MAYOR'S BUDGET OFFICE

BOARD OF SUPERVISORS
BUDGET ANALYST

OFFICE OF THE CONTROLLER

March 21, 2005

The Honorable Gavin Newsom, Mayor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Three-Year General Fund Budget Projection, FY 2005-06 through FY 2007-08**

Dear Mayor Newsom and Members of the Board of Supervisors:

The San Francisco Administrative Code Section 3.6 requires a three-year budget report to be issued annually by the Controller, the Mayor's Budget Director, and the Budget Analyst for the Board of Supervisors. This report projects revenues and expenditures for FY 2005-06 through FY 2007-08.

As shown in Table A below, we are projecting shortfalls for the next three years, including a $102.2 million General Fund shortfall for FY 2005-06. Although we are projecting shortfalls in each of the next two fiscal years based on the assumption of current service levels, all final budgets must be balanced and all projected shortfalls eliminated. The FY 2006-07 and FY 2007-08 projections both assume that any prior-year projected shortfall is balanced with ongoing changes, either increased revenues or decreased expenditures. We believe that this will be difficult, in that there will likely be both on-going and some one-time revenues and expenditure reductions used to balance the FY 2005-06 budget. To the degree that one-time fixes are used, larger projected shortfalls result in the latter two years of this projection.

Table A: Summary of Projected General Fund Surplus / (Shortfall)
US$ millions

	FY 2005-06	FY 2006-07	FY 2007-08
Projected Surplus / (Shortfall)	**($102.2)**	**($120.6)**	**($ 43.8)**

Our projections reflect the estimated cost of providing the current level of City services through current business practices for General Fund Supported operations, including the strategies implemented by the Mayor's $97 million, 18-month savings plan for the period from January 1, 2005 through June 30, 2006. These projections are not intended to commit the City to future spending levels. Actual funding decisions will be subject to availability of funds as well as policy decisions of the Mayor and Board of Supervisors. Key assumptions to note in this year's Joint Report are included below. Based on these assumptions, key budgetary changes in sources and uses are highlighted in Table B on page 4.

Assumptions Contained in the Budget Projection

- The **Mayor's $97 million, 18-month savings plan** designed to backfill the revenue losses stemming from the voters disapproval of Proposition J (1/4 percent sales tax) and Proposition K (temporary 1/10th of 1 percent gross receipts tax) in the November 2004 election is enacted. The 18-month plan included $36.9 million in savings during FY 2005-06.

- Employees covered by **contracts not currently open for negotiation (AKA closed contracts) would continue to contribute up to 7.5 percent** (the required employee-share contribution rate for most employees) into the retirement system as defined in their current contract instead of the City paying for such employee contributions. Then beginning in FY 2006-07, we have assumed that the City will resume full pick-up of the employee retirement contribution for miscellaneous employees. This contribution is invested in the system and is used to cover a portion of the resulting defined benefit plan's pension benefits. The exact level of employee contribution depends on each labor contract. For example, the nurses' contract does not require covered employees to contribute, whereas most other contracts require either 7.5 percent or 5.0 percent during FY 2005-06.

- Employees covered by **labor contracts open for negotiation would receive a 2.7 percent salary increase**. This estimate, based on the 2.7 percent projected annual rate of inflation for San Francisco[1], is for projection purposes only and is not meant to be an implied promise of a wage increase. Any wage increase will be determined through the collective bargaining process. After factoring in employee retirement givebacks and limited wage increases over the recent past, it appears likely that some salary increases for employees will occur.

- The **Charter-mandated employer-share retirement contribution rate will increase from 4.48 percent in FY 2004-05 to 6.58 percent in FY 2005-06**. Cost increases related to the mandatory employer retirement contributions are projected to be $21.2 million in FY 2005-06 for the General Fund. The CalPERS retirement contribution rate is also set to increase slightly (going from 20.801 percent to 20.850 percent) for selected public safety personnel.

[1] Inflation projections are from the California Department of Finance and are consistent with those used in the State budget.

- **Departments will absorb any inflationary cost increases for contractual services and materials & supplies.** If we had included cost increases based on the consumer price index (CPI) inflation projections, the shortfalls included in this report would increase by $18.1 million in FY 2005-06, $18.6 million in FY 2006-07, and an estimated $19.1 million in FY 2007-08.[2]

- While the specifics may change over the next few months, we expect the **State Budget** to include **continued property tax shifts** (assumed in our report) and that the City will face potential **programmatic reductions of between $20 to $25 million for FY 2005-06**. However, as was the case in FY 2004-05, we are also assuming the Legislature will largely reverse the health and human service cuts proposed by the Governor. The Governor's proposed cuts include In-Home Supportive Services (IHSS), which makes up $12.3 million of our projected programmatic reductions. Given past experience, we have not included these programmatic reductions in our shortfall report. A summary of proposed State budget reductions impacting San Francisco is on page 15.

- The **Federal budget**, as proposed by President Bush, would result in the City facing **between $10 to $15 million in programmatic reductions in FY 2005-06**, including the elimination of the Community Development Block Grant program, 95 percent reductions to Local Law Enforcement Block Grants, and various other potentially significant reductions. We have not included these cuts in our shortfall projection either, as we are not assuming that the General Fund will have the net capacity to backfill these reductions at this time. To the degree that any program reductions are backfilled, our projected shortfall will be greater. A summary of proposed Federal reductions impacting San Francisco is on page 15.

Policy Considerations

Even with the assumptions outlined above, a number of considerations will be important during the upcoming budget deliberation process. We highlight over-arching policy considerations below.

- For the next two fiscal years in particular, City policymakers are faced with significant fiscal challenges given expenditure growth rates outpacing ongoing revenue increases.

- FY 2006-07 may have an even larger shortfall if one-time sources (including property sales for example) are again used to cover ongoing cost increases. To the degree that FY 2005-06 can be balanced with ongoing solutions, the latter two years will be more manageable to bring into balance.

- Policymakers should consider using any one-time sources for either one-time expenditures or as expenditure reserves to help mitigate the FY 2006-07 and FY 2007-08 shortfalls.

- Above and beyond the immediate steps necessary to balance the FY 2005-06 budget, we recommend that City policymakers examine both short- and long-term strategies to mitigate the projected shortfalls for FY 2006-07 and FY 2007-08.

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[2] Same as footnote #1 above.

