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February 7, 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 Six-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 Six-Month Budget Status Report that is based on sources of funds received and uses of funds expended from July 1, 2007 through December 31, 2007. 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 \$21.37 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)**

Prior Year Fund Balance & Reserves	\$ 18.99
Current Year	
Sources, Revenues & Transfers In	8.18
Uses, Operations & Transfers Out	(16.20)
Required Rainy Day Reserve Deposits	(7.51)
Required Other Reserves	(2.24)
General Reserve	20.15
<b>Projected Fiscal Year-End Fund Balance</b>	<b>\$ 21.37</b>

The projected current fiscal year-end fund balance is used as an assumed source of funding when calculating the upcoming year's budgetary position in the Joint Report, which will be published again next month. For comparison purposes, this Six-Month Report's \$21.37 million projection is \$4.03 million lower than the \$25.40 million estimated by the Controller's Office earlier this fiscal year. The \$25.40 million projection was assumed in the Mayor's Budget Instructions, which also noted a \$229 million estimated shortfall for the upcoming budget year (FY 2008-09).

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) available from FY 2006-07 that were not already assumed in the FY 2007-08 budget.

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

We project revenues and transfers in to be \$8.18 million better than the FY 2007-08 budget. Projected increases in revenue from higher Property Tax, Hotel Room Tax, and Sales Tax revenues are offset by projected shortfalls in a number of areas including Federal Grants and Subventions, Business Taxes, and revenues linked to statewide sales tax activities, including Public Safety Sales Tax and Health & Welfare Realignment.

Realized revenues through the first six 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)**

Revenues & Transfers-In, US\$ Millions	FY 2006-07		FY 2007-08		<i>sort order</i>
	Year-End Actuals	Revised Budget	6-Month Projection	Surplus (Shortfall)	
Property Tax	\$ 894.82	\$ 934.72	\$ 951.95	\$ 17.23	↑
Hotel Room Tax	\$ 143.07	\$ 148.87	\$ 161.85	\$ 12.98	
Sales Tax	\$ 107.81	\$ 111.55	\$ 113.55	\$ 2.00	
Parking Tax	\$ 64.76	\$ 64.82	\$ 65.73	\$ 0.91	
Real Property Transfer Tax	\$ 143.98	\$ 123.52	\$ 123.52	\$ -	
<b>Subtotal - Key Surpluses</b>	<b>\$ 1,394.57</b>	<b>\$ 1,383.47</b>	<b>\$ 1,450.69</b>	<b>\$ 33.13</b>	
Federal Grants & Subventions	\$ 183.57	\$ 221.91	\$ 213.07	\$ (8.84)	
Business Taxes	\$ 336.76	\$ 359.72	\$ 354.30	\$ (5.42)	
Prop 172 Public Safety Sales Tax	\$ 69.29	\$ 73.27	\$ 69.98	\$ (3.29)	
Public Safety Service Charges	\$ 25.65	\$ 27.00	\$ 24.75	\$ (2.25)	
Health & Welfare Realignment	\$ 172.43	\$ 170.17	\$ 168.10	\$ (2.07)	
Interest Income	\$ 40.12	\$ 35.52	\$ 34.09	\$ (1.43)	
State Social Service Subventions	\$ 126.14	\$ 135.00	\$ 133.89	\$ (1.11)	
Utility Users Tax	\$ 78.73	\$ 80.21	\$ 79.60	\$ (0.61)	
Medicare, Medical & Health Charges	\$ 47.05	\$ 52.10	\$ 51.64	\$ (0.46)	
Motor Vehicle In Lieu	\$ 4.67	\$ 5.29	\$ 4.86	\$ (0.44)	
Other Revenues	\$ 180.10	\$ 236.51	\$ 202.56	\$ 0.14	
<b>Subtotal - Key Shortfalls</b>	<b>\$ 1,264.50</b>	<b>\$ 1,396.70</b>	<b>\$ 1,336.83</b>	<b>\$ (25.78)</b>	
<b>Total Revenues</b>	<b>\$ 2,659.07</b>	<b>\$ 2,780.17</b>	<b>\$ 2,787.53</b>	<b>\$ 7.35</b>	
Transfers In	\$ 62.23	\$ 65.57	\$ 66.40	\$ 0.83	
<b>Total Revenues &amp; Transfers In</b>	<b>\$ 2,721.30</b>	<b>\$ 2,845.75</b>	<b>\$ 2,853.93</b>	<b>\$ 8.18</b>	

**Current Operating Expenditures & Transfers Out**

Based on current spending patterns, we project overall departmental expenditures and transfers-out shortfalls of \$16.20 million by fiscal year-end. Chart C below incorporates this shortfall as well as required baseline set-asides and reserve deposits. 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 18) 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)**  
**Net Shortfall Departments** *Sort Order*

	<b>SOURCES</b>		<b>USES</b>		<b>NET</b>	
	<b>Surplus / (Short)</b>	<b>Under / (Over)</b>	<b>Under / (Over)</b>	<b>Savings /</b>	<b>(Shortfall)</b>	
<b>US\$ millions</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>(Shortfall)</b>	
Public Health excluding Subsidies to Hospitals	\$ (2.38)		3.28		<b>0.90</b>	
SF General & Laguna Honda Hospitals			(17.72)		<b>(17.72)</b>	
Total Public Health					<b>(16.82)</b>	
Sheriff	(3.61)		(5.68)		<b>(9.29)</b>	
Juvenile Probation	(4.18)		0.70		<b>(3.48)</b>	
Superior Court	-		(2.26)		<b>(2.26)</b>	
Fire Department	(1.50)		0.00		<b>(1.50)</b>	
City Attorney	1.00		(2.40)		<b>(1.40)</b>	
Police	(1.15)		0.00		<b>(1.15)</b>	
Elections	2.50		(3.57)		<b>(1.07)</b>	
City Planning	(1.84)		0.86		<b>(0.98)</b>	
District Attorney	(1.21)		0.48		<b>(0.72)</b>	
Telecommunication & Info Systems	-		(0.49)		<b>(0.49)</b>	
Public Works	(0.18)		-		<b>(0.18)</b>	
Asian Art Museum	-		(0.13)		<b>(0.13)</b>	
City Administrator - County Clerk	(0.05)		0.00		<b>(0.05)</b>	
Board of Appeals	(0.03)		0.00		<b>(0.03)</b>	
<b>Subtotal - Departments with Net Shortfalls</b>	<b>\$ (12.63)</b>		<b>(26.92)</b>		<b>(39.55)</b>	

**Net Surplus Departments**

*Sort Order*

	<b>SOURCES</b>		<b>USES</b>		<b>NET</b>	
	<b>Surplus / (Short)</b>	<b>Under / (Over)</b>	<b>Under / (Over)</b>	<b>Savings /</b>	<b>(Shortfall)</b>	
<b>US\$ millions</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>(Shortfall)</b>	
Human Services	\$ (2.22)		10.25		<b>8.03</b>	
Assessor / Recorder	0.39		0.48		<b>0.87</b>	
Treasurer / Tax Collector	0.00		0.65		<b>0.65</b>	
Adult Probation	0.00		0.50		<b>0.50</b>	
Controller	0.00		0.35		<b>0.35</b>	
<b>Subtotal - Departments with Net Savings</b>	<b>\$ (1.83)</b>		<b>12.23</b>		<b>10.40</b>	
Non-Departmental General Tax Revenues		22.64			<b>22.64</b>	
Baselines - Library			(0.57)		<b>(0.57)</b>	
Baselines - Municipal Transportation Agency (MTA)			(2.70)		<b>(2.70)</b>	
Parking Tax in lieu Transfer - MTA			(2.24)		<b>(2.24)</b>	
<b>Total Current Year Operations</b>	<b>\$ 8.18</b>		<b>(20.20)</b>		<b>(12.02)</b>	
General Reserve		20.15	4.00		<b>24.15</b>	
Prior Year Fund Balance & Reserves		18.99			<b>18.99</b>	
Pending Supplementals Use of General Reserve			(0.75)		<b>(0.75)</b>	
Required Reserve Deposits - Children's Baseline			(1.49)		<b>(1.49)</b>	
Required Reserve Deposits - Citywide Savings			-		<b>0.00</b>	
Required Reserve Deposits - Rec & Park Savings			-		<b>0.00</b>	
Required Reserve Deposits - Rainy Day			(7.51)		<b>(7.51)</b>	
<b>Projected Net Surplus / (Shortfall)</b>				<b>\$ 21.37</b>		

**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 \$16.87 million, resulting in a like amount of incremental subsidy transfer costs for the General Fund. Additionally, Laguna Honda Hospital is projected to have a shortfall of \$0.85 million, resulting in a like amount of incremental subsidy transfer costs for the General Fund.

**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 budget 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 favorable 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 funding including \$0.57 million for Library Preservation and \$4.94 million for the MTA.

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

Baseline	FY 2006-07	FY 2007-08	Current Year Required Baseline	Projected Surplus / (Shortfall) as of 6-Month Report
	Balances Used in FY 2007-08 Budget	Revised Budget General Fund Appropriation		
<b>Revenue Driven</b>				
Children's Services	\$1.40	\$102.95	\$97.34	\$4.22
<b>Public Education</b>				
Baseline		\$6.46	\$5.53	\$0.93
Enhancement		\$30.00	\$30.00	\$0.00
Subtotal Public Education	\$0.00	\$36.46	\$35.53	\$0.93
Library Preservation		\$42.15	\$42.72	(\$0.57)
Municipal Railway		\$130.82	\$132.89	(\$2.07)
Parking & Traffic		\$48.10	\$48.72	(\$0.63)
Parking Tax In Lieu, 1st 40%		\$24.05	\$26.29	(\$2.24)
Subtotal MTA	\$0.00	\$202.97	\$207.91	(\$4.94)
<b>Total</b>	<b>\$1.40</b>	<b>\$384.53</b>	<b>\$383.49</b>	<b>(\$0.36)</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 and Budget Savings Incentive Reserve Requirements (millions)**

<b>Selected Reserves</b>	<b>Actual June 30, 2007</b>	<b>Budgeted (Use) in in the AAO Current Year</b>	<b>New Required Deposits from Current Year</b>	<b>Projected June 30, 2008</b>
Rainy Day - Economic Stabilization	\$ 117.56	\$ -	\$ 5.01	\$ 122.56
Rainy Day - Capital & One-Time Spending	16.07	(15.83)	2.50	2.74
<b>Subtotal - Rainy Day Reserves</b>	<b>133.62</b>	<b>(15.83)</b>	<b>7.51</b>	<b>125.30</b>
Children's Baseline Reserve	2.89	(1.40)	-	1.49
Budget Savings - Recreation & Park Reserve	-	-	-	-
Budget Savings - Citywide Incentive Reserve	10.54	(6.27)	-	4.27
<b>Total</b>	<b>\$ 147.05</b>	<b>\$ (23.50)</b>	<b>\$ 7.51</b>	<b>\$ 131.06</b>

**Required Set-Asides – Rainy Day Reserve Requirements:** As noted in the summary table above, the Rainy Day Economic Stabilization Reserve is projected to grow to a record \$122.56 million by fiscal year-end. The Rainy Day Capital & One-Time Reserve is projected to have a balance of \$2.74 million by fiscal year end, given a \$16.07 million balance as of June 30, 2007, less the \$15.83 million in used in FY 2007-08 budget, plus a \$2.50 million projection for current-year, new deposits.

