

About the Budget & Analysis Division

The Budget and Analysis Division (BAD) manages the technical development of the City's annual budget, including forecasting tax revenues, costing and budgeting labor and benefit costs, and assisting the Mayor and Board of Supervisors with costing and budgeting of policy initiatives. The group manages the City's adherence to voter-approved spending requirements and financial policies and produces a variety of reports, including quarterly budget status updates and various fee-related reports. Additionally, the division manages property tax apportionment, rate setting, and reporting to the state, places special assessments on property tax bills, and processes the Assessor's changes to prior and current year property tax rolls.

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Executive Summary

- **Overall revenue growth and expenditure savings, in addition to previously budgeted and assigned fund balance, will result in a projected current year ending balance of \$419.3 million.** This is a \$61.6 million improvement from the current year projections contained in the December 2017 update to the Five Year Financial Plan for FY 2018-19 through FY 2021-22 (Joint Report).
- **The December 2017 Joint Report projected shortfalls of \$88.2 million in FY 2018-19 and an additional \$173.4 million in FY 2019-20, for a cumulative total of \$261.6 million.** Application of this additional current year fund balance would reduce these shortfalls to \$200.0 million over the two-year period. These projections will be updated in March 2018.
- **The current year improvement is driven largely by increased General Fund and Public Health revenue.** Property and business taxes are exceeding budgeted levels, offset by weakness in sales, hotel, and real property transfer taxes. Increases in supplemental and escape property tax assessments are due to the Assessor's notable progress towards reducing the average age of items in its enrollment queue. Increases in patient census and the Medi-Cal expansion population are increasing revenues above budget at the Department of Public Health.
- **Supplemental appropriations will be required for several departments.** The Department of Emergency Management, Police Department, and Sheriff will require supplemental appropriations to use salaries, benefits, and project savings to cover over-expenditures in overtime, which the Mayor's Office plans to introduce shortly. A proposed supplemental to increase overtime for Police operations at the Airport is currently pending at the Board of Supervisors. The Department of Public Health may require a supplemental to address projected salary over-expenditures.
- **Projected increases in fund balances** at several of the City's enterprises, including the Airport, Port, and Public Utilities Commission, are largely driven by expenditure savings, as described in Appendix 4.

Table 1. FY 2017-18 Projected General Fund Variances to Budget (\$ Millions)

	Prior Projection	6-Month	Change
FY 2016-17 Ending Fund Balance	543.4	545.9	2.5
Appropriation in the FY 2017-18 Budget	(183.3)	(183.3)	-
Reserved for FY 2018-19 Contingencies	(60.0)	(60.0)	-
A. FY 2017-18 Starting Fund Balance	300.1	302.6	2.5
Citywide Revenue Surplus	61.6	97.1	35.5
Baseline Contributions	(10.4)	(12.5)	(2.1)
Departmental Operations	6.4	35.6	29.2
Approved & Pending Supplemental Appropriations	-	(3.8)	(3.8)
Projected Use of General Reserve	-	1.3	1.3
B. Current Year Revenues and Expenditures	57.6	117.7	60.1
Deposit to Budget Stabilization Reserve	-	-	-
Deposit to Rainy Day Reserves	-	-	-
Deposit to Budget Savings Incentive Fund	-	(1.0)	(1.0)
C. Withdrawals from / (Deposits) to Reserves	-	(1.0)	(1.0)
D. FY 2017-18 Projected Ending Balance	357.7	419.3	61.6

FY 2017-18 Six-Month Budget Status Report

A. GENERAL FUND STARTING BALANCE

Total projected ending fund balance at the time the FY 2017-18 and FY 2018-19 budget was adopted was \$531.5 million, of which \$183.3 million was appropriated in FY 2017-18, \$288.2 million was appropriated in FY 2018-19, and \$60 million was reserved for FY 2018-19 contingencies. The General Fund available fund balance at the end of FY 2016-17 was \$545.9 million, or \$14.4 million more than projected.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$97.1 million compared to revised budget, primarily due to higher than budgeted property and business tax revenues, offset by shortfalls in hotel, sales, and property transfer tax. Revenue variances are further described in Appendix 1.