Table B: **Three-Year Budget Projection** – Major Changes in Sources & Uses **US$ Millions**

	FY 2005-06	FY 2006-07	FY 2007-08
SOURCES - Fund Balance & Prior-Year Reserves			
Prior Year Fund Balance	$51.6	($56.1)	$0.0
Lower Use of Rainy Day Reserve	(17.3)	(10.3)	0.0
Spend Down of MOU Reserve Carried Forward from Prior Year	(3.6)		
Subtotal, Fund Balance & Prior-Year Reserve	**30.7**	**(66.4)**	**0.0**
SOURCES - Revenues, Transfers In, State Budget Shifts & Redevelopment			
General Tax & Recurring Revenues & Transfers In	81.7	76.3	86.4
One-Time Revenues & Transfers In	(72.4)		
Expiration of State Taking Additional Portion of Property Taxes, ERAF III		25.2	
Repayment of VLF 'Loan' from FY 2003-04		29.7	(29.7)
Redevelopment Property Tax Increment, net General Fund impact	(9.5)	0.5	(2.9)
Subtotal, Revenues & Transfers In	**(0.2)**	**131.7**	**53.7**
USES - Salaries and Benefits			
Annualization of Partial-Year Position Funding	(2.8)		
Change in Work Days	0.0	4.4	(4.5)
MOU Costs, Prior-Year Annualizations of Increases	(13.9)		
MOU Costs, Closed Contract - Miscellaneous	(26.2)		*Open This FY*
MOU Costs, Closed Contract - Police (Estimate), Salary & Fringes	(11.3)	(13.4)	$\boxed{(5.5)}$
MOU Costs, Closed Contract - Fire (Estimate), Salary & Fringes	(8.9)	(12.7)	$\boxed{(3.7)}$
MOU Costs, Open - Assumed Wage Increases at CPI	(7.1)	(22.3)	(30.8)
MOU Costs - 7.5% Employer Pick-Up of Required Employee Contribution		(44.6)	
Health and Dental Benefits for Current Employees	(12.2)	(12.9)	(14.2)
Health Benefits for Retirees	(9.7)	(9.3)	(11.7)
Health Benefits for Retirees - Medicare Act of 2003 Rx Benefit Reimbursements	2.2	2.2	
Pension - CalPERS Contribution Rate Changes - Employer Cost	0.0	(0.5)	(0.4)
Pension - SFERS Contribution Rate Changes - Employer Cost	(21.2)	(20.9)	(2.3)
Subtotal, Salaries and Benefits	**(111.1)**	**(130.1)**	**(73.1)**
USES - Other Non-Personnel			
Baseline Requirements	(0.8)	(15.1)	(12.5)
Capital Improvements & Facilities Maintenance (Restore to $25.0 million per year)	(12.2)		
Debt Service & Lease Financing Costs (Assumes $10 million lease program per year)	(3.8)	0.7	(1.4)
Utility Costs - Natural Gas, Clean Water & Water Costs	(3.9)	(0.8)	(0.5)
Equipment Program (Restore back to $10.0 million cash program per year)*	(6.5)		
Settlement of Litigation & Claims (Assumed Annual Level of $7M)	(4.0)		
Worker's Compensation	2.8	(2.2)	(2.3)
Departments & Commissions			
Annualization of Mayor's $97M 18-Month, Savings Plan	36.9	(6.4)	
Academy of Sciences - Open New Facility		(0.6)	(0.1)
Board of Supervisors - One-Time Management Audit Workorder for PUC	(0.5)		
Convention Facilities	(8.8)	1.7	1.1
City Planning - One-Time Neighborhood Planning Projects	1.1		
Elections Department - Campaign Staffing	(2.5)	2.5	(2.5)
Emergency Communication - Equipment Replacement Covered by Fees	(3.3)		
Ethics - Public Financing of Supervisorial Elections (Prop O, 11/2001)	0.6	(0.6)	0.6
Fine Arts Museum - Open New de Young Museum	(2.9)	(0.6)	
Fire - Elimination of Work Order Funding from Treasure Island	(0.9)		
Human Resources - Collective Bargaining Costs	(2.0)	2.0	(2.0)
Human Services - Net Expenditure Growth	(0.6)	(6.9)	(5.0)
Police - Expiration of Federal COPS Grants (50 officers)		(2.2)	(2.2)
Public Health - Net Expenditure Growth	2.8	(2.6)	(0.8)
Public Health - Equipment Costs for Laguna Honda Hospital		(14.9)	13.2
Public Works - One-Time Environmental Work Order Funding	(1.0)		
Treasurer - Local Earned Income Tax Credit (EITC) Program Costs	(1.5)		
New Voter Mandates Affecting Projection Periods…			
Public Education Fund (Prop H, 3/2004)	(10.0)	(10.0)	(10.0)
Economic Development Plan & Office of Economic Analysis (Prop I, 11/04)	(0.5)		
Subtotal, Other Non-Salary	**(21.5)**	**(55.8)**	**(24.4)**
Projected Surplus / (Shortfall)	**($102.2)**	**($120.6)**	**($43.8)**

SUMMARY OF OUR PROJECTIONS

The discussions under the SOURCES and USES sections below provide descriptions of the corresponding section of Table B on page 4.

SOURCES - Fund Balance & Prior Year Reserves

We are projecting a $30.7 million increase in the FY 2004-05 year-end balance that will be available as a source of funds for the FY 2005-06 budget. This gain is due to:

Prior-Year Fund Balance. The FY 2004-05 budget was balanced with $26.3 million from the FY 2003-04 General Fund year-end fund balance. Additionally, the various General Fund supported operations included $3.2 million in year-end fund balance. The Controller's Six-Month Report projected year-end fund balance surplus for the General Fund of $71.6 million for FY 2004-05, which is attributed mainly to (1) additional fund balance available from the prior year due to higher vehicle license fee remittances from the State than previously assumed, (2) the remaining balance of the General Reserve, and (3) departmental savings. Since that time, we have also received additional good news in revenues related to the settlement of the Old Republic Case and continued strength in our real property transfer taxes. All combined, these result in a projected year-end balance of $81.1 million – a net increase of $51.6 million more than $29.5 million budgeted for FY 2004-05.