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 summarized in the table below and is currently projected to be 5.4 percent in FY 2007-08 over the prior year. Because projected growth exceeds the five percent deposit threshold, we have noted above the resulting \$7.51 million of projected current-year, new deposits.

**Required Set-Asides – Children’s Baseline:** Charter-mandated Children’s Baseline reserves (held in the General Fund) of \$1.49 million still remain available. This surplus reserve funding is due to prior-year discretionary revenue growth being higher than assumed in the current-year budget, which included only \$1.40 million.

**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 on budget in the General Fund, to the degree savings occur reserves will be established as required in the Recreation & Park 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 overspending, no deposits are currently projected for FY 2007-08. This results in a current and projected fiscal year-end balance of \$4.27 million.

### **Supplemental Appropriations**

General Fund supplemental appropriation requests approved by the Board and signed by the Mayor and ballot propositions approved by the voters have used \$0.85 million of the General Fund Reserve or Fund Balance. Additionally, up to another \$0.75 million could be used pursuant to the recently passed Proposition G (Golden Gate Park Stables Matching Fund) depending 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 six-month projections, unless specifically noted. Finally, we anticipate a number of supplemental requests in the second half of the year, given projected shortfalls in noted departments, which 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 project close-out resources, primarily related to Public Health, the Sheriff’s Department, Elections and the Superior Court. 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 February 6, 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**

Administrative Provisions Section 10.3 of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for salaries and related fringe benefits for collective bargaining agreements adopted by the Board of Supervisors. 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 February 6, 2008, the Controller's Office had transferred \$17.94 million to individual City departments as detailed in **Appendix C**, which also outlines the projected need for the remaining \$17.98 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 \$21.01 million as compared to the FY 2006-07 actual fund balance of \$131.88 million.

Sources of Funds, Revenues & Transfers In, Chart F

GENERAL FUND (US\$ millions)	FY 2006-07		FY 2007-08		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus / (Shortfall)
<b>PROPERTY TAXES</b>	\$ 894.82	\$ 934.72	\$ 934.72	\$ 951.95	\$ 17.23 (1)
<b>BUSINESS TAXES:</b>					
Business Registration Tax	\$ 8.24	\$ 8.69	\$ 8.69	\$ 8.69	\$ 0.00 (2)
Payroll Tax	\$ 328.52	\$ 351.03	\$ 351.03	\$ 345.60	\$ (5.42) (3)
<b>Total Business Taxes</b>	<b>\$ 336.76</b>	<b>\$ 359.72</b>	<b>\$ 359.72</b>	<b>\$ 354.30</b>	<b>\$ (5.42)</b>
<b>OTHER LOCAL TAXES:</b>					
Sales Tax	\$ 107.81	\$ 111.55	\$ 111.55	\$ 113.55	\$ 2.00 (4)
Hotel Room Tax	\$ 143.07	\$ 148.87	\$ 148.87	\$ 161.85	\$ 12.98 (5)
Utility Users Tax	\$ 78.73	\$ 80.21	\$ 80.21	\$ 79.60	\$ (0.61) (6)
Parking Tax	\$ 64.76	\$ 64.82	\$ 64.82	\$ 65.73	\$ 0.91 (7)
Real Property Transfer Tax	\$ 143.98	\$ 123.52	\$ 123.52	\$ 123.52	\$ - (8)
Stadium Admission Tax	\$ 2.34	\$ 2.96	\$ 2.96	\$ 2.46	\$ (0.50) (9)
<b>Total Other Local Taxes</b>	<b>\$ 540.70</b>	<b>\$ 531.92</b>	<b>\$ 531.92</b>	<b>\$ 546.71</b>	<b>\$ 14.79</b>
<b>LICENSES, PERMITS &amp; FRANCHISES</b>					
Licenses & Permits	\$ 7.22	\$ 7.28	\$ 7.28	\$ 7.28	\$ - (10)
Franchise Tax	\$ 14.91	\$ 14.80	\$ 14.80	\$ 14.80	\$ - (11)
<b>Total Licenses, Permits &amp; Franchises</b>	<b>\$ 22.14</b>	<b>\$ 22.08</b>	<b>\$ 22.08</b>	<b>\$ 22.08</b>	<b>\$ -</b>
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>\$ 4.72</b>	<b>\$ 3.90</b>	<b>\$ 4.45</b>	<b>\$ 4.45</b>	<b>\$ -</b> (12)
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>\$ 40.12</b>	<b>\$ 35.48</b>	<b>\$ 35.52</b>	<b>\$ 34.09</b>	<b>\$ (1.43)</b> (13)
<b>RENTS &amp; CONCESSIONS</b>					
Garages - Rec/Park	\$ 10.60	\$ 9.65	\$ 9.65	\$ 9.65	\$ - (14)
Rents and Concessions - Rec/Park	\$ 6.09	\$ 8.44	\$ 8.44	\$ 8.44	\$ - (15)
Other Rents and Concessions	\$ 1.76	\$ 1.72	\$ 1.72	\$ 1.72	\$ - (15)
<b>Total Rents and Concessions</b>	<b>\$ 18.45</b>	<b>\$ 19.81</b>	<b>\$ 19.81</b>	<b>\$ 19.81</b>	<b>\$ -</b>
<b>INTERGOVERNMENTAL REVENUES</b>					
<b>Federal Government</b>					
Social Service Subventions	\$ 179.70	\$ 199.88	\$ 207.64	\$ 202.34	\$ (5.30) (16)
Other Grants & Subventions	\$ 3.88	\$ 14.27	\$ 14.27	\$ 10.73	\$ (3.54) (17)
<b>Total Federal Subventions</b>	<b>\$ 183.57</b>	<b>\$ 214.14</b>	<b>\$ 221.91</b>	<b>\$ 213.07</b>	<b>\$ (8.84)</b>
<b>State Government</b>					
Social Service Subventions	\$ 126.14	\$ 133.85	\$ 135.00	\$ 133.89	\$ (1.11) (18)
Health & Welfare Realignment	\$ 172.43	\$ 170.17	\$ 170.17	\$ 168.10	\$ (2.07) (19)
Health/Mental Health Subventions	\$ 68.78	\$ 81.88	\$ 80.92	\$ 79.42	\$ (1.50) (20)
Public Safety Sales Tax	\$ 69.29	\$ 73.27	\$ 73.27	\$ 69.98	\$ (3.29) (21)
Motor Vehicle In-Lieu	\$ 4.67	\$ 5.29	\$ 5.29	\$ 4.86	\$ (0.44) (22)
Other Grants & Subventions	\$ 38.43	\$ 29.72	\$ 31.17	\$ 31.17	\$ - (23)
<b>Total State Subventions</b>	<b>\$ 479.75</b>	<b>\$ 494.17</b>	<b>\$ 495.83</b>	<b>\$ 487.42</b>	<b>\$ (8.41)</b>
<b>CHARGES FOR SERVICES:</b>					
General Government Service Charges	\$ 27.09	\$ 31.75	\$ 31.75	\$ 29.64	\$ (2.10) (24)
Public Safety Service Charges	\$ 25.65	\$ 27.00	\$ 27.00	\$ 24.75	\$ (2.25) (25)
Recreation Charges - Rec/Park	\$ 6.21	\$ 7.46	\$ 7.46	\$ 7.46	\$ - (26)
MediCal,MediCare & Health Service Charges	\$ 47.05	\$ 51.34	\$ 52.10	\$ 51.64	\$ (0.46) (27)
Other Service Charges	\$ 8.11	\$ 10.88	\$ 10.87	\$ 10.87	\$ -
<b>Total Charges for Services</b>	<b>\$ 114.11</b>	<b>\$ 128.42</b>	<b>\$ 129.17</b>	<b>\$ 124.36</b>	<b>\$ (4.81)</b>
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>\$ 11.58</b>	<b>\$ 8.75</b>	<b>\$ 8.75</b>	<b>\$ 8.75</b>	<b>\$ -</b> (28)
<b>OTHER REVENUES</b>	<b>\$ 12.36</b>	<b>\$ 16.10</b>	<b>\$ 16.31</b>	<b>\$ 20.55</b>	<b>\$ 4.24</b> (29)
<b>TOTAL REVENUES</b>	<b>\$ 2,659.07</b>	<b>\$ 2,769.20</b>	<b>\$ 2,780.17</b>	<b>\$ 2,787.53</b>	<b>\$ 7.35</b>
<b>TRANSFERS INTO GENERAL FUND:</b>					
Airport	\$ 23.35	\$ 23.73	\$ 23.73	\$ 24.99	\$ 1.26 (30)
Other Transfers	\$ 38.88	\$ 38.58	\$ 41.84	\$ 41.41	\$ (0.43)
<b>Total Transfers-In</b>	<b>\$ 62.23</b>	<b>\$ 62.31</b>	<b>\$ 65.57</b>	<b>\$ 66.40</b>	<b>\$ 0.83</b>
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 2,721.30</b>	<b>\$ 2,831.50</b>	<b>\$ 2,845.75</b>	<b>\$ 2,853.93</b>	<b>\$ 8.18</b>

**Notes to Sources of Funds Schedule:**

- (1) **Property Tax** revenues are projected to be \$17.23 million better than budget. This is primarily due to five key factors: 1) +\$6.77 million from supplemental assessment billings; 2) +\$5.68 million from State revenue backfill allocations related to vehicle license fees; 3) +\$2.08 million from improving assessment appeals experience to date; 4) +\$1.00 million from escape assessment billings; and 5) \$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.

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

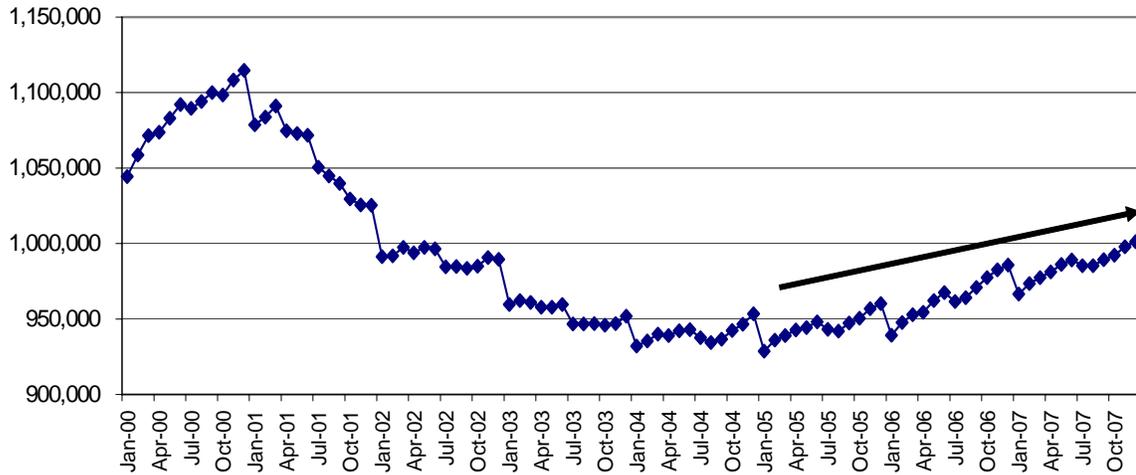
	<b>Surplus / (Shortfall)</b>
<b>General Fund</b>	\$ 17.23
<b>Children's Fund</b>	\$ 0.13
<b>Library Fund</b>	\$ 0.10
<b>Open Space Fund</b>	\$ 0.10

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.