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

	Revised Budget	6-Month Projection	Surplus (Shortfall)
Property Taxes	1,557.0	1,624.0	67.0
Business Taxes	750.8	800.4	49.6
Sales Tax - Local 1% and Public Safety	301.6	293.9	(7.6)
Hotel Room Tax	372.3	368.6	(3.8)
Utility User & Access Line Taxes	149.3	149.8	0.5
Parking Tax	82.2	83.4	1.3
Real Property Transfer Tax	300.0	288.0	(12.0)
Sugar Sweetened Beverage Tax	7.5	7.5	-
Interest Income	18.2	24.4	6.2
Public Safety Realignment	41.3	37.6	(3.8)
Motor Vehicle In-Lieu and All Other	-	-	-
Stadium Admissions Tax	1.4	1.2	(0.2)
Franchise Taxes	17.2	17.3	0.1
Airport Transfer-In	45.6	45.3	(0.3)
Total Citywide Revenues	3,644.3	3,741.4	97.1

Baseline Contributions

Table 3 shows projections for baseline and parking tax in-lieu transfers to the MTA, Public Library, and Public Education Enrichment Fund are increased by a net \$12.5 million compared to budget. The MTA baseline is projected to grow by \$13.1 million due to growth in Aggregate Discretionary Revenue (ADR), San Francisco's increased daytime population in 2016, and a projected \$1.0 million increase in the MTA's parking tax in-lieu transfer. The Library baseline is projected to be reduced by \$0.7 million because the projected General Fund return of \$2.7 million offsets a projected increase of \$1.9 million due to increased ADR.

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

	Original Budget	6-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	3,411.3	3,496.8	85.5
MTA Baseline 9.2% ADR	313.6	321.4	7.9
MTA Population Change Baseline	39.1	43.3	4.3
80% Parking Tax In-Lieu Transfer to MTA	65.7	66.7	1.0
MTA Baseline Transfers	418.4	431.5	13.1
Library Baseline 2.3% ADR	78.0	77.3	(0.7)
Public Education Fund Baseline 0.3% ADR	4.9	5.1	0.1
Total Baseline Transfers	501.3	513.9	12.5

Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$35.6 million summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2017-18 Departmental Operations Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
Fire Department	(1.1)	-	(1.1)
City Attorney	(0.2)	(0.3)	(0.5)
Subtotal Departments with Net Deficits	\$ (1.3)	\$ (0.3)	\$ (1.6)
Net Surplus Departments			
Public Health	37.1	(5.0)	32.2
General City Responsibility	-	1.1	1.1
Human Services	(27.4)	28.3	0.9
Homelessness & Supportive Housing	-	0.9	0.9
Board of Supervisors	(0.0)	0.7	0.6
Juvenile Probation	(0.4)	1.0	0.6
Other Net Surplus	(13.2)	14.1	1.0
Subtotal Departments with Net Surplus	\$ (3.9)	\$ 41.1	\$ 37.2
TOTAL	\$ (5.2)	\$ 40.8	\$ 35.6

The Department of Emergency Management, Police Department, and Sheriff will require supplemental appropriations to use salaries, benefits, and project savings to cover over-expenditures in overtime, pursuant to Administrative Code Section 3.17. The Mayor's Office plans to introduce a supplemental appropriation to address these issues shortly. A proposed supplemental to increase overtime for Police operations at the Airport is currently pending at the Board of Supervisors. The Department of Public Health may require a supplemental to address projected salary over-expenditures.

Pending Supplemental Appropriations

To date, one supplemental appropriation using the General Reserve has been introduced which would provide \$1.3 million for immigration-related legal services through various departments. Total uses of \$1.3 million are reflected in section B of Table 1 above and will result in a projected ending reserve balance of \$106.0 million, which will be carried forward to FY 2018-19. The approved FY 2018-19 budget includes a \$14.1 million deposit to the reserve, which will have to be increased by the \$1.3 million in current year uses.