Reserves from Prior Years. The FY 2004-05 budget was balanced using prior-year reserves totaling $40.2 million. This included two components:

- **Rainy Day Reserve.** Projected revenue growth, including the elimination of one-time revenue sources used in the FY 2004-05 budget, results in continued eligibility for the City to tap into the Rainy Day Reserve for FY 2005-06. The FY 2004-05 budget included use of $27.6 million for the City and $7.0 million for the School District – a total of $34.6 million being used. Given that part of the Rainy Day Reserve was already used in FY 2004-05, only $10.3 million is available for the City to use in FY 2005-06. As for the School District, no use is assumed in FY 2005-06, which is also when their new Public Education Funding from the City will begin ($10 million in FY 2005-06). These assumptions result in a net decrease of $17.3 million year-over-year. Beginning in FY 2006-07, the City does not appear to be eligible to use the Rainy Day Reserve given projected revenue growth.

- **Salary & Benefits Reserve.** As noted above, occasionally unspent balances from reserves established in prior years is also available. For FY 2004-05, $3.6 million was available from FY 2003-04 to cover negotiated salary and fringe benefit cost increases. However, these reserves are projected to be fully allocated in FY 2004-05.

SOURCES – Revenues, Transfers In, State Budget Shifts & Redevelopment

Overall for FY 2005-06, we estimate that new General Fund revenues and transfers in of $81.7 million will be offset by the $72.4 million loss of one-time revenues and transfers in used in the FY 2004-05 budget and the $9.5 million increase in property tax increment funding for the Redevelopment Agency in FY 2005-06. Attachments 1 and 2 summarize General Fund Revenue and Transfer-In sources for the three-year projection, excluding non-Health & Welfare Realignment changes to Public Health and Human Service program revenues as well as the Redevelopment Agency's projected property tax increment impact. These exclusions are detailed separately in Table B and the narrative below.

- **General Tax, Recurring Revenues & Transfers In.** Recurring Revenues & Transfers In are projected to increase $81.7 million more in FY 2005-06 than the FY 2004-05 original budget. Overall tax revenue growth is projected to be 2.8 percent with strength noted in Property, Sales, Hotel Room, and Utility Users Tax revenues. After factoring in the new or one-time revenues used to balance FY 2004-05, overall revenue and transfers in growth is projected to be 0.4, 5.7 and 2.3 percent for FY 2005-06, FY 2006-07 and FY 2007-08 respectively year-over-year from the prior year's original budget (projection for latter two years).

- **New or One-Time Revenues & Transfers In.** The FY 2004-05 budget was balanced using new or one-time revenues and transfers. Most are not projected to be available in FY 2005-06, thereby creating a $72.4 million loss. Significant new or one-time revenues and transfers included in the FY 2004-05 budget that are not projected for the upcoming year are $25.0 million from Proposition J (1/4 percent sales tax) and Proposition K (temporary 1/10th of 1 percent gross receipts tax), $20.7 million from Property Sales, $7.1 million in Transfers In from the Building Inspection Fund, $5.6 million from Fines, $3.5 million from Cost Recoveries from other funds, $3.0 million from Naming Rights (Monster Park), $2.5 million from High-Earner Contributions to the General Fund, and $1.4 million from Gifts. The remainder is miscellaneous departmental revenues.

- **State Revenue Adjustments.** We assumed continuing property tax shifts related to ERAF[3], including the two-year ERAF III shift which moves an additionally $25.2 million in General Fund property tax revenues in both FY 2004-05 and FY 2005-06. This results in no revenue impact in FY 2005-06, but $25.2 million in additional revenue available when the ERAF III shift expires in FY 2006-07. This assumption is consistent with the passage of Proposition 1A. Additionally, while the Governor has proposed another $21 million in new programmatic revenues, we have not included this in our projection as we are assuming that the Legislature will likely restore many of the Governor's proposed reductions. Further analysis will be provided in the Controller's Revenue Letter following the Governor's release of the May Revise. Additionally, the City's $29.7 million repayment related to our share of the vehicle license fee (VLF) backfill 'loan' provided by local governments to the State in FY 2003-04 is slated for August 2006 (FY 2006-07).

[3] ERAF is the Educational Revenue Augmentation Fund. ERAF shifts negatively impact local governments by shifting property tax funding to cover a portion of the Proposition 98, voter mandate that the State provide baseline spending for K-14 education. For San Francisco, our General Fund will lose an estimated $277 million in FY 2005-06 due to all ERAF shifts.

- **Redevelopment Tax Increment Requirement.** Tax increment funding allocated to the Redevelopment Agency is partially funded from Property Tax revenue that would otherwise accrue to the General Fund. The FY 2004-05 budget was based upon an assumed gross tax increment of $53.6 million budgeted for the Redevelopment Agency – of a total $74.3 million in total available tax increment. Our projection includes required growth in Redevelopment tax increment funding which would result in a net General Fund revenue impact of $9.5 million in FY 2005-06 to fund increased debt service that is planned. Without this planned increase in tax increment funding to the Redevelopment Agency, the net revenue impact of a loss of $9.5 million for FY 2005-06 would otherwise accrue to the General Fund.

USES – Salaries and Benefits

We are projecting increased labor costs for the General Fund of $111.1 million in FY 2005-06, followed by increases of $130.1 million in FY 2006-07 and $73.1 million in FY 2007-08. These are the results of various costs, including known memoranda of understanding (MOU) provisions for City employees, mandated health benefit and retirement cost increases, changes in the number of workdays in each fiscal year, **as well as assumed wage increases for open contracts equal to the projected rate of inflation. This latter assumption is in no way meant to imply a promise to increase wages, as any increases will ultimately be decided through the collective bargaining process.**

- **Annualization of Partial-Year Position Funding.** In FY 2005-06, the City will incur additional costs to annualize positions funded for only a partial year in the FY 2004-05 budget. Most of the positions were funded for only three-quarters of a year. Annualization of partial-year positions results in an additional $2.8 million in General Fund costs for FY 2005-06 to fund these positions for a full year.

- **Change in Work Days.** FY 2004-05, FY 2005-06 and FY 2007-08 all have 261 workdays. This means that the City's General Fund will not be affected by higher costs associated with an extra workday in FY 2005-06. However, FY 2006-07 has only 260 workdays, so we project $4.4 million in savings during that fiscal year, followed by higher costs of $4.5 million in FY 2007-08.

- **Annualization of Previous Year MOU Provisions.** The ongoing cost of partial-year salary increases granted during FY 2004-05 and not shown separately in the MOU items outlined below will result in $13.9 million in additional General Fund cost in FY 2005-06.

- **MOU Costs – Closed Contracts.** Most MOU contracts are closed during FY 2005-06. Based on negotiated terms, the following costs increases are anticipated.