- (2) **Business Registration** revenues are projected to be on budget based on business formations and renewal collections to date.
- (3) **Payroll Tax** revenues are projected to be \$5.42 million under budget. Nevertheless, this still reflect a 5.2 percent increase over FY 2006-07 actual collections. Our projection assumes 3.0 percent wage growth and 2.2 percent job growth between 2006 and 2007. The latter is commensurate with the San Francisco Metropolitan Statistical Area (which includes San Francisco, Marin, and San Mateo counties). The FY 2007-08 budget was based on an estimated 5.6 percent increase over FY 2006-07 nine-month projections, including assumed moderate growth in employment of approximately 1.0 to 2.0 percent and 3.0 to 4.0 percent wage increases. The projected shortfall in this report is due to the FY 2006-07 year-end actuals coming in slightly under nine-month projections, which results in a lower starting base from which to grow.

### Jobs Growth Continued Through 2007

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



Source: California Economic Development Department monthly jobs data through December 2007

### Jobs Growth Over Last 3 Years

San Francisco PMSA (Marin, San Francisco, San Mateo)

Calendar Year	Jobs		
	Average Annual Jobs	Growth / (Decline)	% Change
2000	1,085,767		
2001	1,057,417	(28,350)	-2.6%
2002	990,533	(66,884)	-6.3%
2003	953,625	(36,908)	-3.7%
2004	940,250	(13,375)	-1.4%
2005	944,917	4,667	0.5%
2006	963,883	18,967	2.0%
2007	985,458	21,575	2.2%

- (4) **Sales Tax** revenues are projected to be \$2.00 million better than budget, which equates to 3.5 percent growth over prior-year actual receipts. Sales tax generating activity for the quarter ending September 2007 reflected 5.1 percent growth over the same quarter in 2006, with restaurants and general retail growing year-over-year by 5.6 percent and 3.1 percent, respectively. During the same period, growth in the nine-county Bay Area was only 1.1 percent, and statewide receipts actually decreased 2.8 percent.

Several positive factors exist for the retail component of sales tax revenue, including higher hotel occupancies and strong spending power of international visitors given the weak dollar. 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, given higher jet fuel prices, part of the \$2.00 million projected surplus noted in this report also stems from this jet fuel item.

**Sales Tax Revenue, Local 1% Portion, US\$ million**

	Fiscal Year	Actuals			Annual Growth	
		Direct	Triple Flip	Total GF	\$ Change	% Change
		Allocation	Shifts	Revenue		
<b>Prior Peak</b>	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%
	6-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 \$12.98 million better than budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$223.32 million, or 11.8 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continue to strengthen. The tables on page 13 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 79.1 percent (3.1 percent growth over the prior year) and average daily room rates (ADRs) of \$184.36 (7.4 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
<b>Prior Peak</b>	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%
	6-Month Projection FY 2007-08	\$ 223.32	\$ 23.55	11.8%

**HOTEL OCCUPANCY RATES**

MONTH	FY 1999-00	FY 2000-01	...	FY 2005-06	FY 2006-07	FY 2007-08
July	88.0%	87.5%		84.4%	82.0%	86.5%
August	81.3%	90.2%		87.2%	82.7%	88.2%
September	86.9%	88.5%		88.0%	86.5%	87.6%
October	82.7%	87.9%		84.1%	85.7%	86.4%
November	74.1%	72.7%		70.9%	72.9%	74.9%
December	62.1%	64.4%		61.5%	62.3%	64.0%
January	67.0%	63.5%		62.1%	61.8%	63.5%
February	79.7%	70.4%		65.9%	72.4%	74.4%
March	88.6%	72.9%		75.2%	74.7%	76.8%
April	84.7%	70.7%		77.6%	76.9%	79.1%
May	84.4%	76.9%		76.4%	82.5%	84.8%
June	91.7%	80.0%		80.6%	81.1%	83.4%
<b>AVG. OCC. RATE</b>	<b>80.9%</b>	<b>77.1%</b>		<b>76.2%</b>	<b>76.8%</b>	<b>79.1%</b>
<b>% Rate Chg from PY</b>	<b>1.1%</b>	<b>-3.8%</b>		<b>2.1%</b>	<b>0.6%</b>	<b>2.3%</b>
<b>% Change from PY</b>	<b>1.4%</b>	<b>-4.7%</b>		<b>2.8%</b>	<b>0.8%</b>	<b>3.1%</b>

*Estimated*

↑  
Prior Peak
↑  
Approaching Prior Peak

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

**AVERAGE DAILY ROOM RATES (ADRs)**

MONTH	FY 1999-00	FY 2000-01	...	FY 2005-06	FY 2006-07	FY 2007-08
July	\$ 154.98	\$ 175.56		\$ 150.67	\$ 163.57	\$ 176.57
August	\$ 150.06	\$ 165.89		\$ 149.44	\$ 162.20	\$ 179.69
September	\$ 158.09	\$ 180.33		\$ 166.10	\$ 179.76	\$ 193.75
October	\$ 153.22	\$ 191.46		\$ 171.60	\$ 201.01	\$ 216.24
November	\$ 148.02	\$ 169.40		\$ 152.40	\$ 165.34	\$ 176.75
December	\$ 146.22	\$ 162.24		\$ 145.15	\$ 150.90	\$ 161.31
January	\$ 153.17	\$ 174.24		\$ 158.56	\$ 168.82	\$ 180.47
February	\$ 156.25	\$ 181.78		\$ 157.58	\$ 167.57	\$ 179.13
March	\$ 164.96	\$ 179.18		\$ 170.10	\$ 167.06	\$ 178.59
April	\$ 164.39	\$ 168.79		\$ 166.27	\$ 174.40	\$ 186.43
May	\$ 168.41	\$ 191.63		\$ 168.92	\$ 186.08	\$ 198.92
June	\$ 175.50	\$ 173.72		\$ 169.55	\$ 172.53	\$ 184.43
<b>AVERAGE ADR</b>	<b>\$ 157.77</b>	<b>\$ 176.19</b>		<b>\$ 160.53</b>	<b>\$ 171.60</b>	<b>\$ 184.36</b>
<b>\$ Change from PY</b>	<b>\$ 10.25</b>	<b>\$ 18.41</b>		<b>\$ 12.32</b>	<b>\$ 11.08</b>	<b>\$ 12.75</b>
<b>% Change from PY</b>	<b>6.9%</b>	<b>11.7%</b>		<b>8.3%</b>	<b>6.9%</b>	<b>7.4%</b>
<b>AVERAGE ADR - Inflation Adjusted to Peak</b>		<b>\$ 176.19</b>		<b>\$ 146.56</b>	<b>\$ 151.58</b>	<b>\$ 161.08</b>
<b>% Change from Prior Peak</b>						<b>-8.6%</b>

*Estimated*

↑  
Prior Peak

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

- (6) **Utility Users Tax** revenues are projected to be \$0.61 million less than budget. This projected shortfall is due to a \$2.50 million shortfall in energy due mainly to lower natural gas prices and reductions in electricity rates for businesses effective January 1, 2008, offset by a \$1.49 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 to conservation efforts a net increase of only 5.4 percent revenue growth is projected.
- (7) **Parking Tax** revenues are projected to be \$0.91 million better than budget.
- (8) **Real Property Transfer Tax** revenues are projected to be on 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 the end of December were 10.6 percent lower than the same period in the prior year, and volumes were down 1.4 percent. Projections assume a slowdown in the second half of the fiscal year as well.

This revenue has traditionally been one of the General Fund's more volatile taxes 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. Low mortgage and capitalization rates have helped this revenue in recent history. 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 & Projection	\$ 0.42	\$ 27.18	\$ 95.92	\$ -	\$ 123.52	680	7,160	2,640	10,480

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

	Through December Actuals								
FY 2006-07 YTD	\$ 0.19	\$ 15.35	\$ 38.63	\$	\$ 54.17	370	3,731	1,401	5,502
FY 2007-08 YTD	\$ 0.27	\$ 13.11	\$ 35.07	\$	\$ 48.45	479	3,415	1,531	5,425
YTD Change	39.4%	-14.6%	-9.2%		-10.6%	29.5%	-8.5%	9.3%	-1.4%

\* 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 on budget.

- (11) **Franchise Tax** revenues are projected to be on budget. Cable television revenues continue to increase and are projected to be \$0.34 million better than budget, mainly due to increases in the use of specialty services like high definition television and pay per view. This surplus is offsetting a projected shortfall in the energy components mainly due to lower natural gas prices. 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 on budget.
- (13) **Interest Income** is projected to be \$1.43 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 4.46 percent through fiscal year end. The Fed has cut the Fed funds rate five times since the start of the FY 2007-08, from 5.25 percent to 3.00 percent as of January 30, 2008.
- (14) **Recreation & Parks Garage** revenues are projected to be on budget.
- (15) **Rents and Concessions – Recreation & Parks** revenues are projected to be on budget.
- (16) **Other Rents and Concessions** revenues are projected to be on budget.
- (17) **Federal Social Service Subventions** revenues are projected to be \$5.30 million under budget due to a \$4.19 million shortfall in Title IVe Foster Care funding at Juvenile Probation stemming from updated claiming practices, in part due to revised claiming guidelines. Additionally, a \$1.11 million shortfall in Federal funding at the Department of Human Services is projected due to lower caseloads; however, this is more than offset by savings. A summary of all Human Services operations is included in the expenditure section below.
- (18) **Federal Other Grants & Subventions** revenues are projected to be \$3.54 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 \$1.11 million under budget primarily due to lower 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.
- (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 \$3.29 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, so even though San Francisco's sales tax activity is growing, this is offset by falling statewide sales activity.

- (23) **Motor Vehicle in Lieu (MVL-VLF)** revenues that are directly allocated by the State are projected to be \$0.44 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 \$5.24 million. The portion affecting property taxes is shown above in the Property Tax section.
- (24) **Other Grants and Subventions** revenues are projected to be on budget.
- (25) **Service Charges – General Government** revenues are projected to be \$2.10 million under budget. Notable programmatic variances include:
- - \$1.84 million in City Planning Building Permit and Environmental Review fees,
  - - \$0.18 million in Café Table and Chair fees,
  - - \$0.10 million in District Attorney Bad Check fees,
  - - \$0.05 million in County Clerk Fees,
  - - \$0.03 million in Board of Appeals fees, and
  - +\$0.10 million in Assessor / Recorder Recording fees.
- (26) **Service Charges - Public Safety** revenues are projected to be \$2.25 million under budget. Notable programmatic variances include:
- - \$2.32 million in Sheriff Boarding of Prisoners fees,
  - - \$0.26 million in Fire Inspection fees,
  - - \$0.09 million in Police DUI Emergency Response fees,
  - - \$0.08 million in District Attorney Community Court fees, and
  - +\$0.50 million in 10B Police Overtime Overhead recovery fees.
- (27) **Recreation Charges – Rec/Park** revenues are projected to be on budget.
- (28) **Service Charges – MediCal, Medicare, & Health Services** are projected to be \$0.46 under budget due to decreases in the Department of Public Health of \$0.30 million in targeted case management reimbursement rates and \$0.16 million in capitation-based, managed care settlements. A summary of all Public Health operations is included in the expenditure section below.
- (29) **Other Service Charges** are projected to be on budget.
- (30) **Recoveries** are projected to be on budget.
- (31) **Other Revenues** are projected to be \$4.24 million better than budget due to two unbudgeted settlements projected to be completed by the District Attorney's Office before fiscal year-end, as well as a pending settlement between the Department of Elections and ES&S.
- (32) **Transfers In – Airport**. The General Fund 15 percent share of concession revenues at San Francisco International Airport is projected to be \$1.26 million better than budget. The fiscal year-end passenger traffic forecast of 18.3 million passengers represents a 7.7 percent increase over prior-year levels, which is slightly higher than the 6.2 percent growth assumed in the budget.