A second supplemental that has been introduced would provide \$2.5 million for a street and sidewalk cleaning pilot enhancement project. The source for this supplemental is prior year fund balance above that assumed in the December 2017 Joint Report projection.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

A total of \$1.0 million is projected to be deposited into the Citywide Budget Savings Incentive Fund due to projected departmental expenditure savings. There are no projected deposits to the Rainy-Day Reserve, Budget Stabilization Reserve or Recreation and Park Savings Incentive Reserve. A discussion of the status of reserves is included in Appendix 3.

D. PROJECTED ENDING FUND BALANCE OF \$419.3 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2017-18 of \$419.3 million, a \$61.6 million improvement from the Joint Report projected fund balance of \$357.7 million.

OTHER FUNDS

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds receive General Fund baseline transfers and other subsidies.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency receives a significant General Fund subsidy.

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

PROJECTION UNCERTAINTY REMAINS

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues, particularly in transfer and business taxes, given the length of the current economic expansion, and economically sensitive sources, such as hotel, sales, and parking taxes, which are experiencing slow to negative growth.
- Volatility in revenue at Zuckerberg San Francisco General Hospital (ZSFG), which is projected to be \$37.5 million above budget. Significant variances include a \$27.9 million surplus in net patient revenues resulting from higher-than-budgeted patient census, a \$14.3 million surplus in capitation revenues due to higher than anticipated supplemental payments for services provided to the Medi-Cal expansion population, partially offset by an \$8.0 million shortfall in payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver.

- Changes to local economic activity and City revenue as taxpayers' spending decisions begin to be affected by federal tax reform enacted by Congress in December 2017. While the net effect of the changes is not yet known, new limits to state and local tax exemptions will likely increase federal tax liabilities for many San Francisco residents, reducing discretionary spending capacity.

UPCOMING PROJECTIONS

An update to the Joint Report in mid-March 2018 will provide revenue and expenditure projections for FY 2018-19 through FY 2021-22. FY 2017-18 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2018.

SIX-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 5 presents actual overtime expenditures through the first six months of the year and straight line projections through year end. The resulting budget variances suggest that the Police Department, Sheriff, and Department of Emergency Management will require overtime supplementals.

APPENDICES

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Status of Reserves
4. Other Funds Highlights
5. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$55.2 million above revised budget, of which \$97.1 million is due to improvements in citywide revenue as discussed in this Appendix 1, offset by departmental shortfalls (net of interdepartmental recoveries) of \$48.4 million.

