     | \$0.54                                   |

| Notes | Other Funds | Description |
|-------|-------------|-------------|
|-------|-------------|-------------|

### SELECT SPECIAL REVENUE FUNDS

- |     |   |   |
|-----|---|---|
| (1) | <b>Building Inspection Operating Fund</b> | The Building Inspection Fund began the current year with a fund balance shortfall of \$1.75 million as \$7.05 million was assumed in the budget and only \$5.30 million was available by June 30, 2007. Current year revenues are projected to be \$2.58 million better than budget due primarily to better than anticipated charges for services. Expenditure savings of \$5.40 million are also projected, related to salary savings as well as non-personnel services. This fund is projected to have a \$7.98 million net operating surplus, resulting in \$6.22 million projected year-end fund balance. |
| (2) | <b>Children's Fund</b>                    | The Children's Fund began the current year with an additional \$1.89 million in fund balance over and above the \$2.54 million appropriated in the budget. Uses are projected to be on budget. In addition, revenues are projected to be \$1.07 million higher due to an additional \$0.57 million in Property Tax and an additional \$0.50 million of interest earnings. The fund is projected to have a \$1.77 million net operating surplus, resulting in a \$3.66 million projected year-end fund balance.  |
| (3) | <b>Child Support Services Fund</b>        | The Child Support Services Fund began the current year with no fund balance available for appropriation. Uses are projected to be \$0.03 million under budget primarily due to savings in non-personnel services, materials and supplies, and services of other departments. Additionally, sources are projected to be \$0.03 million under budget since the department is only reimbursed for its expenditures. This results in a no net current-year impact and no projected year-end available fund balance.   |
| (4) | <b>General Services Grant Fund</b>        | The General Services Grant Fund began the year with no available fund balance. Revenues are projected to be \$3.54 million better than budget due to Proposition 41 grant funding from the State to the Department of Elections. The department plans to use this funding to purchase voting equipment and partially offset projected over-expenditures in the current year. The projected year-end fund balance is zero. See page 26 for more information concerning the Department of Elections.  |

### PUBLIC PROTECTION FUNDS

- |     |  |   |
|-----|--|---|
| (5) | <b>911 Emergency Communications Fund</b> | The 911 Fund began the current year with an additional \$3.22 million over the \$5.50 million appropriated in the budget. There is a projected revenue shortfall of \$1.14 million in lower than projected 911 fee revenue. Projected savings of \$1.00 million are due to fringe benefit and debts service cost savings. The department has made a change to their training academy format, now starting small classes of 8-10 every month. This has resulted in reductions in permanent salary commitments; however, this savings will be largely offset by overtime costs. The 911 Fund is projected to have a \$0.14 million net operating shortfall which then results in a projected year-end available fund balance of \$3.08 million. |
|-----|--|---|

| Notes | Other Funds  | Description   |
|-------|--|---|
| (6)   | <b>District Attorney - Special Revenue Fund</b>                          | The District Attorney - Special Revenue Fund began the year with \$0.55 million of additional fund balance over the \$0.36 million appropriated in the budget. Current-year revenues and expenditures are expected to be on budget, resulting in a projected \$0.55 million year-end fund balance available for appropriation.  |
| (7)   | <b>District Attorney - Narcotics Forfeiture &amp; Asset Seizure Fund</b> | The District Attorney - Narcotics Forfeiture and Asset Seizure Fund began the year with \$0.16 million of fund balance, none of which was appropriated in the budget. Current-year revenues and expenditures are expected to be on budget, resulting in a projected year-end available fund balance of \$0.16 million.  |
| (8)   | <b>Sheriff - Inmate Program Fund</b>                                     | The Sheriff - Inmate Program Fund began the current year with \$0.62 million of fund balance available for appropriation, none of which was budgeted in FY 2007-08. A supplemental appropriation has been approved by the Board and is pending Mayor's approval using the available fund balance to partially cover projected over-expenditures at County Jail #5 resulting from jail overcrowding. Sources are projected to be \$0.03 million better than budget, resulting in a projected year-end available fund balance of \$0.05 million.  |
| (9)   | <b>Sheriff - Peace Officer Training Fund</b>                             | The Sheriff - Peace Officer Training Fund began the current year with no fund balance available for appropriation. Expenditures are projected to be \$0.27 million over budget due to increased recruitment and training activity. Since these expenditures are reimbursed by the State, sources are projected to be \$0.27 million better than budget as well, resulting in no projected fiscal year-end fund balance. A supplemental appropriation has been approved by the Board and is pending Mayor's approval using surplus revenue to cover the projected expenditure shortfall. |
| (10)  | <b>Sheriff - Special Maintenance Fund</b>                                | The Sheriff - Special Maintenance Fund began the current year with a negative \$0.04 million fund balance due to unrealized revenue in the prior year. This is reviewed each year and was remedied by closing out a like amount of expenditure appropriation, so no year-end available fund balance is projected.   |