- (33) **Transfers In – Other** are projected to be \$0.43 million under budget due a \$0.43 drop in transfers from the Department of Public Health related to lower than budgeted pharmacy expenses for Healthy San Francisco participants.

Uses of Funds, Chart G, (millions)

GENERAL FUND (US\$ millions)	FY 2006-07	FY 2007-08	FY 2007-08	6-Month	6-Month
	Actuals	Original Budget	Revised Budget	Projected Year-End	Surplus / (Shortfall)
<b>PUBLIC PROTECTION</b>					
Adult Probation	\$ 10.73	\$ 12.31	\$ 12.40	\$ 11.90	\$ 0.50
Superior Court	31.26	31.80	32.07	34.33	(2.26)
District Attorney	30.35	33.14	33.63	33.15	0.48
Emergency Management	5.19	3.57	3.70	3.70	-
Fire Department	225.23	234.11	244.32	244.32	-
Juvenile Probation	33.90	38.43	40.44	39.74	0.70
Public Defender	21.64	23.37	23.76	23.76	-
Police	307.05	341.24	346.10	346.10	-
Sheriff	136.59	146.93	148.17	153.84	(5.68)
	<b>801.94</b>	<b>864.90</b>	<b>884.59</b>	<b>890.85</b>	<b>(6.25)</b>
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>					
Public Works	50.94	49.78	96.65	96.65	-
Economic & Workforce Development	3.10	5.13	10.38	10.38	-
Municipal Transportation Agency	0.25	-	0.82	0.82	-
Board of Appeals	0.57	0.62	0.62	0.62	-
Public Utilities Commission	0.24	-	0.05	0.05	-
	<b>55.10</b>	<b>55.53</b>	<b>108.52</b>	<b>108.52</b>	<b>-</b>
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>					
Children, Youth & Their Families	21.04	29.67	36.72	36.72	-
Human Services	536.64	598.42	633.24	622.99	10.25
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	3.36	-
	<b>563.53</b>	<b>634.03</b>	<b>680.02</b>	<b>669.77</b>	<b>10.25</b>
<b>COMMUNITY HEALTH</b>					
Public Health	410.17	468.61	499.97	496.69	<b>3.28</b>
<b>CULTURE &amp; RECREATION</b>					
Asian Art Museum	6.71	6.76	7.07	7.20	(0.13)
Arts Commission	7.63	8.99	11.67	11.67	-
Fine Arts Museum	9.82	10.80	10.98	10.98	-
Law Library	0.60	0.59	0.59	0.59	-
Recreation & Parks	65.95	70.75	86.38	86.38	-
Academy of Sciences	2.24	3.96	3.96	3.96	-
	<b>92.95</b>	<b>101.85</b>	<b>120.65</b>	<b>120.78</b>	<b>(0.13)</b>
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>					
City Administrator	44.76	67.62	73.35	73.35	-
Assessor / Recorder	10.96	12.47	12.95	12.48	0.48
Board of Supervisors	10.01	10.57	11.91	11.91	-
City Attorney	10.95	11.87	12.03	14.43	(2.40)
Controller	18.02	15.30	19.27	18.92	0.35
City Planning	19.44	22.38	25.24	24.38	0.86
Civil Service Commission	0.61	0.58	0.60	0.60	-
Ethics Commission	1.83	3.59	9.75	9.75	-
Human Resources	9.41	11.10	23.59	23.59	-
Mayor	11.69	20.41	39.11	39.11	-
Housing De-Appropriation per AAO		(33.05)	(33.05)	(33.05)	-
Elections	9.85	19.20	19.24	22.80	(3.57)
Retirement System	0.37	0.51	1.45	1.45	-
Telecommunications & Information Services	4.20	3.98	5.96	6.45	(0.49)
Treasurer / Tax Collector	20.58	21.03	22.67	22.02	0.65
	<b>172.69</b>	<b>187.55</b>	<b>244.06</b>	<b>248.18</b>	<b>(4.12)</b>
<b>GENERAL CITY RESPONSIBILITIES</b>					
	<b>58.54</b>	<b>75.40</b>	<b>84.42</b>	<b>84.42</b>	<b>-</b>
<b>TOTAL GENERAL FUND EXPENDITURES</b>					
	<b>2,154.92</b>	<b>2,387.88</b>	<b>2,622.22</b>	<b>2,619.20</b>	<b>3.02</b>
Baseline Funding to Library Preservation Fund	39.62	42.15	42.15	42.72	(0.57)
Baseline Funding to Parking & Traffic Fund	47.20	48.10	48.10	48.72	(0.63)
Baseline Transfer to Municipal Railway Fund	123.91	130.82	130.82	132.89	(2.07)
Parking Tax In Lieu Transfer to Municipal Railway Fund	25.91	24.04	24.46	26.70	(2.24)
Subsidy Transfer to SF General Hospital Fund	129.89	141.78	141.78	158.65	(16.87)
Subsidy Transfer to Laguna Honda Hospital Fund	45.66	50.02	50.02	50.87	(0.85)
Transfer to All Other Special Revenue Funds	17.27	40.66	30.66	30.66	-
<b>Baselines &amp; Selected Subsidy Transfers Out</b>	<b>429.46</b>	<b>477.57</b>	<b>467.98</b>	<b>491.20</b>	<b>(23.22)</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>\$ 3,122.87</b>	<b>\$ 3,139.07</b>	<b>\$ (16.20)</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 \$0.50 million in savings in salary and fringes due to projected retirements and hiring delays.

The **Superior Court** is projected to end the year with a \$2.26 million expenditure deficit, due to higher indigent defense costs primarily stemming from the case of People v. Bell. The department is seeking a supplemental appropriation to cover this shortfall.

The **District Attorney's Office** is projected to end the year with \$0.48 million in expenditure savings due mainly to salary and fringe savings from delayed hiring. However, as discussed in the revenue sections, the department is anticipating a revenue shortfall of \$1.21 million. This shortfall is due to an adverse audit finding for Southwest Border Prosecution Initiative program and is only partially offset by unbudgeted settlement revenues. The department is currently projecting a net General Fund shortfall of \$0.72 million. The department does have 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 expenditure budget in the General Fund. See also *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 on expenditure budget. The salary and fringe savings currently projected will be offset by projected overtime spending in the second half of the year and estimated over-expenditure in work order services. The department is also projected to have a revenue shortfall of \$1.50 million due to lower inspection fee revenue and Proposition 172 Public Safety Sales Tax allocations (which are 50 percent allocated to Police and 50 percent to Fire). Overall, the Fire Department is projected to end the fiscal year with a net \$1.50 million shortfall, due to departmental revenue weakness.

The **Juvenile Probation Department** is projected to end the year with expenditure savings of \$0.70 million, due primarily to a \$1.12 million expenditure contingency reserve, which offsets \$0.40 million of over-expenditures in salaries and materials and supplies stemming from higher census at Juvenile Hall. 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 \$3.48 million net shortfall.

The **Public Defender** is projected to end the year on budget.

The **Police Department** is projected to end the fiscal year on expenditure budget. A projected over-expenditure of \$7.48 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, the department expects to offset a projected deficit of \$1.34 million in Worker's Compensation expenditures with savings in other work orders. Revenues are projected to be \$1.15 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 revenues. Overall, the Police Department is projected to end the fiscal year with a net shortfall of \$1.15 million, due to revenue weakness.

The **Sheriff's Department** is projected to end the year with \$5.68 million over expenditure in the General Fund, due primarily to increased salary and fringe costs related to the opening of four additional inmate housing units (three currently open, with the department planning to open another one in April) to address prison over-crowding, as well as increased jail health costs provided through a workorder with the Public Health Department. Additionally, the Sheriff's Department is projected to end the year with a \$3.61 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 \$2.32 million for the boarding of prisoners. This revenue projection also assumes \$0.48 million in new revenue from the State Department of Corrections for a contract to implement a pilot prisoner reentry program. Overall, the Sheriff's Department is projected to end the year with a net departmental shortfall of \$9.29 million in the General Fund. The department is currently working on their supplemental appropriation request to address this shortfall.

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

The **Department of Public Works** is projected to end the year on expenditure budget in its General Fund operations. In the General Fund, the department's projected revenues projected to be short by \$0.18 million due to a fee increase in café table and chair fees that was included in the budget but not implemented. 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 **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 \$10.25 million of expenditure savings; however, associated revenues are projected to be \$2.22 million under budget. This projected revenue shortfall is due in large part to CalWorks, Foster Care aid, and Adoption Aid more than offset by expenditure savings. The department continues to see lower than expected caseloads in these program areas. 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. Overall, the department is projected to have net departmental savings of \$8.03 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>		<i>Sort Order</i> <b>NET</b>
US\$ Millions	<b>Surplus/ (Shortfall)</b>		<b>Savings / (Shortfall)</b>		<b>Department Savings / (Shortfall)</b>
<b>Aid Programs</b>					
CAAP/PAES Aid	\$ 4.20		\$ 2.47		\$ 6.67
Foster Care Aid	(1.89)		4.53		2.65
Adoption Aid	(1.03)		1.27		0.24
Other Aid Programs	0.17		(0.22)		(0.05)
IHSS - In Home Supportive Services	0.54		(1.24)		(0.70)
Seriously Emotionally Disturbed Aid	0.53		(1.33)		(0.80)
<i>Subtotal Aid Programs</i>	<b>\$ 2.54</b>		<b>\$ 5.48</b>		<b>\$ 8.02</b>
<b>Operations</b>					
Food Stamps	\$ (0.83)		\$ 1.62		\$ 0.79
Workforce Development	0.18		0.52		0.71
Homeless Services	0.62		0.03		0.64
Medi-Cal Eligibility	0.14		0.51		0.64
CalWorks	(3.53)		3.75		0.22
Other Economic Support Programs	0.00		-		0.00
DAAS Operations	1.98		(2.01)		(0.04)
Other Operations	(1.51)		1.45		(0.06)
CAAP/CAPI Eligibility & Services	(0.02)		(0.61)		(0.64)
Child Welfare Programs	(0.29)		(0.47)		(0.76)
Federal Direct Grant	(1.50)		-		(1.50)
<i>Subtotal Operations</i>	<b>\$ (4.76)</b>		<b>\$ 4.77</b>		<b>\$ 0.01</b>
<b>Total Aid &amp; Operations</b>	<b>\$ (2.22)</b>		<b>\$ 10.25</b>		<b>\$ 8.03</b>

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

**Public Health**

The Department of Public Health is projected to have a net deficit of \$16.82, comprised of a net operating deficit of \$12.51 million, plus a shortfall of \$4.31 million in capital improvements at San Francisco General Hospital. The operating deficit is mainly comprised of projected net revenue shortfall of \$1.77 million related to the Safety Net Care Pool, State Health Care Initiative funding for Healthy San Francisco, and Capitation/Managed Care revenue, as well as over-expenditures of \$15.05 million primarily due to a 4.3 percent increase in acute care census over budget and additional costs for security services at Laguna Honda Hospital. In addition to this net operating deficit, the Department of Public Health has a shortfall of a \$4.31 million for critical capital improvements at San Francisco General Hospital.