    - **Miscellaneous**. Miscellaneous MOU costs in the General Fund are projected to increase by $26.2 million in FY 2005-06. Costs included here are for contracts set to expire on June 30, 2006.

    - **Police, Salaries & Fringes**. Police MOU costs are projected to increase by $11.3 million, $13.4 million and $5.5 million in FY 2005-06, FY 2006-07 and FY 2007-

08 respectively. Since this contract expires on June 30, 2007, we have included only the assumption of a general 2.7 percent inflation increase for FY 2007-08. Since the contract-mandated, multi-jurisdictional salary survey will not be completed until March 30th, we have based our projection on assumed cost increases of 4.3 percent and 4.8 percent for FY 2005-06 and FY 2006-07 respectively. We have included only the assumption of a general 2.7 percent inflation increase for FY 2007-08.

- **Fire, Salaries & Fringes.** Fire costs are projected to increase by $8.9 million, $12.7 million and $3.7 million in FY 2005-06, FY 2006-07 and FY 2007-08 respectively. Since this contract expires on June 30, 2007, we have included only the assumption of an inflation increase for FY 2007-08.

- **MOU Costs – Open Contracts.** While most MOU contracts are closed during FY 2005-06, expirations will occur throughout the three-year projection period. To capture projected costs associated with anticipated new contracts, we have included the following costs increases:

    - **Wage Increases**. Miscellaneous MOU costs are projected to increase by $7.1 million, $22.3 million and $30.8 million in FY 2005-06, FY 2006-07 and FY 2007-08 respectively. These increases are based on the projected rate of inflation of 2.7 percent in each of the next three years.

    - **Employer Pick-Up of the Required Employee Retirement Contribution.** The City is projected to incur increased costs of $44.6 million in FY 2006-07 to once again pick-up the costs of the required employee retirement contribution, i.e. the 7.5 percent for most miscellaneous employees.

- **Health and Dental Benefits for Current Employees.** The Charter requires the City's contribution for individual health coverage costs to increase based on a survey of California's ten largest counties. The most recently conducted survey resulted in a 10.4 percent increase (going from $312.90 to $345.53 per month) in the Charter-required contribution from FY 2004-05 to FY 2005-06. Given this increase along with other projected changes in plan and fund balance usage as well as negotiated benefit provisions, General Fund costs related to current employees are projected to increase by $12.2 million, $12.9 million and $14.2 million for FY 2005-06, FY 2006-07 and FY 2007-08 respectively. Our projections for FY 2006-07 and FY 2007-08 are based on projected underlying insurance cost increases of an estimated 10.0 percent each year.

- **Health Benefits for Retirees.** Charter Section A8.428 also mandates health coverage for retirees. These medical benefits for retirees are projected to increase in cost by $9.7 million, $9.3 million, and $11.7 million for FY 2005-06, FY 2006-07 and FY 2007-08 respectively.

- **Health Benefits for Retirees – Medicare Act of 2003 Estimated Impact.** We have included $2.2 million of estimated reimbursement savings to the City from the Federal government related to the Medicare Prescription Drug Improvement and Modernization Act of 2003 in both FY 2005-06 and FY 2006-07. Beginning in January 2006, the Act authorized reimbursements to plan sponsors of between $250 to $5,000 per retiree, provided that certain prescription drug benefits were offered to retirees. The reimbursement formula is complex, but essentially equates to a 28 percent per head subsidy of the Medicare drug costs greater than $250 but not exceeding $5,000 (for a value up to $1,330 a year) to employers who have drug benefits that are at least the actuarial equivalent to the coverage for a *typical employment-based health plan*. Based on a December 2003 Congressional Research Service report, the actuarial equivalent is at least from $2,070 to $2,470 a year. This compares to the City's estimated prescription costs per retiree of between $2,500 and $3,000 a year. Based on these figures, the City is projected to realize reimbursement savings between $630 and $770 a year per retiree. Our projection is based on the General Fund's portion of the estimated 14,500 Medicare-covered retirees.

- **Pension - CalPERS Contribution Rate Changes – Employer-Share Only.** The California Public Employees' Retirement System (CalPERS) has notified the City that the employer contribution rates for employees covered by CalPERS Safety will increase from 20.801 percent in FY 2004-05 to 20.850 percent in FY 2005-06. CalPERS has also reported that their projected contribution rate is 21.100 percent for FY 2006-07. We have assumed that same rate for FY 2007-08. These contribution rate assumptions result in additional pension costs of $0.0 million in FY 2005-06, $0.5 million in FY 2006-07, and $0.4 million in FY 2007-08.

- **Pension - SFERS Contribution Rate Changes – Employer-Share Only.** Employer-share contribution rates are set to increase from 4.48 percent of pensionable salaries in FY 2004-05 to 6.58 percent in FY 2005-06, as adopted by the Retirement Board on February 8, 2005. FY 2004-05 was the first year the City was required to make an employer share contribution following seven and a half years of zero percent rates given the surplus funding of the retirement system. These required employer-share rates are based on the San Francisco Employees' Retirement System's (SFERS) actuarial valuation as of July 1, 2004 (completed and published in December 2004). We have assumed that the contribution rate will be 8.00 percent in FY 2006-07 and FY 2007-08. These rate increase assumptions result in the retirement contribution increases for the General Fund of $21.2 million, $20.9 million and $2.3 million for FY 2005-06, FY 2006-07 and FY 2007-08 respectively.

USES – Other Non-Salary, General Citywide Costs

We project other expenditure increases of $21.5 million, $55.8 million and $24.4 million for FY 2005-06, FY 2006-07 and FY 2007-08 respectively. These costs are based on the following assumptions:

- **Baseline Requirements.** The Charter specifies baseline-funding levels for various programs or functions, including the Municipal Transportation Agency (MUNI and Parking & Traffic), the Library Services, Children's Services, Public Education Enrichment, the City Services Auditor, the Municipal Symphony, the Human Services Care Fund. Baseline amounts generally linked to changes in discretionary City revenues though some are tied to citywide expenditures or base-year program expenditure levels. The revenue and expenditure projections assumed in this report result in projected General Fund support for Charter-mandated baselines to increase by $0.8 million, $15.1 million and $12.5 million for FY 2005-06, FY 2006-07 and FY 2007-8 respectively. This projection assumes that the Children's Baseline appropriation will not decline during FY 2005-06 even though it is funded above the required baseline amount by approximately $5.3 million in the current year.