#### **PUBLIC WORKS FUNDS**

|      |                                   |  |
|------|-----------------------------------|--|
| (11) | <b>Gas Tax Fund</b>               | The Gas Tax Fund began the year with no available fund balance. Revenues are projected to be below budget by \$0.06 million for fiscal year-end. No further General Fund support is projected as spending control is assumed to bring this fund back into balance by year-end.   |
| (12) | <b>Public Works Overhead Fund</b> | The Department of Public Works Overhead Fund began the year with \$4.24 million in fund balance. Recoveries are projected to be \$1.03 million lower than budget due to a mid-year overhead rate reduction and expenditures are projected to be on budget. The year-end available fund balance is projected to be \$3.21 million, which will be used to reduce overhead rates in future years. |

| Notes | Other Funds | Description |
|-------|-------------|-------------|
|-------|-------------|-------------|

- |      |                                  |  |
|------|----------------------------------|--|
| (13) | <b>Solid Waste Projects Fund</b> | The Solid Waste Projects Fund began the year with \$0.22 million in fund balance, none of which was appropriated in FY 2007-08. Revenues are projected to be on budget and expenditure savings are projected to be \$0.10 million, resulting in a projected year-end available fund balance of \$0.32 million. |
|------|----------------------------------|--|

#### CULTURAL & RECREATION FUNDS

- |      |                                   |   |
|------|-----------------------------------|---|
| (14) | <b>Convention Facilities Fund</b> | The Convention Facilities Fund began the current year with \$1.25 million of additional fund balance over the \$5.66 million appropriated in the budget. Current year sources are projected to be \$2.55 million under budget due to \$1.46 million in waived rent revenue and \$1.09 million in lower event and rental/concession revenues. Expenditures savings are projected to be \$0.21 million due to lower operating contract costs, resulting in a projected year-end net operating shortfall of \$2.34 million. The projected year-end fund balance is therefore negative \$1.09 million, which could be covered by operating savings in the City Administrator. A supplemental appropriation is likely needed to cover this shortfall absent identification of other savings in the fund. |
| (15) | <b>Golf Fund</b>                  | The Golf Fund began the current year with an additional \$0.05 million in fund balance. Revenues are expected to be \$0.23 under budget due to flooding at Sharpe, course conditions at Lincoln, and lower green fee revenues at Harding. A like amount of expenditures savings are expected for no net operating variance and a projected year-end fund balance of \$0.05 million.   |
| (16) | <b>Library Preservation Fund</b>  | The Public Library began the current year with \$15.20 million of fund balance none of which was appropriated in the current year. The department is expecting revenues to be better than budget by \$0.97 million mainly from higher property tax revenues of \$0.34 million and projected baseline transfers of \$0.63 million. Uses are projected to be under budget by \$2.92 million, including \$1.36 million in savings and \$1.56 million of reserves to close out to fund balance at the end of the fiscal year. Overall, the Library Preservation Fund is projected to have a year-end balance of \$19.09 million available for future appropriation.   |
| (17) | <b>Marina Yacht Harbor Fund</b>   | The Marina Yacht Harbor Fund began the year with \$2.14 million in fund balance over the \$0.22 million appropriated in the budget. Sources and uses are projected to be on budget resulting in no net operating variance and a projected year-end fund balance of \$2.14 million.  |
| (18) | <b>Open Space Fund</b>            | The Open Space Fund began the year with \$7.62 million of additional fund balance over the budgeted amount of \$2.69 million. Sources are projected to be better than budget by \$0.74 million due to \$0.34 million in higher property tax allocations and \$0.40 million in higher interest revenue because of higher cash balances than were previously assumed. Savings of \$0.92 million in salary and fringe and capital projects are also projected, for a net operating surplus of \$1.67 million and a projected year-end fund balance of \$9.29 million.  |
| (19) | <b>War Memorial Fund</b>          | The War Memorial Fund began the year with \$1.39 million in fund balance, none of which was appropriated in FY 2007-08. The department is not   |