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

GENERAL FUND (\$ Millions)	FY 2016-17		FY 2017-18		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,481.1	\$ 1,557.0	\$ 1,557.0	\$ 1,624.0	\$ 67.0
BUSINESS TAXES	703.9	750.8	750.8	800.4	49.6
Business Registration Tax	43.8	40.8	40.8	44.5	3.7
Payroll Tax	349.8	307.5	307.5	308.5	1.0
Gross Receipts Tax	283.8	380.5	380.5	420.0	39.5
Admin Office Tax	26.4	22.0	22.0	27.4	5.4
Total Business Taxes	703.9	750.8	750.8	800.4	49.6
OTHER LOCAL TAXES					
Sales Tax	189.5	199.9	199.9	191.7	(8.2)
Hotel Room Tax	370.3	372.3	372.3	368.6	(3.8)
Utility Users Tax	101.2	99.7	99.7	100.2	0.5
Parking Tax	84.3	82.2	82.2	83.4	1.3
Real Property Transfer Tax	410.6	300.0	300.0	288.0	(12.0)
Sugar Sweetened Beverage Tax	0.0	7.5	7.5	7.5	-
Stadium Admission Tax	1.2	1.4	1.4	1.2	(0.2)
Access Line Tax	46.5	49.6	49.6	49.6	-
Total Other Local Taxes	1,203.6	1,112.6	1,112.6	1,090.2	(22.4)
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	12.2	12.8	12.8	12.8	-
Franchise Tax	17.1	17.2	17.2	17.3	0.1
Total Licenses, Permits & Franchises	29.3	30.0	30.0	30.1	0.1
FINES, FORFEITURES & PENALTIES	2.7	4.6	4.6	4.6	-
INTEREST & INVESTMENT INCOME	24.2	18.2	18.2	24.4	6.2
RENTS & CONCESSIONS					
Garages - Rec/Park	8.7	8.4	8.4	8.4	-
Rents and Concessions - Rec/Park	5.6	5.0	5.0	5.0	-
Other Rents and Concessions	1.3	0.6	0.6	0.6	-
Total Rents and Concessions	15.6	14.1	14.1	14.1	-
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	238.8	256.6	247.3	234.2	(13.1)
Other Grants & Subventions	(8.5)	7.3	7.3	6.2	(1.2)
Total Federal Subventions	230.2	264.0	254.6	240.4	(14.3)
State Government					
Social Service Subventions	209.9	225.0	223.4	207.3	(16.1)
Health & Welfare Realignment - Sales Tax	154.0	156.3	156.3	153.1	(3.3)
Health & Welfare Realignment - VLF	38.1	32.3	32.3	42.0	9.7
Health & Welfare Realignment - CalWORKS MOE	14.9	21.6	21.6	20.4	(1.3)
Health/Mental Health Subventions	148.9	159.3	159.3	159.3	-
Public Safety Sales Tax	100.4	101.6	101.6	102.2	0.6
Motor Vehicle In-Lieu	0.7	-	-	0.0	-
Public Safety Realignment (AB109)	35.5	41.3	41.3	37.6	(3.8)
Other Grants & Subventions	22.4	14.3	16.6	16.6	-
Total State Grants and Subventions	724.8	751.9	752.5	738.4	(14.2)
Other Regional Government					
Redevelopment Agency	2.8	3.3	3.3	3.1	(0.2)
CHARGES FOR SERVICES:					
General Government Service Charges	65.1	67.5	67.5	65.2	(2.3)
Public Safety Service Charges	46.2	43.9	43.9	42.4	(1.5)
Recreation Charges - Rec/Park	20.8	20.3	20.3	20.3	-
MediCal, MediCare & Health Service Charges	62.4	84.1	84.1	79.9	(4.2)
Other Service Charges	17.2	17.2	17.2	16.5	(0.7)
Total Charges for Services	211.7	232.9	232.9	224.3	(8.6)
RECOVERY OF GEN. GOV'T. COSTS	10.9	9.9	9.9	9.9	-
OTHER REVENUES	35.0	40.1	40.1	32.2	(7.9)
TOTAL REVENUES	4,675.8	4,789.3	4,780.6	4,836.1	55.5
TRANSFERS INTO GENERAL FUND:					
Airport	45.0	45.6	45.6	45.3	(0.3)
Other Transfers	201.7	125.5	125.7	125.7	-
Total Transfers-In	246.8	171.1	171.4	171.1	(0.3)
TOTAL GENERAL FUND RESOURCES	\$ 4,922.6	\$ 4,960.4	\$ 4,951.9	\$ 5,007.1	\$ 55.2

Property Tax

Property Tax revenue in the General Fund is projected to be \$67.0 million (4.3%) above budget and \$142.9 million (9.6%) over prior year actual revenue. The improvement is primarily due to exceptional increases in supplemental and escape property tax assessments given the Assessor's progress towards reducing the average age of items in its enrollment queue. Notably, the department anticipates enrolling all pending escape assessments by fiscal year end. Property tax set asides to special revenue funds are increased by \$7.8 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	86.4	89.7	3.3
Open Space Fund	57.6	59.8	2.2
Library Preservation Fund	57.6	59.8	2.2
Total	201.5	209.3	7.8

Business Tax

Business Tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes and administrative office taxes. Business tax revenue is projected to be \$49.6 million (6.6%) above budget, and \$96.6 million (13.7%) over prior year actual revenues. The projected growth in business tax revenues is due to growth in wages and employment in San Francisco continued from last fiscal year. For FY 2016-17, the Bureau of Labor Statistics reported 3.1% growth in employment and 12.0% wage growth over the previous fiscal year.