- **Capital Improvements & Facilities Maintenance.** The FY 2004-05 budget includes $12.8 million in General Fund capital improvements and facilities maintenance expenditures. We are assuming an annual program of $25.0 million over the next three years, which results in a $12.2 million increase for FY 2005-06. Capital & Facilities Maintenance is an area, which in recent history has been budgeted at reduced levels (compared to the $20 to $25 million levels previously budgeted), in part to help bridge budgetary shortfalls.

- **Debt Service & Lease Financings.** Based on current debt repayment requirements as well as an assumed lease-financing program for equipment purchases of $10 million per year, the total lease financing costs are projected to increase $3.8 million in FY 2005-06, then decrease $0.7 million in FY 2006-07, and increase again by $1.4 million in FY 2007-08.

- **Utility Costs.** General Fund costs related to natural gas, sewer services and the water system are projected to increase by $3.9 million in FY 2005-06. Natural gas commodity price increases are generally tied to supply constraints and increasing demand, including growth in natural gas-fired electricity generation. Both sewer service and water rates are proposed to increase by 13 and 15 percent respectively in each of the next two fiscal years. Cost increases for sewer service charges are included in our projection; however, presently the General Fund does not pay for water so that rate increase is not included. Costs associated with the auxiliary water system have also been factored into our projection.

- **Equipment Program.** The FY 2004-05 budget included cash expenditure of $3.5 million for equipment acquisition. We have assumed for our projection that the City will return to its past practice of purchasing $10.0 million of equipment on a cash basis. This results in additional costs of $6.5 million in FY 2005-06.

- **Settlement of Litigation & Claims.** Each year the City is exposed to various risks related to lawsuits. We partially funded the settlement of litigation and claims with reserve carryforwards from prior years for FY 2004-05. No surplus reserves are projected to be available for FY 2005-06, therefore necessitating another $4.0 million to be budgeted during FY 2005-06 – that is, going from $3.0 million in the FY 2004-05 budget to $7.0 million in FY 2005-06 and thereafter.

- **Worker's Compensation Costs.** Workers' compensation reform along with continued cost management and return to work efforts are delivering savings to the City. The estimated savings for FY 2004-05 are $5.5 million for General Fund supported departments. Reform savings are also projected for FY 2005-06, along with some partially offsetting medical inflation. Given these assumptions, projected cost savings net to $2.8 million for FY 2005-06, then gradual cost increases of $2.2 and $2.3 million in FY 2006-07 and FY 2007-08. These projections assume 10.0 to 12.0 percent overall medical inflation cost increases. No increases to benefit levels were assumed other than those prescribed under current law. Additionally, we have assumed that the number of indemnity claims will remain relatively flat over the next three years.

<u>USES – Other Non-Salary, Departments & Commissions</u>

- **Mayor's $97 Million, 18-Month Savings Plan.** Following the failure of Proposition J (1/4 percent sales tax) and Proposition K (temporary 1/10th of 1 percent gross receipts tax) in November 2004, the Mayor immediately implemented reductions to bridge the $97 million projected revenue shortfall created over the following 18-month period. While only $25 million of the $97 million in revenues was included in the FY 2004-05 budget, the savings plan initially targeted half of the savings in both FY 2004-05 and FY 2005-06. The savings for FY 2004-05 appear to be slightly higher than originally planned at this point. Additionally, the Mayor's budget instructions directed departments to load the remaining cuts necessary to bridge the gap. This will result in projected savings of $36.9 million in FY 2005-06; however, $6.4 million of these reductions are only one-time in nature, resulting in $6.4 million of increased costs in FY 2006-07.

- **Academy of Sciences.** The new Academy of Sciences will open during FY 2006-07 creating additional costs of $0.6 million in FY 2006-07 and another $0.1 million in FY 2007-08.

- **Board of Supervisors.** The Board's FY 2005-06 budget includes a $0.5 million workorder recovery from the PUC for management audit services related to the Budget Analyst audit presently nearing completion. This was a one-time recovery, and the Budget Analyst will be completing its PUC audit as planned and budgeted in FY 2004-05.

- **Convention Facilities.** Convention Facilities will again require General Fund support over the next three years to cover operating and debt service costs. Incremental costs of $8.8 million are included, starting in FY 2005-06. Then net savings of $1.7 million and $1.1 million are projected for FY 2006-07 and FY 2007-08 due to growth in hotel room taxes being stronger than projected expenditure increases.

- **City Planning.** City Planning is projected to have net savings of $1.1 million in FY 2005-06 as a result of one-time Neighborhood Planning Projects included in the FY 2004-05 budget.

- **Elections Department.** Assuming FY 2005-06 will have two regularly scheduled elections, additional costs of $2.5 million are projected. For FY 2006-07, $2.5 million of savings is projected, as there will be only one regularly scheduled election. For 2007-08, $2.5 million of additional costs are again projected due to having two regularly scheduled elections. If there are additional special elections in any fiscal year, additional costs of between $1.5 to $2.5 million are possible depending upon the timing of the special election.

- **Emergency Communications.** Equipment replacement costs are projected to increase by $3.3 million in FY 2005-06. These costs are covered by increased fee revenues already assumed in the revenue section of this report.

- **Ethics Commission - Public Financing of Supervisorial Elections.** Proposition O, approved in November 2001, created a publicly financed election program for supervisorial candidates starting in November 2002. This is projected to result in incremental savings of $0.6 million in FY 2005-06, followed by increasing costs of $0.6 million in FY 2006-07 and savings of $0.6 million in FY 2007-08 given the timing of supervisorial elections.

- **Fine Arts Museum.** With the opening of the new de Young Museum, we estimate that the General Fund contribution to the Fine Arts Department will increase by $2.9 million in FY 2005-06 and $0.6 million for a full year of operation in FY 2006-07.

- **Fire Department.** Treasure Island is not projected to have any surplus for FY 2005-06 and therefore does not appear likely to be able to fund the currently budgeted $0.9 million workorder with the Fire Department. The assumed elimination of workorder funding from Treasure Island will result in increased costs on the General Fund of $0.9 million beginning FY 2005-06.

- **Human Resources.** Most labor contracts will be up for renewal at the end of FY 2005-06, which will result in increased collective bargaining costs of $2.0 million. Savings of $2.0 million is then expected in FY 2006-07, along with $2.0 million of costs increases again in FY 2007-08.