Fiscal Year Ending June 30, 2008

As of January 31, 2008

<b><u>PUBLIC HEALTH</u></b>	<b><u>SOURCES</u></b>	<b><u>USES</u></b>	<b><u>NET</u></b>
US\$ Millions	Surplus/ (Shortfall)	Savings / (Shortfall)	Department Savings / (Shortfall)
<b>S.F. General Hospital<sup>^</sup></b>	(1.31)	(15.56)	(16.87)
<b>Laguna Honda Hospital</b>	1.92	(2.77)	(0.85)
<b><u>GENERAL FUND</u></b>			
<b>Primary Care</b>	(0.16)	0.59	0.43
<b>Health at Home</b>	-	1.31	1.31
<b>Jail Health</b>	-	(0.85)	(0.85)
<b>Public Health</b>	(1.80)	1.80	-
<b>Mental Health</b>	(0.43)	0.26	(0.17)
<b>Substance Abuse</b>	-	0.17	0.17
<b>Subtotal - General Fund</b>	\$ (2.39)	\$ 3.28	\$ 0.89
<b>Gifts and Other Bequests</b>	\$ -		\$ -
<b>Department Total - All Funds<sup>^</sup></b>	<b>\$ (1.77)</b>	<b>\$ (15.05)</b>	<b>\$ (16.82)</b>

<sup>^</sup> 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 \$1.31 million revenue shortfall due to \$1.00 million lower than budgeted Safety Net Care Pool transfer, \$8.40 million in lower than budgeted Healthy San Francisco revenue due to fewer clients because of changes in State reimbursement rules and additional time taken to transition clients into the program, and \$4.20 million in lower Capitation/Managed Care revenue. This is offset by a projected surplus \$12.27 million of net patient revenues related to higher census levels than were assumed in the budget. For the first 6 months of the fiscal year, the average daily census for the Acute Medical/Surgery Units was 4.3 percent higher than assumed in the budget.
- Laguna Honda:** Revenues are projected to be \$1.92 million higher than budget due to recognition of \$4.00 million in one-time revenues related to a settlement of previously denied reimbursement, offset by reduced revenue associated with lower census at Laguna Honda Hospital. Expenditures are projected to be over budget by \$2.77 million due to increased costs for materials and supplies, non-personal services, and security services

provided by the Sheriff’s Department, offset by savings in salaries and benefits also associated with the lower census.

**Non-Hospital Operations (General Fund)**

Division	Net Surplus/ (Shortfall) millions	Explanation
<b>Primary Care</b>	\$0.43	Capitation/Managed Care revenue shortfall of \$0.16 million, offset by \$0.59 million savings in salaries and fringe benefits.
<b>Health at Home</b>	\$1.31	\$1.31 million of salary and fringe benefit expenditure savings due to high vacancy rates.
<b>Jail Health Services</b>	(\$0.85)	Increased salary and fringe benefit expenditures due to the opening of additional units by the Sheriff’s Department related to prisoner overcrowding.
<b>Public Health</b>	\$0	Revenues Shortfall of \$1.80 million from: <ul style="list-style-type: none"> <li>• CA Child Support Services: (\$1.50)</li> <li>• Targeted Case Management (\$0.30)</li> </ul> <p>Offset by related \$1.80 million expenditure savings in Salaries and Fringe Benefits.</p>
<b>Mental Health</b>	(\$0.17)	Lower pharmacy related expenditures of \$0.43, resulting in lower revenue of \$0.43 million due to lower transfers for Healthy San Francisco due to reduction in pharmacy related expenditures, offset by net savings of \$0.26 million due to lower than budgeted salary and fringe benefit costs.
<b>Substance Abuse</b>	\$0.17	Savings of \$0.17 million due to lower than budgeted salary and fringe benefit costs.
<b>TOTAL</b>	<u>\$0.89</u>	

**Culture & Recreation Departments**

The **Asian Art Museum** is projected to end the year with \$0.13 million salary shortfall due to greater than budgeted retirement payouts.

**Recreation and Park** is projected to end the year on budget for General Fund revenues and expenditures. However, the department is anticipating substantial savings in the Open Space Fund. See also *Appendix D Other Funds Highlights – Select Special Revenue Funds* for additional information about the Golf and Open Space Funds.

The **Art Commission, Fine 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 on expenditure budget. The department is projected to have \$0.55 million in salary savings, which will be offset by workorders with other city departments. Revenues are projected to be \$0.05 million under budget due to County Court fees.

The **Assessor-Recorder's Office** is projected to end the year with a \$0.48 million of expenditure savings due to hiring delays; however, the department completed a successful round of recruitments and was able to hire additional staff members in January and February. Recorder revenues are also projected to result in a surplus of \$0.39 million in the General Fund, for a net departmental surplus of \$0.87 million.

The **Board of Supervisors** are projected to be on budget at year-end.

The **City Attorney's Office** is projected to have an expenditure shortfall of \$2.40 million due to under-recoveries. The department is doing less work than assumed in their budget for enterprise clients, such as the Municipal Transportation Agency, the Public Utilities Commission's Water System Improvement Project, and other non-City clients. Instead, the department is doing more work than expected on General Fund Supported cases. This department net shortfall could be reduced pending the approval of the Elections Systems & Software (ES&S) settlement, which could partially offset their under-recovery. If a settlement is approved and a estimated \$1.00 million will be allocated to the City Attorney for Consumer Protection costs, the overall net department shortfall would be \$1.40 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 based on year-to-date hiring delays and anticipated recruitments.

The **City Planning Department** is projected to have expenditure savings of \$0.86 million due to salary savings from a hiring freeze and directing planners to timely work order projects. These savings are offset by a revenue shortfall of \$1.84 million due to less than expected environmental review fees, and greater than anticipated refunds. However, the department does plan to seek a change in legislation that would affect their long-range planning recoveries, which if passed would allow them to receive an additional \$1.00 million. The department is also seeking a supplemental to use Transbay Joint Power Authority (TJPA) revenues to support TJPA expenses. Should both items pass the department will have a net General Fund Savings of \$0.40 million.

The **Ethics Commission** is projected to end the year on expenditure budget. 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 on budget. The department has projected surpluses in non-personnel services, work order spending, and Worker's Compensation for small departments; however, these surpluses are projected be offset by planned hiring and increased spending on recruitment and training in the second half of the year.

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

The **Mayor's Office** is projected to end the year on budget. The current surplus in salaries and fringes is projected to be offset with planned hiring and personnel costs in the second half of the year.

The **Elections Department** is projected to end the year with a \$3.57 million expenditure deficit primarily in professional services due to the new contract with Sequoia Voting Systems. In addition, the department is projected to have a \$2.50 million revenue surplus due to anticipated settlement revenue. The department will be requesting a supplemental appropriation funded in part with this settlement revenue to cover the expenditure shortfall. In addition, \$3.54 million in expenditures will be charged to a previously approved grant from the State through the Voting Modernization Bond Act of 2002 (Proposition 41). The projected fiscal year-end net departmental shortfall is \$1.07 million.

The **Department of Telecommunications & Information Systems** is projected to end the year with a \$0.49 million net expenditure shortfall in the General Fund due mainly to citywide projects including the Rule 20 Underground Conversion project, maintenance of security cameras, and fire/safety dispatch.

The **Treasurer / Tax Collector's Office** is projected to end the year at \$0.65 million in expenditure savings. Salary savings is projected of \$0.50 million due to hiring delays associated with the department's implementation of position-based testing. Another \$0.15 million is savings from a reserve placed on the Small Business Center. The Small Business Center has since been moved to the Office of Economic and Workforce Development, and the department has no plans to request the release this reserve. We have assumed the reserve will close out and be an additional savings. There are no anticipated revenue variances for a net departmental surplus of \$0.65 million.

### **Transfers Out**

- 1) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contributions to the Library** are projected to be \$0.57 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 \$0.63 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 \$2.07 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 \$2.24 million more than budgeted due to higher parking tax revenues.
- 5) The **Transfer Out – Contribution to SFGH** is projected to be \$16.87 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. See the discussion concerning Public Health above.

- 6) The **Transfer Out – Contribution to LHH** is projected to be \$0.85 million more than budget due to a net shortfall at Laguna Honda Hospital. See the discussion concerning Public Health above.

### **Workers Compensation**

Workers' compensation reforms are continuing to contribute to projected cost savings. Overall, the City's FY 2007-08 workers' compensation costs are projected to be \$0.14 million greater than FY 2006-07 actuals, though still being \$5.04 million better than was assumed in the FY 2007-08 budget. This results in a 6.7 percent projected savings from budgeted levels. The savings are explained mainly by lower numbers of reported claims, as well as a \$1 million subrogation recovery by the Public Library in November 2007. The estimates are based on six months of actual claims as well as projected spending until the end of the fiscal year assuming prior-year spending patterns and inflation. Projected savings in General Fund Supported workers compensation costs total \$0.54 million.

**Projected Workers Compensation Costs**

(In Millions)

Fund/Service Area (millions)	FY 2006-07		FY 2007-08		% Change from PY
	Actuals	Revised Budget	6-Month Projection	Surplus / (Deficit)	
<b>GENERAL FUND</b>					
Recreation & Park	\$ 2.68	\$ 3.66	\$ 2.85	\$ 0.80	6.4%
Human Services	2.44	2.80	2.16	0.64	-11.6%
Human Resources w/ All Other Small Depts.	1.50	1.55	1.14	0.41	-24.2%
City Attorney	0.27	0.32	0.10	0.22	-63.9%
Emergency Management	0.42	0.47	0.39	0.08	-8.4%
Fire Department	7.40	8.08	8.04	0.04	8.8%
Adult Probation	0.32	0.31	0.28	0.02	-11.6%
Health Service System	0.10	0.04	0.05	(0.01)	-51.2%
Fine Arts Museum	0.21	0.21	0.23	(0.02)	8.3%
Treasurer/Tax Collector	0.19	0.20	0.24	(0.05)	25.6%
Public Health	1.03	1.15	1.21	(0.07)	17.3%
Juvenile Probation	1.25	1.29	1.38	(0.08)	10.3%
Sheriff	2.86	2.63	2.73	(0.10)	-4.3%
District Attorney	0.40	0.11	0.21	(0.10)	-46.9%
Police Department	10.16	12.52	13.86	(1.34)	36.4%
<b>Subtotal General Fund (GF)</b>	<b>\$ 31.24</b>	<b>\$ 35.33</b>	<b>\$ 34.88</b>	<b>\$ 0.45</b>	<b>11.7%</b>
<b>GENERAL FUND SUBSIDIZED</b>					
Public Health					
SF General Hospital	\$ 5.39	\$ 5.17	\$ 5.03	\$ 0.15	-6.6%
Laguna Honda Hospital	2.85	3.34	3.39	(0.06)	0.19
<b>Subtotal General Fund Subsidized</b>	<b>\$ 8.24</b>	<b>\$ 8.51</b>	<b>\$ 8.42</b>	<b>\$ 0.09</b>	<b>0.02</b>
<b>Subtotal General Fund &amp; Subsidized</b>	<b>\$ 39.47</b>	<b>\$ 43.84</b>	<b>\$ 43.30</b>	<b>\$ 0.54</b>	<b>9.7%</b>
% Change from FY 2006-07 Actuals			9.7%		
% Change from FY 2007-08 Revised Budget			-1.2%		