The City began phasing out its payroll tax in the second half of FY 2013-14 and phasing in a gross receipts tax by reducing the payroll tax rate and increasing the gross receipts tax rates. While overall payroll in San Francisco is expected to grow, payroll tax collections are expected to decline by 24.3% between FY 2016-17 and FY 2017-18 due to the lower tax rate. Gross receipts collections are expected to grow by 52.4% from prior year, due mainly to the increasing tax rates. Business registration and administrative office revenues are projected to grow by 1.7% and 4% over prior year respectively. This reflects the expectations of continued growth in employment and wages.

Local Sales Tax

Local Sales Tax revenues are projected to be \$8.2 million (4.1%) below budget and \$2.2 million (1.2%) over FY 2016-17 actual sales tax receipts. The shortfall compared to FY 2017-18 budget is because of a considerable reduction in the previously assumed growth rate of 5.5%. Continued decline in sales of general consumer goods, stabilization of the business sector, slow growth in food and restaurants, as well as negative audit adjustments contribute to a lower projected growth rate and the decline in sales tax revenue.

Hotel Room Tax

Hotel Room Tax revenues are projected to be \$3.8 million (1.0%) below budget and \$1.8 million (less than 1%) below prior year actual revenues. The decrease from budget and prior year

collections is due to weaker than expected collections growth in the first half of the fiscal year, and revised expectations on changes to Revenue per Available Room (RevPAR).

RevPAR, which is the combined effect of occupancy, average daily room rates, and room supply, experienced a monthly average decline of 3.1% between July 2017 and October 2017, the latest month of available data. Declines are in both room rates and occupancy rate.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. Final year-end revenue will be either greater or less than our projection depending on developments with these lawsuits.

Utility Users Tax

Utility Users Tax revenues are projected to be \$0.5 million (0.5%) above budget and \$1.0 million (1.0%) below FY 2016-17 actual revenues. This projection reflects higher than expected collections in telephone and water users tax offset by a decrease in collections from gas, steam, and electric use.

Parking Tax

Parking Tax revenues are projected to be \$1.3 million (1.5%) above budget and \$0.8 million (1.0%) below prior year revenues. The upward revision is based on better than expected collections in parking tax revenues at the end of the prior fiscal year as well as in the first six months of the current fiscal year. The decline in FY 2016-17 was attributable to reduced rates in City-operated parking garages as well as the reduction in parking demand due to ride sharing. This trend is expected to continue in the current year. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

Real Property Transfer Tax

Real Property Transfer Tax revenues are projected to be \$12.0 million (4.0%) below budget and \$122.6 million (29.9%) below prior year actual revenues. Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on a number of factors, including investor interest, economic cycles, interest rates, property values and credit availability, all of which have been favorable for San Francisco commercial and residential real estate in the past six years. In addition, voters approved Proposition W in November 2016, which increased the real property transfer tax rate on properties over \$5.0 million. The highest tier now imposes a 3% tax on transactions valued at more than \$25.0 million. While the number of transactions in this tax tier is small (less than 1%), the proportion of the total transfer tax revenue generated by this tier is large (62% in the last six months of FY 2016-17). These high-value transactions are the primary reason for revenue volatility.

Demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) is still strong in FY 2017-18 but is expected to decline from a record high in the prior year. The strength in demand of San Francisco's real

estate market is due in large part to the relative attractiveness of San Francisco real estate compared with other investment options worldwide.

Access Line Tax

Access Line Tax revenues are projected to on budget and \$2.7 million (5.9%) above FY 2016-17 actual revenues.

Interest & Investment

Interest & Investment revenues are projected to be \$6.2 million (34.4%) above budget in the General Fund and \$0.2 (1.0%) million above prior year actual revenues. Average monthly pooled interest rates and cash balances are higher than expected.

State and Federal Grants and Subventions

State and Federal Grants and Subventions are projected to be \$28.4 million (2.8%) below budget and \$23.7 million (2.5%) greater than prior year actual revenues. The projected decrease from budget is due to a \$29.2 million decrease in federal and state social service subventions, \$1.3 million decrease in the CalWORKs MOE, and \$1.2 million decrease in other federal subventions, offset by \$2.6 million increase in 1991 Health and Welfare Realignment and 2011 Public Safety Realignment and \$0.6 million increase in Public Safety Sales Tax.