- **Human Services Department - Net Expenditure Growth.** The Human Services Department is projecting increased net expenditures of $0.6 million, $6.9 million and $5.0 million in FY 2005-06, FY 2006-07, and FY 2007-08 respectively. No net increase in administration staffing is assumed; however, General Fund Supported aid costs explain the increases as they are growing between four to six percent per year on average. Overall, the Human Services Department is projected to receive about three-quarters of its funding from the State and Federal governments. Costs increases here are those that the City & County would need to cover to fund projected aid costs.

- **Police** – Expiration of existing multi-year Federal COPS grant funding is projected to affect 50 police officer positions beginning in FY 2006-07. Given the Charter-mandated, minimum police staffing requirement of 1,971 full duty officers, we have included the projected costs of bringing these officers back onto the General Fund. Cost increases of $2.2 million are projected during both FY 2006-07 and FY 2007-08.

- **Public Health – Net Expenditure Growth.** The Department of Public Health is projected to have a net savings of $2.8 million in FY 2005-06 due to strength in net patient revenues, which can be used to partially fund labor cost increases for Nurses included above in closed contracts. As for FY 2006-07 and FY 2007-08, net expenditure growth is projected to be greater than program revenues, resulting in net cost increases of $2.6 and $0.8 million respectively.

- **Public Health – Laguna Honda Hospital.** The Laguna Honda Hospital rebuild project is projected to result in equipment cost increases of $14.9 million and $1.7 million in FY 2006-07 and FY 2007-08 respectively, which results in $13.2 million of net savings in FY 2007-08. If project plan scope or timing changes, this projection would also change.

- **Public Works – Lower Work Order Funding.** Public Works is projected to have $1.0 million less in work order funding from the Department of the Environment beginning in FY 2005-06. This results in ongoing costs increases of $1.0 million beginning in FY 2005-06.

- **Treasurer / Tax Collector.** The Treasurer/Tax Collector is projected to have increased ongoing, City match costs of $1.5 million beginning in FY 2005-06 related to the new local Earned Income Tax Credit (EITC) program.

USES – Other Non-Salary, New Voter Mandates

Two new voter mandates are projected to increase costs over the next three years. These include:

- **Public Education Fund.** Proposition H passed by voters in March 2004 requires increasing support to education initiatives, beginning with $10.0 million in FY 2005-06 and growing thereafter as outlined below.

  $10 million in FY 2005-06;
  $20 million in FY 2006-07;
  $30 million in FY 2007-08;
  $45 million in FY 2008-09;
  $60 million in FY 2009-10; and
  For the last five years of the measure, the City's annual contribution to the Fund would increase or decrease from $60 million by the percentage change in discretionary revenues for that year.

  Up to one-third of the amount may be provided in the form of in-kind support such as legal, financial, health or safety services. Contributions may also be partially deferred by up to 25 percent if City is facing a deficit of more than $100 million – which is the case for FY 2005-06. While this is not assumed in our projection, if it were, the whole amount would need to be paid over a 13-year period, unless the voters were to extend the amendment. Proposition H also requires that the City maintain the $3.75 million baseline amount that it contributed to the School District in the FY 2002-03 budget. Each year, the City spends money from the Fund as follows:

  - One-third goes to the School District for arts, music, sports and library programs;
  - One-third goes to the First Five Commission for preschool programs; and
  - One-third goes to the School District for general education purposes.

- **Office of Economic Analysis & Economic Development Plan:** Proposition I passed by voters in November 2004 requires the City to develop and periodically update an Economic Development Plan and to establish an Office of Economic Analysis within the Controller's Office to review the impact of legislation. Ongoing operating costs of $0.5 million are projected beginning in FY 2005-06.

Items Not Included in Our Projection

As with all projections, unforeseen events may occur that change the City's future financial condition. Additionally, we are aware of some factors now that may impact the City's finances over the next three years, but we are unable to predict what that effect and timing might be.

- **Departmental Revenues.** In contrast to our projections for general tax revenue growth as well as Public Health and Human Services program revenue growth, we have made no overall assumption in this report about departmental fees increasing or decreasing versus our current year projections. To date, departments have been reviewing their service charges and fees; however, any changes to service charges and fees, for those that do not currently have automatic inflation escalators, will require Mayor and Board of Supervisors approval and are not included in this review.

- **Elections.** The potential fiscal impact of the timing and citywide implementation of touch-screen and ranked-choice voting technologies has not been fully determined at this time. No incremental costs have been assumed for the possibility of any run-off election over the next three years.

- **Natural Disasters & Man-Made Disruptions.** As in previous reports, we have not included any projected costs associated with natural disasters or man-made disruptions.

- **New Development Projects.** There are several large, proposed projects that will likely result in both new tax revenues and associated costs. However, given the gradual, lagging recovery in the Bay Area generally, our projections make no assumption regarding the net financial impact of these projects, which include Mission Bay, the Transbay Terminal, Mid-Market, and the conveyance and development of Treasure Island.

- **Non-Salary Inflation.** We have not included any assumption for inflation or COLAs for contractors or any other non-personnel expenditures. If we had included costs based on the consumer price index projections from the State of California Department of Finance, we would show an $18.1 million increase in General Fund expenditures in FY 2005-06, $18.6 million in FY 2006-07, and an estimated $19.1 million in FY 2007-08.

- **Pending or Proposed Legislation – Potential Revenue Increases.** Various proposed fee increases may be presented to the Board before the end of the year, including fees such as City Planning fees. These proposed increases have not been assumed in our projections.

- **State and Federal Budget Changes.** Programmatic reduction included in both the President and Governor's proposed budgets have not been assumed. To the degree that these cuts stand as proposed and are backfilled locally, our shortfall will grow. A summary is provided in the table below.