| Notes                                 | Other Funds                             | Description  |
|---------------------------------------|---|--|
|                                       |   | projecting any variance in revenues. Expenditures are projected to be over budget by \$0.28 million due to unbudgeted premium salary pay for multiple license engineers both in the current year and retroactive pay along with some overage in workers compensation, resulting in a net operating deficit of \$0.28 million and a projected year-end available fund balance of \$1.12 million. A supplemental appropriation has been approved by the Board and is pending Mayor's approval using the available fund balance to cover the expenditure shortfall. |
| <b>NEIGHBORHOOD DEVELOPMENT FUNDS</b> |   |  |
| (20)                                  | <b>Downtown Park Fund</b>               | The Downtown Park Fund began the year with \$0.59 million in available fund balance. Revenues are projected to be on budget. All new revenue collections were budgeted to close to fund balance for future projects. This results in a projected year-end fund balance of \$0.70 million.  |
| (21)                                  | <b>Neighborhood Beautification Fund</b> | The Neighborhood Beautification Fund began the current year with a \$0.03 million fund balance available for appropriation. Both revenues and expenditures are expected to be on budget for a year-end projected fund balance of \$0.03 million.   |
| (22)                                  | <b>Rent Arbitration Board Fund</b>      | The Rent Arbitration Board Fund began the year with \$0.19 million in fund balance over the \$0.67 million budgeted in FY 2007-08. Revenues are projected to be better than budget by \$0.11 million and expenditure savings are projected of \$0.24 million, resulting in a projected year-end fund balance of \$0.54 million.  |



**APPENDIX E: Other Fund Highlights – Select Enterprise Funds**

|                                       |   | Prior Year                                  | Current Year                                  |  |  |  |
|---------------------------------------|---|---|---|--|--|--|
|                                       |   | Fund<br>Balance<br>Surplus /<br>(Shortfall) | Sources<br>Better /<br>(Lower) than<br>Budget | Uses<br>Savings /<br>(Shortfall)<br>from<br>Budget | Net<br>Operating<br>Surplus /<br>(Deficit) | Estimated<br>Year-end<br>Fund<br>Balance |
| <b><u>SELECT ENTERPRISE FUNDS</u></b> |   |   |   |  |  |  |
| (1)                                   | Airport Operating Fund                              | \$61.02                                     | \$22.69                                       | \$5.71   | \$28.39                                    | \$89.42                                  |
| (2)                                   | Airport - Narcotics Forfeiture & Asset Seizure Fund | \$1.43                                      | \$0.05  | \$0.00   | \$0.05                                     | \$1.48                                   |
| (3)                                   | MTA – MUNI Operating Fund                           | \$37.40                                     | \$8.37  | \$15.06  | \$23.43                                    | \$60.84                                  |
| (4)                                   | MTA - MUNI Transit Impact Fund                      | \$2.60                                      | \$1.23  | \$10.15  | \$11.38                                    | \$13.98                                  |
|                                       | Subtotal MTA - MUNI                                 | \$40.00                                     | \$9.61  | \$25.21  | \$34.81                                    | \$74.81                                  |
| (5)                                   | MTA – Parking & Traffic Operating Fund              | \$6.84                                      | \$3.08  | \$5.37   | \$8.45                                     | \$15.29                                  |
| (6)                                   | Port Operating Fund                                 | \$33.55                                     | (\$5.58)                                      | \$10.07  | \$4.49                                     | \$38.04                                  |
| (7)                                   | PUC – Hetch Hetchy Operating Fund                   | \$60.05                                     | (\$3.51)                                      | \$18.64  | \$15.13                                    | \$75.19                                  |
| (8)                                   | PUC – Wastewater Operating Fund                     | \$17.78                                     | (\$5.01)                                      | \$0.23   | (\$4.78)                                   | \$12.99                                  |
| (9)                                   | PUC – Wastewater Capacity Fee Program Fund          | \$10.77                                     | \$6.00  | \$0.00   | \$6.00                                     | \$16.77                                  |
| (10)                                  | PUC – Water Operating Fund                          | \$55.22                                     | \$3.75  | \$4.38   | \$8.13                                     | \$63.35                                  |
| <b><u>Internal Services Fund</u></b>  |   |   |   |  |  |  |
| (11)                                  | Telecomm. & Information Systems Fund                | (\$1.45)                                    | \$0.00  | \$0.00   | \$0.00                                     | (\$1.45)                                 |