**Projected Workers Compensation Costs**

(In Millions)

Fund/Service Area	FY 2006-07		FY 2007-08		% Change from PY
	Actuals	Revised Budget	6-Month Projection	Surplus / (Deficit)	
<b>OTHER FUNDS</b>					
Municipal Transportation Agency*	\$ 19.94	\$ 19.00	\$ 17.31	\$ 1.69	-13.2%
Public Library**	\$ 0.93	1.11	(0.10)	1.20	-110.6%
Public Works	\$ 2.72	3.10	2.68	0.42	-1.3%
Port	\$ 0.58	1.16	0.78	0.38	33.9%
Public Utilities Commission	\$ 3.43	3.62	3.24	0.38	-5.5%
Police Department (Airport)	\$ 0.44	0.68	0.37	0.31	-15.8%
Telecommunications & Info Svcs	\$ 0.29	0.35	0.26	0.09	-9.0%
Building Inspections	\$ 0.14	0.19	0.12	0.07	-19.4%
Child Support Services	\$ 0.10	0.13	0.08	0.05	-22.9%
Rent Board	\$ 0.00	0.01	0.00	0.01	-87.3%
Airport Commission	\$ 1.61	1.64	1.64	(0.01)	2.2%
City Administrator	\$ 0.23	0.24	0.28	(0.04)	0.0%
War Memorial	\$ 0.17	0.19	0.24	(0.05)	38.3%
<b>Subtotal Non-General Fund</b>	<b>\$ 30.59</b>	<b>\$ 31.41</b>	<b>\$ 26.91</b>	<b>\$ 4.50</b>	<b>-12.0%</b>
<b>GRAND TOTAL</b>	<b>\$ 70.07</b>	<b>\$ 75.25</b>	<b>\$ 70.21</b>	<b>\$ 5.04</b>	<b>0.2%</b>
% Change from FY 2006-07 Actuals			0.2%		
% Change from FY 2007-08 Revised Budget			-6.7%		

\* 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 result in \$1.84 million of savings overall. The General Fund Supported operations are projected to show savings of \$0.61 million, and other self-supporting operations are projected to show savings of \$1.23 million.

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

<b>Energy Usage By Department FY 2007-08 Projected Savings/(Shortfall)</b>				
<b><u>GENERAL FUND</u></b>	<b>Power</b>	<b>Gas</b>	<b>Steam</b>	<i>Sort Order</i> <b>Variance from Budget</b>
Recreation & Parks	0.02	0.13	-	0.14
Other Departments	0.03	0.07	(0.01)	0.10
Sheriff	0.01	0.08	-	0.08
Juvenile Probation	0.04	0.03	-	0.07
Real Estate	0.09	(0.02)	-	0.06
Fire Department	(0.10)	(0.01)	-	(0.11)
<b>Total General Fund</b>	<b>\$ 0.08</b>	<b>\$ 0.28</b>	<b>\$ (0.01)</b>	<b>\$ 0.35</b>
<b><u>GENERAL FUND SUBSIDIZED</u></b>				
<b>Non General Fund</b>				
SF General Hospital	-	0.16	-	0.16
Laguna Honda Hospital	-	0.05	-	0.05
Convention Facilities	0.07	0.00	(0.03)	0.05
<b>Subtotal General Fund Subsidized</b>	<b>\$ 0.07</b>	<b>\$ 0.21</b>	<b>\$ (0.03)</b>	<b>\$ 0.26</b>
<b>Subtotal General Fund &amp; Subsidized</b>	<b>\$ 0.15</b>	<b>\$ 0.49</b>	<b>\$ (0.03)</b>	<b>\$ 0.61</b>
<b><u>OTHER FUNDS</u></b>				
Public Utilities Commission	0.96	0.01	-	0.97
Airport	0.16	0.01	-	0.17
Municipal Transportation Authority	0.17	0.00	-	0.17
Department of Public Works	0.04	0.04	-	0.08
Other Departments	0.00	0.00	-	0.00
Public Library	(0.03)	0.00	(0.04)	(0.07)
Port Authority	(0.10)	-	-	(0.10)
<b>Subtotal Non-General Fund</b>	<b>\$ 1.20</b>	<b>\$ 0.08</b>	<b>\$ (0.04)</b>	<b>\$ 1.23</b>
<b>GRAND TOTAL</b>	<b>\$ 1.35</b>	<b>\$ 0.57</b>	<b>\$ (0.08)</b>	<b>\$ 1.84</b>

**Overtime Costs**

Overtime costs are projected to represent 6.8 percent of personnel salary costs versus the 4.7 percent assumed in the budget. This results in overtime costs exceeding budget by approximately \$51.28 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 Costs**

**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>PPD 12/28/07 Actual</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>\$ Million</b>	<b>Percent</b>
<b>MTA</b>							
Municipal Railway	\$ 39.82	\$ 28.21	\$ 22.50	\$ 45.18	\$ (16.97)	\$ 5.36	13.46%
Parking & Traffic	2.40	2.26	1.41	2.82	(0.56)	0.42	17.53%
Subtotal - MTA	42.22	30.47	23.91	48.01	(17.53)	5.78	13.69%
<b>Police</b>							
General Fund Operations	23.87	18.98	12.46	25.01	(6.03)	1.15	4.80%
Special Law Enforcement Services (10B)*	9.11	12.27	6.11	12.27	-	3.16	34.74%
Grants & Other Non-10B Special Revenues	1.60	2.53	1.26	2.53	-	0.93	58.01%
Airport	2.35	1.52	0.96	1.93	(0.41)	(0.42)	-17.70%
Subtotal - Police	36.92	35.31	20.79	41.75	(6.44)	4.82	13.06%
<b>Public Health</b>							
All Other Non-Hospital Operations	0.93	0.77	0.49	0.99	(0.22)	0.06	6.61%
Grants & Other Special Revenues	0.04	0.29	0.01	0.03	0.26	(0.01)	-28.87%
SF General	8.20	8.01	4.76	9.55	(1.54)	1.36	16.58%
Laguna Honda Hospital	7.55	2.48	4.02	8.08	(5.60)	0.53	7.03%
Subtotal - Public Health	16.71	11.55	9.29	18.65	(7.10)	1.94	11.61%
<b>Fire</b>							
General Fund Operations	16.17	18.59	11.03	22.15	(3.57)	5.99	37.02%
Grants & Other Special Revenues	1.58	0.33	0.16	0.33	-	(1.25)	-79.05%
Airport	1.83	1.73	0.81	1.63	0.10	(0.20)	-11.12%
Port	0.28	0.22	0.08	0.16	0.06	(0.12)	-41.98%
Subtotal - Fire	19.86	20.88	12.09	24.27	(3.40)	4.42	22.24%
<b>Sheriff</b>							
	13.52	6.56	7.20	14.46	(7.90)	0.94	6.94%
<b>PUC</b>							
	6.71	2.84	3.54	7.11	(4.27)	0.40	5.96%
<b>Subtotal - Big 6</b>	<b>\$ 135.95</b>	<b>\$ 107.60</b>	<b>\$ 76.83</b>	<b>\$ 154.25</b>	<b>\$ (46.64)</b>	<b>\$ 18.30</b>	<b>13.46%</b>
<b>Airport Commission</b>	1.46	1.68	0.81	1.63	0.05	0.17	11.98%
<b>Elections</b>	0.46	0.85	0.31	0.62	0.23	0.16	35.09%
<b>Fine Arts Museum</b>	0.60	0.09	0.33	0.66	(0.57)	0.06	9.57%
<b>Human Services Agency</b>	1.07	0.20	0.57	1.15	(0.94)	0.07	6.72%
<b>Juvenile Probation</b>	2.22	1.15	1.24	2.49	(1.34)	0.27	12.28%
<b>Recreation &amp; Park</b>	2.33	0.61	1.25	2.51	(1.91)	0.19	8.02%
<b>All Other Departments</b>	7.43	7.33	3.73	7.49	(0.16)	0.06	0.82%
<b>Total</b>	<b>\$ 151.52</b>	<b>\$ 119.52</b>	<b>\$ 85.07</b>	<b>\$ 170.80</b>	<b>\$ (51.28)</b>	<b>\$ 19.28</b>	<b>12.73%</b>
<i>Big 6 % of Total</i>	<i>89.72%</i>	<i>90.03%</i>	<i>90.31%</i>	<i>90.31%</i>	<i>90.95%</i>	<i>94.90%</i>	
Change from Prior Year Actual	\$ 27.33	\$ (32.00)		\$ 19.28			
<b>Total Gross Salaries</b> (Cash Compensation)	\$ 2,371.93	\$ 2,532.18	\$ 1,249.22	\$ 2,508.06			
<b>Overtime as a % of Total Gross Salaries</b>	<b>6.4%</b>	<b>4.7%</b>	<b>6.8%</b>	<b>6.8%</b>			

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

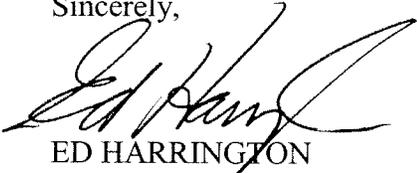
\*\* Adjusted Revised Budget reflects budgetary accounting of transfers for project and grant appropriation.

\*\*\* Straight line projections do not adjust for savings plans, seasonality or other one-time events. Departmental shorfalls discussed earlier were adjusted when departmental staffing plans were provided.

## 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 \$21.37 million. My staff and I are available to respond to any comments or questions you may have at this time.