Table C: Three-Year State & Federal Budget Estimated Impact, Increases / (Reductions) US$ Millions, Including Estimated Values as of Joint Report

STATE BUDGET	FY 2005-06	FY 2006-07	FY 2007-08
Reductions… Assumed in 3-Year Projection			
VLF Loan Repayment	$ -	$ 29.7	$ -
ERAF III set to expire, additional revenues	$ -	$ 25.2	$ -
Programmatic Reductions… Not Assumed in 3-Year Projection			
In-Home Supportive Services (IHSS) Reductions	$ (12.3)	$ -	$ -
SB90 State Mandated Program, suspensions and repeals	$ (6.9)	$ -	$ -
SB90 - Handicapped & Disabled Kids, Special Ed Program Cuts	$ (1.8)	$ -	$ -
Proposition 42's Suspension set to expire, additional revenues	$ -	$ 4.2	$ -
Juvenile Crime Prevention Grants Eliminated	$ -	$ (2.2)	$ -
CalWORKs Reductions	$ (1.4)	$ -	$ -
CalWORKs COLA Suspension	$ 1.4	$ -	$ -
Food Stamp administration allocation reduction	$ (0.2)	$ -	$ -
Property Tax Grant program reduction	$ (0.1)	$ -	$ -
Subtotal - State Reductions	**$ (21.3)**	**$ 56.9**	**$ -**
FEDERAL BUDGET			
Programmatic Reductions… Not Assumed in 3-Year Projection			
CDBG Program Elimination	$ -	$ (12.5)	$ -
Affordable Housing Reductions	$ (5.7)	$ -	$ -
COPS Grant Reductions - Cut by 95%	$ (2.7)	$ -	$ -
Ocean Beach Erosion Prevention Grant Reduction	$ (1.4)	$ -	$ -
SCAAP Program Elimination	$ (1.3)	$ -	$ -
JAG and JABG Program Reduction	$ -	$ (0.7)	$ -
Medicaid Cost Shifts	$ -	$ -	$ -
Homeland Security Grant Reductions	$ -	$ -	$ -
Subtotal - Federal Reductions	**$ (11.1)**	**$ (13.2)**	**$ -**
Total Estimated Impact at this time…	**$ (32.4)**	**$ 43.7**	**$ -**

SUMMARY

We project a $102.2 million shortfall for FY 2005-06, along with shortfalls of $120.6 million in FY 2006-07 and $43.8 million in FY 2007-08. The Charter requires that each budget must be balanced. Therefore, this report assumes that the shortfalls will be eliminated in the year in which they first appear.

Each year, we are presented with key risks and areas of heightened uncertainty that are of particular concern. The lagging recovery in the Bay Area has meant that revenue growth assumptions have taken longer to be realized and are much more gradual. The key risks for this report include:

- **Timing and Pace of the Recovery & Impact on Business Taxes**,
- **State & Federal Budget Program Reductions**, and
- **Salary and Benefit Cost Increases related to Labor Negotiations.**

In addition to the risks noted above, a number of policy considerations are also present.

- For the next two fiscal years, City policymakers are faced with significant fiscal challenges given expenditure growth rates outpacing ongoing revenue increases.

- FY 2006-07 may have an even larger shortfall if one-time sources (including proceeds from the sale of City-owned property for example) are again used to cover ongoing cost increases. To the degree that FY 2005-06 can be balanced with ongoing solutions, the latter two years will be more manageable to bring into balance.

- Policymakers should consider using any one-time sources for either one-time expenditures or as expenditure reserves to help mitigate the FY 2006-07 and FY 2007-08 shortfalls.

- Above and beyond the immediate steps necessary to balance the FY 2005-06 budget, we recommend that City policymakers examine both short- and long-term strategies to mitigate the projected shortfalls for FY 2006-07 and FY 2007-08.

We acknowledge that projections of the City's financial condition over multiple years are far less certain than those for the immediate future. This report is based on the best information available at this time. All three of our offices will continue to work closely together in the coming months and will keep you apprised of any changes that occur.

Respectfully submitted,

Ben Rosenfield Budget Director Mayor's Office	Edward Harrington Controller	Harvey M. Rose Budget Analyst Board of Supervisors

Attachment 1: General Fund Revenues & Transfers In
Attachment 2: Growth in General Fund Revenues & Transfers In

cc: Gloria Young, Clerk of the Board

Attachment 1: General Fund Revenues & Transfers In

GENERAL FUND	FY 2003-04 Year-End Actuals	FY 2004-05 Original Budget	FY 2004-05 Joint Report Projection	FY 2005-06 Projection	FY 2006-07 Projection	FY 2007-08 Projection
Property Taxes	$ 546.8	$ 645.5	$ 660.5	$ 683.6	$ 736.1	$ 765.6
Business Taxes	$ 264.4	$ 295.2	$ 268.4	$ 277.8	$ 290.3	$ 306.2
Sales Tax	$ 120.6	$ 90.9	$ 96.5	$ 101.3	$ 106.3	$ 112.7
Hotel Room Tax	$ 98.5	$ 94.4	$ 105.7	$ 116.5	$ 124.6	$ 134.6
Utility Users Tax	$ 70.9	$ 66.3	$ 69.2	$ 71.2	$ 73.4	$ 75.6
Parking Tax	$ 32.0	$ 32.1	$ 32.1	$ 33.4	$ 34.8	$ 36.1
Real Property Transfer Tax	$ 78.8	$ 70.0	$ 96.6	$ 73.0	$ 76.6	$ 80.5
Stadium Admission Tax	$ 2.7	$ 2.7	$ 2.6	$ 2.6	$ 2.6	$ 2.7
Other Local Taxes (Prop. J & K)	$ -	$ 25.0	$ -	$ -	$ -	$ -
Subtotal - Tax Revenues	**1,214.7**	**1,322.2**	**1,331.5**	**1,359.5**	**1,444.8**	**1,513.9**
Licenses, Permits & Franchises	$ 17.5	$ 16.1	$ 16.4	$ 17.7	$ 18.2	$ 18.7
Fines, Forfeitures & Penalties	$ 29.7	$ 12.1	$ 13.1	$ 6.3	$ 6.3	$ 6.3
Interest & Investment Income	$ 7.6	$ 6.3	$ 6.8	$ 8.4	$ 10.6	$ 13.2
Rents & Concessions	$ 17.5	$ 21.9	$ 20.8	$ 19.8	$ 20.6	$ 21.4
Subtotal - Licenses ... Concessions	**72.3**	**56.4**	**57.0**	**52.3**	**55.6**	**59.6**
Federal Subventions	$ 163.0	$ 176.1	$ 188.9	$ 176.1	$ 176.1	$ 176.1
State Subventions						
Social Service Subventions	$ 125.0	$ 120.7	$ 114.9	$ 120.7	$ 120.7	$ 120.7
Health & Welfare Realignment	$ 137.7	$ 145.1	$ 156.1	$ 150.0	$ 156.0	$ 162.3
Health/Mental Health Subventions	$ 68.7	$ 71.7	$ 71.7	$ 71.7	$ 71.7	$ 71.7
Public Safety Sales Tax	$ 64.2	$ 62.9	$ 62.9	$ 66.0	$ 69.3	$ 72.8
Motor Vehicle In-Lieu (County & City)	$ 84.6	$ 15.2	$ 13.5	$ 14.0	$ 44.3	$ 15.2
Other Grants & Subventions	$ 17.0	$ 18.5	$ 18.6	$ 18.6	$ 18.6	$ 18.6
Subtotal - State Subventions	**497.2**	**434.1**	**437.7**	**441.1**	**480.7**	**461.2**
CHARGES FOR SERVICES						
General Government Service Charges	$ 25.2	$ 22.9	$ 22.4	$ 23.1	$ 23.6	$ 24.0
Public Safety Service Charges	$ 15.1	$ 17.6	$ 16.1	$ 16.3	$ 16.4	$ 16.6
Recreation Charges - Rec/Park	$ 5.4	$ 8.4	$ 8.2	$ 5.4	$ 5.5	$ 5.7
MediCal, MediCare & Health Svc. Chgs.	$ 33.4	$ 44.8	$ 46.7	$ 46.7	$ 46.7	$ 46.7
Other Service Charges	$ 6.6	$ 7.9	$ 8.4	$ 8.3	$ 8.3	$ 8.3
Subtotal - Charges for Services	**85.6**	**101.6**	**101.7**	**99.7**	**100.5**	**101.3**
Recoveries of General Government Costs	$ 10.0	$ 18.2	$ 18.2	$ 15.1	$ 15.6	$ 16.0
Other Revenues	$ 27.5	$ 28.8	$ 18.1	$ 6.0	$ 6.0	$ 6.0
TOTAL REVENUES	**2,070.4**	**2,137.3**	**2,153.0**	**2,149.7**	**2,279.2**	**2,334.1**
TRANSFERS INTO GENERAL FUND:						
Airport	$ 26.7	$ 19.2	$ 20.4	$ 20.8	$ 22.4	$ 24.2
Other Transfers	$ 94.8	$ 135.9	$ 134.9	$ 131.3	$ 131.3	$ 131.3
Total Transfers-In	**121.5**	**155.2**	**155.3**	**152.0**	**153.7**	**155.5**
TOTAL GENERAL FUND RESOURCES	**$ 2,191.9**	**$ 2,292.4**	**$ 2,308.3**	**$ 2,301.7**	**$ 2,432.9**	**$ 2,489.6**
$ Change from Prior Year Original Budget (PY Projection for Latter Two Years)				**$ 9.3**	**$ 131.2**	**$ 56.7**
% Change from Prior Year Original Budget (PY Projection for Latter Two Years)				***0.4%***	***5.7%***	***2.3%***