**Notes Other Funds Description**

**SELECT ENTERPRISE FUNDS**

- |     |  |   |
|-----|--|---|
| (1) | <b>Airport<br/>Operating<br/>Fund</b>  | The Airport Operating Fund ended prior year with additional \$61.02 million over the \$22.94 million appropriated in the budget. Current year revenues are projected to be \$22.69 million better than budget due to \$8.30 million in aviation revenues, \$11.24 million better in non-airline revenues, particularly concessions and parking, which are offsetting a \$2.36 million shortfall in non-operating revenue due mainly to lower interest income projections. The department is projected to have \$5.71 million in expenditure surplus due to a projected \$0.75 million in salaries and fringe benefit savings due to general attrition and position vacancies, \$2.10 million in non-personnel services savings mainly from delays in professional services contracts, \$0.50 million of savings in materials and supplies, \$1.00 million of savings in debt service due to refunding activities, \$0.79 million of savings in work orders due to budgetary savings in several agreements, and \$2.25 million of savings in public safety due to vacancies in the SFPD Airport Bureau, offset by \$1.69 million in higher annual service payments to the General Fund, which are tied to higher concession sales, rental car revenues and parking revenues. The net result is a projected net operating surplus of \$28.39 million for the current year, resulting in estimated fund balance of \$89.42 million by fiscal year-end.                                       |
| (2) | <b>Airport –<br/>Narcotics<br/>Forfeiture &amp;<br/>Asset Seizure<br/>Fund</b> | The Airport's Narcotics Forfeiture and Asset Seizure Fund began the current year with \$1.43 million of fund balance available for appropriation, none of which was budgeted in FY 2007-08. Revenues are projected to be \$0.05 million. No expenditures are projected. The projected net operating surplus is therefore \$0.05 million, resulting in a projected year-end fund balance available for appropriation of \$1.48 million.  |
| (3) | <b>MTA-MUNI<br/>Operating<br/>Fund</b>   | The Municipal Railway Operating Fund ended the prior year with an additional \$37.40 million in fund balance over the \$23.26 million appropriated in the FY 2007-08 budget. Current-year sources are projected to be \$8.37 million greater than budget due primarily to \$5.49 million in MUNI regular pass revenue, \$5.44 million in State Transportation Assistance, \$4.34 million in parking traffic fine collections, \$3.47 million in interest earned, \$2.67 million in transit advertising revenue, \$2.27 million in higher baseline funding, \$1.71 million in parking tax in-lieu allocations, and \$1.80 in all other revenues. These surpluses are offset by shortfalls of \$6.11 million in Gas Tax revenue, \$1.80 million in State and Local Grants, \$1.20 million in nonprofit garage revenue, and \$9.71 million in a budgeted transfer from the Transit Impact Development Fund that will not be carried out. The Fund is projected to have \$15.06 million in expenditure surplus due to savings of \$30.81 million in salary and fringe costs for position vacancies, \$6.00 million in unspent reserves, \$1.77 million in capital outlay, and \$0.33 million in non-personnel services, offset by deficits of \$15.43 million in overtime costs and \$8.42 million in materials and supplies. The projected net operating shortfall is \$23.43 million, resulting in a projected fiscal year-end fund balance available for appropriation of \$60.84 million. |