Sincerely,



ED HARRINGTON  
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 February 6, 2008**

<u>GENERAL FUND SUPPORTED SUPPLEMENTALS</u>	<u>APPROVED CHANGES</u>	<u>PENDING / POTENTIAL CHANGES</u>	<u>USING GENERAL RESERVE or FUND BALANCE</u>	<u>USING GENERAL RESERVE</u>
<b>Board and Voter Approved Supplementals</b>				
ECN - Small Business Assistance Center (Proposition I)	\$ 750,000		\$ 750,000	\$ 750,000
GEN - Hurricane Relief in Nicaragua	\$ 100,000		\$ 100,000	\$ 100,000
REC - Golden Gate Park Stables Matching Funds (Proposition G)*	\$ 750,000		\$ 750,000	\$ 750,000
<b>Total Changes Approved</b>	<b>\$ 1,600,000</b>		<b>\$ 1,600,000</b>	<b>\$ 1,600,000</b>
<b>Supplementals Pending - Assumed Approved in 6-Month Projection</b>				
None				
<b>Total Supplemental Pending at the Board or Mayor's Approval - Assumed Approved in 6-Month Projection</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Supplementals Approved and Pending at the Board - Assumed Approved in 6-Month Projection</b>				
	<b>\$ 1,600,000</b>			
<i>Supported by New General Fund Revenues</i>	\$ -			
<i>Supported by Rainy Day Reserves</i>	\$ -			
<i>Supported by General Fund Reserve</i>	\$ 1,600,000			
<i>Supported by Department Reserve</i>	\$ -			
<i>Supported by Fund Balance</i>	\$ -			
<i>Supported by Department Savings</i>	\$ -			
<b>Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection</b>				
ADM - Manager for Special Events Promotion in the Entertainment Commission	\$ 45,612			
CHF - San Francisco Promise Program	\$ 525,000		\$ 525,000	\$ 525,000
DPH - Acute Psychiatric Beds at San Francisco General Hospital	\$ 2,335,282		\$ 1,368,743	\$ 1,368,743
HRD - Workers Compensation Clinic at SF General Hospital	\$ 246,000		\$ 246,000	\$ 246,000
MOH - Supportive Housing for People Who Are Homeless or at Risk of Homelessness	\$ 5,000,000		\$ 5,000,000	\$ 5,000,000
REC - Half-Time Senior Administrative Analyst to Staff a Golf Course Task Force	\$ 45,717			
REC - Recreational Opportunity Study at San Francisco Golf Courses	\$ 50,000			
<b>Total Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection</b>	<b>\$ 8,247,611</b>		<b>\$ 7,139,743</b>	<b>\$ 7,139,743</b>
<b>Additional Anticipated Supplementals</b>				
CRT - Indigent Defense	\$ 2,263,846		\$ 2,263,846	2,263,846
DPH - Cost Overruns and Capital Improvements at San Francisco General Hospital	\$ 16,870,000		\$ 16,870,000	16,870,000
DPH - Security Workorder Cost Overruns at Laguna Honda Hospital	\$ 850,000		\$ 850,000	850,000
REG - New Voting System and Voting Services	\$ 3,570,000		\$ 1,070,000	1,070,000
SHF - Additional Cost Related to Prison Overcrowding (Part 1 of 2)	\$ 7,342,930		\$ 5,675,931	5,675,931
<b>Total Additional Anticipated Supplementals- As Noted in 6-Month Projection</b>	<b>\$ 30,896,776</b>		<b>\$ 26,729,777</b>	<b>\$ 26,729,777</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 CHANGES</b>	<b>PENDING / POTENTIAL CHANGES</b>	<b>USING 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		
<b>Total Changes Approved</b>	<b>\$ 42,661,982</b>		<b>\$ 250,000</b>
<b>Supplementals Pending in the Mayor's Office</b>			
None			
<b>Total Supplementals Pending in the Mayor's Office</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Supplementals Pending at the Board</b>			
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	
<b>Total Supplementals Pending at the Board</b>		<b>\$ 89,896,162</b>	<b>\$ -</b>
<b>Additional Anticipated Supplementals</b>			
CPC - Transbay Joint Powers Authority Project Expenses		\$ 427,000	
SHF - Additional Cost Related to Prison Overcrowding (Part 2 of 3)		\$ 600,000	600,000
SHF - Additional Cost Related to Prison Overcrowding (Part 3 of 3)		\$ 269,044	-
WAR - Premium Pay cost for Engineers		\$ 200,000	200,000
<b>Total Additional Anticipated Supplementals</b>		<b>\$ 1,496,044</b>	<b>\$ 800,000</b>

**APPENDIX B: Status of Reserves – Current and Prior Years  
As of February 6, 2008**

**Current and Prior Year Reserves**

<b>Department</b>	<b>Fiscal Year Amount Placed on Reserve</b>	<b>Reserve Description</b>	<b>Original Balance of Reserve</b>	<b>Remaining Balance of Reserve</b>
Administrative Services	FY 2005-06	MOD OPERATIONS SUPPORT	2,329	2,329
Administrative Services	FY 2005-06	TFCA - POLICE BICYCLE PATROL PROJECT	22,209	22,209
Administrative Services	FY 2006-07	CIVIC CENTER RELOCATION PROJECT	800,000	800,000
<b>Administrative Services Total</b>			<b>\$ 824,538</b>	<b>\$ 824,538</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>
Arts Commission	FY 2005-06	ART COMMISSION - SYMPHONY ORCHESTRA	780,689	780,689
Arts Commission	FY 2005-06	CAE - HOTEL TAX - ADMINISTRATION	39,936	39,936
Arts Commission	FY 2005-06	CEG - NEW ASIAN AMERICAN - PACIFIC ISLANDER	35,186	35,186
<b>Arts Commission Total</b>			<b>\$ 855,811</b>	<b>\$ 855,811</b>
Asian Art Museum	FY 2001-02	ASBESTOS REMOVAL; TRACK LTG.	13,855	13,855
Asian Art Museum	FY 2001-02	FACILITIES MAINTENANCE	55,159	55,159
<b>Asian Art Museum Total</b>			<b>\$ 69,014</b>	<b>\$ 69,014</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	250,000
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>\$ 430,000</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>
General City Responsibility	FY 2003-04	SFFC EQUIPMENT LEASE REV - SERIES 2003	455,000	455,000
General City Responsibility	FY 2005-06	CITYWIDE EMAIL	85,524	85,524
General City Responsibility	FY 2007-08 AAO	PUBLIC HOUSING REBUILD FUND	5,000,000	1,500,000
<b>General City Responsibility Total</b>			<b>\$ 5,540,524</b>	<b>\$ 2,040,524</b>
Human Resources	FY 2006-07	HUMAN RESOURCES INTEGRATED SYSTEM	5,000,523	5,000,523
<b>Human Resources Total</b>			<b>\$ 5,000,523</b>	<b>\$ 5,000,523</b>
Human Services	FY 2007-08 AAO	EMPLOYMENT SVCS OVERHEAD & SALARIES	4,503,344	4,503,344
Human Services	FY 2007-08 AAO	WORKFORCE INVEST ACT ONE-STOP (SSFWIA)	381,861	381,861
<b>Human Services Total</b>			<b>\$ 4,885,205</b>	<b>\$ 4,885,205</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>

**Current and Prior Year Reserves (Continued)**

Department	Fiscal Year		Original Balance of Reserve	Remaining Balance of Reserve
	Amount Placed on Reserve	Reserve Description		
Police	FY 2004-05	S F TRAFFIC OFFENDER PROGRAM	20,850	20,850
<b>Police Total</b>			<b>\$ 20,850</b>	<b>\$ 20,850</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 Health	FY 2007-08	ACUTE CARE	1,045,000	1,045,000
<b>Public Health Total</b>			<b>\$ 1,045,000</b>	<b>\$ 1,045,000</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	WASTEWATER INFRASTRUCTURE REPAIRS	24,312,000	24,312,000
Public Utilities Commission	FY 2007-08 AAO	WASTEWATER SEWER REPLACEMENT	13,328,800	13,328,800
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>\$ 59,532,800</b>	<b>\$ 56,359,300</b>
Public Works	FY 1998-99	GEN 6618E THIRD ST BRIDGE RETROFIT	995,000	90,000
Public Works	FY 2002-03	0757J - RESERVE	46,633	46,633
Public Works	FY 2002-03	0809J - BOS RESERVE	7,497,891	2,507,800
Public Works	FY 2005-06	1990N - ALLOC 4TH ST BRDGE RETRO PE PH2	4,000,000	2,515,000
Public Works	FY 2005-06	MISC FAC MAINT PROJ	15,636	15,636
Public Works	FY 2005-06	STREETSCAPE IMP PROJECTS BUDGET	9,000,000	8,230,000
Public Works	FY 2006-07	CHINATOWN ALLEYWAY IMPROVEMENT	2,300,000	598,828
Public Works	FY 2006-07	STREETSCAPE IMP PROJECTS BUDGET	7,500,000	7,500,000
Public Works	FY 2007-08	STREET RESURFACING FY 07/08	9,986,478	9,986,478
<b>Public Works Total</b>			<b>\$ 41,341,638</b>	<b>\$ 31,490,375</b>
Recreation & Park	FY 1999-2000	MID-EMBARCADERO MUSIC CONCOURSE	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 2005-06	CABLE FRANCHISE NEGOTIATION	250,000	250,000
Telecommunications & Info Svcs.	FY 2007-08 AAO	SECURITY CAMERAS	200,000	200,000
<b>Telecommunications &amp; Info Svcs. Total</b>			<b>\$ 450,000</b>	<b>\$ 450,000</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>\$ 215,211,226</b>	<b>\$ 191,567,798</b>

**Appendix C: MOU Reserve Update**

**FY 2007-08 Salary and Benefits Reserve Update - Quarter 2**

**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

**Total Sources** 35,915,967

**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 1,952,711

Various Depts - Local 21 Life Insurance 283,543

Various Depts - Local 21 Union/City Partnership 16,099

Visual Display Terminal Insurance - Quarters 1 & 2 72,701

**Total Transferred to Departments** **17,939,512**

**Remaining Allocations**

MOU increases and other salary adjustments (Fire Fighters, Sheriff's Association, Police Officers, Nurses, Supervising Nurses, SEIU, MEA, Elected Officials) 1,068,287

Retirement Payout (Fire Fighters, Police Officers, etc.) 5,518,100

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) 1,673,985

Visual Display Terminal Insurance - FY 2007-08 Quarters 3 - 4 77,300

**Total Remaining Allocations** **17,976,457**

**Total Uses** **35,915,968**

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

	Prior Year	Current Year			Estimated Year-end Fund Balance
		Fund Balance Surplus / (Shortfall)	Sources Better / (Lower) than Budget	Uses Savings / (Shortfall) from Budget	
<b>Select Special Revenue Funds</b>					
(1) Building Inspection Operating Fund	(\$1.75)	\$3.87	\$2.00	\$5.87	<b>\$4.12</b>
(2) Children's Fund	\$1.89	\$0.13	\$0.00	\$0.13	<b>\$2.02</b>
(3) Child Support Services Fund	\$0.00	(\$0.71)	\$0.71	\$0.00	<b>\$0.00</b>
(4) Downtown Park Fund	\$0.59	\$0.00	\$0.11	\$0.11	<b>\$0.70</b>
(5) Neighborhood Beautification Fund	\$0.03	\$0.00	\$0.00	\$0.00	<b>\$0.03</b>
(6) Convention Facilities Fund	\$1.25	(\$0.74)	\$0.54	(\$0.20)	<b>\$1.05</b>
(7) Marina Yacht Harbor Fund	\$2.14	\$0.00	\$0.00	\$0.00	<b>\$2.14</b>
(8) Gas Tax Fund	\$0.00	(\$0.02)	\$0.00	(\$0.02)	<b>(\$0.02)</b>
(9) Golf Fund	\$0.05	(\$0.05)	\$0.00	(\$0.05)	<b>\$0.00</b>
(10) Open Space Fund	\$7.62	\$0.40	\$2.50	\$2.90	<b>\$10.52</b>
(11) Library Preservation Fund	\$15.20	\$0.97	\$1.56	\$2.53	<b>\$17.73</b>
(12) 911 Fund	\$3.22	\$0.00	\$1.08	\$1.08	<b>\$4.30</b>
(13) District Attorney (DAT) - Special Revenue	\$0.55	\$0.00	\$0.00	\$0.00	<b>\$0.55</b>
(14) DAT - Narcotic Forfeiture & Asset Seizure	\$0.16	\$0.00	\$0.00	\$0.00	<b>\$0.16</b>
(15) Sheriff - Inmate Program Fund	\$0.62	\$0.00	(\$0.60)	(\$0.60)	<b>\$0.02</b>
(16) Sheriff - Peace Officer Training Fund	(\$0.00)	\$0.27	(\$0.27)	\$0.00	<b>(\$0.00)</b>
(17) Sheriff - Special Maintenance Fund	(\$0.04)	\$0.00	\$0.04	\$0.04	<b>\$0.00</b>
(18) DPW Overhead Fund	\$4.24	\$0.00	\$0.00	\$0.00	<b>\$4.24</b>
(19) War Memorial Fund	\$1.39	\$0.00	(\$0.20)	(\$0.20)	<b>\$1.19</b>