Attachment 2: Growth in General Fund Revenues & Transfers In

GENERAL FUND	… FROM FY 2004-05 BUDGET: FY 2005-06 % Chg from FY 2004-05 Original Budget	FY 2006-07 % Chg from FY 2005-06 Projection	FY 2007-08 % Chg from FY 2006-07 Projection	...FROM JOINT REPORT PROJECTION: FY 2005-06 % Chg from FY 2004-05 Joint Report	FY 2006-07 % Chg from FY 2005-06 Projection	FY 2007-08 % Chg from FY 2006-07 Projection
Property Taxes	5.9%	7.7%	4.0%	3.5%	7.7%	4.0%
Business Taxes	-5.9%	4.5%	5.5%	3.5%	4.5%	5.5%
Sales Tax	11.4%	5.0%	6.0%	5.0%	5.0%	6.0%
Hotel Room Tax	23.3%	7.0%	8.0%	10.2%	7.0%	8.0%
Utility Users Tax	7.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Parking Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Real Property Transfer Tax	4.3%	5.0%	5.0%	-24.4%	5.0%	5.0%
Stadium Admission Tax	-2.4%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Local Taxes (Prop. J & K)	-100.0%	-	-	-	-	-
Subtotal - Tax Revenues	**2.8%**	**6.3%**	**4.8%**	**2.1%**	**6.3%**	**4.8%**
Licenses, Permits & Franchises	10.0%	2.6%	2.6%	8.4%	2.6%	2.6%
Fines, Forfeitures & Penalties	-47.9%	0.0%	0.0%	-51.7%	0.0%	0.0%
Interest & Investment Income	34.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Rents & Concessions	-9.5%	4.0%	4.0%	-5.0%	4.0%	4.0%
Subtotal - Licenses … Concessions	**-7.3%**	**6.4%**	**7.1%**	**-8.3%**	**6.4%**	**7.1%**
Federal Subventions	0.0%	0.0%	0.0%	-6.8%	0.0%	0.0%
State Subventions						
Social Service Subventions	0.0%	0.0%	0.0%	5.1%	0.0%	0.0%
Health & Welfare Realignment	3.4%	4.0%	4.0%	-3.9%	4.0%	4.0%
Health/Mental Health Subventions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public Safety Sales Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Motor Vehicle In-Lieu (County & City)	-8.1%	216.3%	-65.8%	4.0%	216.3%	-65.8%
Other Grants & Subventions	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal - State Subventions	**1.6%**	**9.0%**	**-4.0%**	**0.8%**	**9.0%**	**-4.0%**
CHARGES FOR SERVICES						
General Government Service Charges	1.0%	2.0%	2.0%	3.1%	2.0%	2.0%
Public Safety Service Charges	-7.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Recreation Charges - Rec/Park	-35.9%	3.0%	3.0%	-34.6%	3.0%	3.0%
MediCal, MediCare & Health Svc. Chgs.	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Service Charges	4.7%	0.0%	0.0%	-0.6%	0.0%	0.0%
Subtotal - Charges for Services	**-1.9%**	**0.8%**	**0.8%**	**-2.0%**	**0.8%**	**0.8%**
Recoveries of General Government Costs	-16.8%	3.0%	3.0%	-16.8%	3.0%	3.0%
Other Revenues	-79.2%	0.0%	0.0%	-66.9%	0.0%	0.0%
TOTAL REVENUES	**0.6%**	**6.0%**	**2.4%**	**-0.2%**	**6.0%**	**2.4%**
TRANSFERS INTO GENERAL FUND:						
Airport	8.0%	8.0%	8.0%	2.0%	8.0%	8.0%
Other Transfers	-3.4%	0.0%	0.0%	-2.7%	0.0%	0.0%
Total Transfers-In	**-2.0%**	**1.1%**	**1.2%**	**-2.1%**	**1.1%**	**1.2%**
TOTAL GENERAL FUND REVENUES & TRANSFERS	**0.4%**	**5.7%**	**2.3%**	**-0.3%**	**5.7%**	**2.3%**