| Notes | Other Funds                                     | Description  |
|-------|---|--|
| (4)   | <b>MTA-Transit Impact Development Fund</b>      | <p>The Transit Impact Development Fund ended the prior year with \$2.60 million more in fund balance than the \$10.00 million appropriated in the current-year budget. Revenues are projected to be \$1.23 million greater than budget due entirely to higher interest income, and expenditures are projected to be \$10.15 million lower than budget due to \$0.43 million savings in salaries, non-personnel services, services of other departments, and the cancellation of a budgeted transfer of \$9.71 million to the Municipal Railway Operating Fund. This fund is projected to have a net operating surplus of \$11.38 million, which will result in a projected \$13.98 million year-end available fund balance.</p>  |
| (5)   | <b>MTA-Parking &amp; Traffic Operating Fund</b> | <p>The Parking &amp; Traffic Operating Fund ended the prior year with an additional \$6.84 million over the \$9.47 million appropriated in the budget. Current-year sources are projected to be \$3.08 million better than budget due to \$1.83 million in interest income, \$1.13 million in parking card meter revenue, \$0.70 million in higher Baseline funding, and \$0.22 million in all other revenues, partially offset by \$0.47 million less in tow surcharge fee revenue, \$0.32 million in contractor's per tow fee revenue, and \$0.01 million in traffic fines – boot program. Expenditures are projected to be \$5.37 million lower than budget due to \$4.00 million in unspent reserves and \$3.82 million in savings in capital outlay and facilities, offset by deficits of \$1.71 million in non-personnel services, \$0.70 million in materials and supplies and \$0.04 million in salary and fringe costs. This fund is projected to have a net operating surplus of \$8.45 million and an estimated fund balance of \$15.29 million by fiscal year-end.</p> |
| (6)   | <b>Port Operating Fund</b>                      | <p>The Port Operating Fund began the current year with additional fund balance of \$33.55 million over and above the \$7.86 million appropriated in the budget. Current-year revenues are anticipated to be lower than budget by \$5.58 million. This is partially due to cruise revenue, permit revenues and harbor services revenue projected to be under budget. Expenditures are anticipated to have savings of \$10.07 million due mainly to projected salary savings resulting from resignations, retirements, and delays in hiring. The projected operating surplus is therefore \$4.49 million, resulting in an estimated year-end available fund balance of \$38.04 million.</p>  |
| (7)   | <b>PUC-Hetch Hetchy Operating Fund</b>          | <p>The Hetch Hetchy Operating Fund began the current year with \$60.05 million of fund balance over and above the \$2.85 million appropriated in the budget. Current-year revenues are projected to be \$3.51 million under budget mainly due to lower power sales stemming from a dry first half of the fiscal year and having to shutdown one of the generating units at the Kirkwood power house. These shortfalls are partially offset by water sales and higher interest revenue. Expenditures are projected to be under budget by \$18.64 million due to position vacancies, lower litigation costs, and power purchasing savings as a result of favorable new agreement terms. Overall, a net operating surplus of \$15.13 million is projected, with a resulting estimated available fund balance of \$75.19 million by fiscal year-end.</p>   |

| Notes | Other Funds   | Description  |
|-------|---|--|
| (8)   | <b>PUC-<br/>Wastewater<br/>Operating<br/>Fund</b>                 | The Wastewater Operating Fund began the current year with \$17.78 million of fund balance, and none was appropriated in the budget. Current-year revenues are projected to be \$5.01 million under budget due mainly to heightened conservation efforts by customers and a lower-than-budgeted rate increase (7.9 percent commercial versus 9.0 percent on both commercial and residential) being implemented. Expenditures savings are expected of \$0.23 million due to lower electricity use and worker's compensation for a net operating shortfall of \$4.78 million and an estimated fund balance of \$12.99 million by fiscal year-end.   |
| (9)   | <b>PUC –<br/>Wastewater<br/>Capacity Fee<br/>Program<br/>Fund</b> | The Wastewater Capacity Fee Program Fund began the current year with \$10.77 million of fund balance over and above the \$1.00 million appropriated in the budget. Additional revenue of \$6.00 million is anticipated by year end for an estimated available fund balance of \$16.77 million by fiscal year end.  |
| (10)  | <b>PUC-Water<br/>Operating<br/>Fund</b>                           | The Water Operating Fund began current year with \$55.22 million of fund balance over and above the \$7.39 million appropriated in the budget. Current-year revenues are projected to be \$3.75 million better than budget. Retail water sales revenues are projected to be lower than budget due to conservation efforts and having a lower rate increase adopted than was anticipated in the budget; however, this shortfall is more than offset by sales to wholesale customers because of wholesale rate changes not being included in the budget and higher interest and rental income. Expenditures are projected to be under budget by \$4.38 million due mainly to vacant positions and savings resulting from new chemical supply contracts. The net current-year operating surplus is projected to be \$8.13 million and results in an estimated fund balance of \$63.35 million by fiscal year-end. |
| (11)  | <b>Telecomm &amp;<br/>Information<br/>Systems Fund</b>            | The Telecommunications and Information Systems began the year with a negative \$1.45 million fund balance. The department is projected to end the year on budget. for a projected year-end fund balance of negative \$1.45 million. This shortfall will become a factor in determining next year's rates.  |