Notes	Other Funds	Description
(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. However, current year revenues are projected to be \$3.87 million better than budget due primarily to better than anticipated Building Permit activities. Expenditure savings of \$2.00 million are also projected, related to salary savings. This fund is projected to have a \$5.87 million net operating surplus, resulting in \$4.12 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. The department is expected to have revenues better than budget by \$0.13 million due

Notes	Other Funds	Description
		to higher property tax allocations. Expenditures are expected to be on budget for a projected year-end fund balance of \$2.02 million.
(3)	<b>Child Support Services Fund</b>	The Child Support Services Fund began the current year with \$0.00 million fund balance available for appropriation. Uses are projected to be \$0.71 million under budget due to personnel vacancies and savings in non-personnel services and services of other departments. Additionally, sources are projected to be \$0.71 million under budget since the department is only reimbursed for its expenditures. This results in a \$0.00 million net current-year impact and a \$0.00 million projected year-end fund balance.
(4)	<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 will result in a projected year-end fund balance of \$0.70 million.
(5)	<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.
(6)	<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 \$0.74 million under budget due to lower concession revenue. Expenditure savings are projected to be \$0.54 million due to lower operating contract costs, resulting in a projected \$1.05 million year-end fund balance, which can be used to reduce General Fund support in the current year or as a source in next year's budget.
(7)	<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.
(8)	<b>Gas Tax Fund</b>	The Gas Tax Fund began the year with zero fund balance. Revenues are projected to be below budget by \$0.02 million in resulting in a net shortfall of \$0.02 million in projected for fiscal year-end. No further General Fund support is projected as spending control is assumed to bring this fund back into balance.
(9)	<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 \$0.05 under budget due to flooding at Sharpe. Expenditures are expected to be at budget. This results in a net operating shortfall of \$0.05 million in the current year, and a projected year-end fund balance of zero.
(10)	<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 better than budget by \$0.40 million due to \$0.10 million in property tax allocations and \$0.30 million in higher interest revenue because of higher cash

Notes	Other Funds	Description
		balance. Uses are projecting a savings of \$2.50 million in capital projects for a net operating surplus of \$2.90 million and a projected year-end fund balance of \$10.52 million.
(11)	<b>Library Preservation Fund</b>	The Public Library began the current year with \$15.02 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 due to \$0.57 million in baseline transfers, \$0.30 million in higher interest revenue, and \$0.10 million in higher property tax allocations. No significant variations in expenditures are expected. The department's budget also assumed \$1.56 million of reserves to close out to fund balance at the end of the fiscal year. Thus the Library Preservation Fund is projected to have a year-end balance of \$17.73 million available for future appropriation.
(12)	<b>911 Fund</b>	The 911 Fund began the current year with an additional \$3.22 million over the \$5.50 million appropriated in the budget. Sources are projected to be on budget. Uses are projected to be \$1.08 million under budget. 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 \$1.08 million net operating surplus, which then results in a projected year-end fund balance of \$4.30 million.
(13)	<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.
(14)	<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 \$0.16 million year-end fund balance available for appropriation.
(15)	<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. Expenditures are projected to be \$0.60 million over budget due to prisoner services, facilities maintenance, and capital projects at County Jail #5 resulting from prison overcrowding. With sources projected to be on budget, the projected fiscal year-end fund balance is \$0.02 million. A supplemental appropriation is assumed to bridge this shortfall.
(16)	<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 over budget as well, resulting in no projected fiscal year-end fund balance. A supplemental appropriation is assumed to bridge this shortfall.

<b>Notes</b>	<b>Other Funds</b>	<b>Description</b>
(17)	<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 the projected fiscal year-end fund balance is zero.
(18)	<b>DPW Overhead Fund</b>	The Department of Public Works Overhead Fund began the year with \$4.24 million in fund balance. Revenues and expenditures are expected to be on budget for a projected year-end fund balance of \$4.24 million. The department includes projected balances when adjusting future year overhead rates.
(19)	<b>War Memorial Fund</b>	The War Memorial Fund began the current year with \$1.39 million in fund balance, none of which was appropriated in FY 2007-08. The department is not projecting any variance in revenues. Expenditures are projected to be over budget by \$0.20 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. This will result in a net operating deficit of \$0.20 million and a projected \$1.19 million year-end fund balance. The department will be requesting a supplemental appropriation using fund balance to fill the shortfall.

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

		Prior Year	Current Year			
		Fund Balance Surplus / (Shortfall)	Sources Better / (Lower) than Budget	Uses Savings / (Shortfall) from Budget	Net Operating Surplus / (Deficit)	Estimated Year-end Fund Balance
<b><u>Select Enterprise Funds</u></b>						
(1)	<b>Airport Operating Fund</b>	\$61.02	\$13.60	\$7.50	\$21.10	<b>\$82.12</b>
(2)	<b>MTA – MUNI Operating Fund</b>	\$37.40	\$10.39	\$21.29	\$31.68	<b>\$69.08</b>
(3)	<b>MTA - MUNI Transit Impact Fund</b>	\$2.60	\$1.22	\$0.37	\$1.58	<b>\$4.18</b>
	<b>Subtotal MTA - MUNI</b>	\$40.00	\$11.60	\$21.66	\$33.26	<b>\$73.26</b>
(4)	<b>MTA – Parking &amp; Traffic Operating Fund</b>	\$6.84	\$0.95	\$5.17	\$6.12	<b>\$12.96</b>
(5)	<b>Port Operating Fund</b>	\$33.55	\$5.11	\$0.68	\$5.80	<b>\$39.35</b>
(6)	<b>PUC – Hetch Hetchy Operating Fund</b>	\$60.05	(\$1.87)	\$16.06	\$14.19	<b>\$74.25</b>
(7)	<b>PUC – Wastewater Operating Fund</b>	\$17.78	(\$5.12)	\$0.00	(\$5.12)	<b>\$12.66</b>
(8)	<b>PUC – Water Operating Fund</b>	\$55.22	\$1.67	\$1.88	\$3.55	<b>\$58.78</b>
<b><u>Internal Services Fund</u></b>						
(9)	<b>Telecomm. &amp; Information Systems Fund</b>	(\$1.45)	\$0.00	(\$0.97)	(\$0.97)	(\$2.42)

**Enterprise Funds**

**Notes Other Funds Description**

- | Notes | Other Funds                   | Description  |
|-------|-------------------------------|--|
| (1)   | <b>Airport Operating 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 \$13.60 million better than budget due to \$5.60 million in aviation revenues, \$11.50 million better in non-airline revenues, particularly concessions and parking, which are offsetting a \$3.60 million shortfall in non-operating revenue due to lower interest income projections. The department is projected to have \$7.50 million in expenditure surplus due to a projected \$1.50 million in salaries and fringe benefit savings due to position vacancies, \$3.50 million in non-personnel services savings mainly from delays in professional services contracts, \$2.50 million in savings from airport police bureau savings, \$1.00 million of savings in materials and supplies, \$0.30 million of savings in workers compensation, offset in part by \$1.26 million in higher annual service payments because of higher concession/parking revenues. The net result is a projected net operating surplus of \$21.10 million for the current year, resulting in estimated fund balance of \$82.12 million by fiscal year-end. |

<b>Notes</b>	<b>Other Funds</b>	<b>Description</b>
(2)	<b>MTA-MUNI Operating 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 \$10.39 million greater than budget due primarily to \$5.10 million in parking traffic fine collections, \$4.55 million in MUNI regular pass revenue, \$2.24 million in parking tax in-lieu allocations, \$2.14 million in interest earned and \$2.07 million in higher baseline funding, offset by shortfalls of \$3.53 million in State Transportation Assistance and \$1.80 million in State and Local Grants. The Fund is projected to have \$21.29 million in expenditure surplus due to \$23.75 million in savings in salary and fringe costs for position vacancies, \$5.47 million in savings in non-personnel services, \$5.63 million in materials and supplies, and \$6.00 million in unspent reserves, offset by \$18.62 million in lower than budget allocated charges as well as higher overtime costs. The projected net operating shortfall is therefore \$31.68 million, resulting in a projected fiscal year-end fund balance available for appropriation of \$69.08 million.
(3)	<b>MTA-Transit Impact Development Fund</b>	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 \$1.22 million greater than budget due entirely to higher interest income, and expenditures are projected to be \$0.37 million lower than budget due to savings in non-personnel services and services of other departments. This fund is projected to have a net operating surplus of \$1.58 million, which will result in a projected \$4.18 million fiscal year-end balance.
(4)	<b>MTA- Parking &amp; Traffic Operating Fund</b>	The Parking & 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 \$0.95 million better than budget due to \$0.63 million in higher Baseline funding, \$0.86 million in interest income, \$0.24 million in property rentals, and \$0.16 million in red light fines, offset by \$1.00 million less in tow surcharge fee revenue. Expenditures are projected to be \$5.17 million lower than budget due to \$4.00 million in unspent reserves, \$1.32 million in non-personnel services, \$0.14 in capital outlay, offset by \$0.21 million over budget in materials and supplies and \$0.15 million over budget in salary and fringe costs. This fund is projected to have a net operating surplus of \$6.12 million and an estimated fund balance of \$12.96 million by fiscal year-end.
(5)	<b>Port Operating Fund</b>	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 higher than budget by \$5.11 million. This is mainly due to Commercial and Industrial Rent revenues projected to be \$1.5 million over budget, Interest revenue being higher due to higher cash balances, and parking revenue being better by 4.6 percent. Expenditures are also anticipated to have savings of \$0.68 million due to projected salary savings resulting from resignations, retirements, and delays in hiring. The projected operating surplus is therefore \$5.80 million, resulting in an estimated year-end fund balance of \$39.35 million.

Notes	Other Funds	Description
(6)	<b>PUC-Hetch Hetchy Operating Fund</b>	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 \$1.87 million under budget mainly due to lower power sales stemming from 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 \$16.06 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 \$14.19 million is projected, with a resulting estimated fund balance of \$74.25 million by fiscal year-end.
(7)	<b>PUC-Wastewater Operating 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 \$5.12 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 are expected to be on budget overall for a net operating shortfall of \$5.12 million and an estimated fund balance of \$12.66 million by fiscal year-end.
(8)	<b>PUC-Water Operating 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 \$1.67 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 included in the budget and higher interest income. Expenditures are projected to be under budget by \$1.88 million due mainly to vacant positions and savings resulting from new chemical supply contracts. The net current-year operating surplus is projected to be \$3.55 million and results in an estimated fund balance of \$58.78 million by fiscal year-end.
(9)	<b>Telecomm &amp; Information Systems Fund</b>	The Telecommunications and Information Systems began the year with a negative \$1.45 million fund balance. The department fund is projected to have an operating deficit of \$0.97 million due to under-recoveries of staffing costs, for a projected year-end fund balance of negative \$2.42 million. This shortfall will become a factor in determining next year's rates.