Appendix 2. General Fund Department Projections

Table A2-1. General Fund Supported Operations (\$ millions)

Note: Figures may not sum due to rounding

GENERAL FUND (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures -Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	37.0	36.6	(0.4)	0.4	-	1
Superior Court	31.3	31.3	-	-	-	
District Attorney	51.7	51.7	-	-	-	
Emergency Management	52.9	52.9	-	-	-	2
Fire Department	360.3	360.3	(1.1)	-	(1.1)	3
Juvenile Probation	40.4	39.4	(0.4)	1.0	0.6	4
Public Defender	36.3	36.3	-	-	-	
Police	521.8	521.8	-	-	-	5
Sheriff	230.9	231.6	0.7	(0.7)	-	6
Department of Police Accountability	7.3	6.9	-	0.4	0.4	7
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	67.1	67.1	0.0	-	0.0	
Economic & Workforce Development	62.0	54.2	(7.8)	7.8	-	8
Board of Appeals	1.1	1.1	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	41.2	41.2	-	-	-	
Human Services Agency	823.3	795.0	(27.4)	28.3	0.9	9
Human Rights Commission	5.1	5.1	-	-	-	
Homelessness and Supportive Housing	201.3	200.4	-	0.9	0.9	10
Status of Women	9.0	9.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,211.1	1,216.1	37.1	(5.0)	32.2	11
CULTURE & RECREATION						
Asian Art Museum	10.5	10.5	-	-	-	
Arts Commission	7.8	7.8	-	-	-	
Fine Arts Museum	15.9	15.9	-	-	-	
Law Library	1.9	1.9	-	-	-	
Recreation and Park Department	97.0	97.0	-	-	-	
Academy of Sciences	7.2	7.2	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	105.8	104.7	(1.1)	1.1	-	12
Assessor/Recorder	26.1	25.1	(0.9)	0.9	-	13
Board of Supervisors	15.5	14.8	(0.0)	0.7	0.6	14
City Attorney	79.7	79.7	(0.5)	-	(0.5)	15
Controller	85.5	85.0	(0.5)	0.5	-	16
City Planning	50.7	49.0	(1.7)	1.7	-	17
Civil Service Commission	1.3	1.3	-	-	-	
Ethics Commission	4.2	4.0	-	0.2	0.2	18
Human Resources	23.6	23.6	-	-	-	
Health Service System	11.9	11.7	-	0.2	0.2	19
Mayor	67.1	67.1	-	-	-	
Elections	15.1	15.1	-	-	-	
Technology	4.1	4.1	-	-	-	
Treasurer/Tax Collector	36.8	35.2	(1.5)	1.6	0.1	20
Retirement System	2.3	2.3	-	-	-	
GENERAL CITY RESPONSIBILITY	163.2	162.1	-	1.1	1.1	21
TOTAL GENERAL FUND	4,624.5	4,583.4	(5.5)	41.1	35.6	

NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

The following notes explain projected variances for select departments' revenues and expenditures compared to the revised budget.

1. Adult Probation

The Adult Probation Department projects to end the fiscal year on budget with a \$0.4 million revenue shortfall offset with \$0.4 million in salary and fringe benefits expenditure savings. The \$0.4 million revenue deficit is due to a policy decision to halt probation fee collections, resulting in six months of foregone revenue.

2. Emergency Management

The Department of Emergency Management projects to end the fiscal year within budget. A supplemental appropriation will be requested to reappropriate \$1.2 million in work order and project savings to support a projected shortfall in overtime expenditures. The overtime spending increase is mainly due to department management's response to the continued increase in call volume and efforts to improve emergency call response times.

3. Fire Department

The Fire Department projects to end the fiscal year with a net deficit of \$1.1 million due to pending resolution of a net \$1.1 million revenue shortfall in Medicare reimbursements for ambulance services.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.6 million. Revenue is projected to be \$0.4 million under budget due to a projected decrease in claimable activities for federal programs. The Department is projecting expenditure savings of \$1.0 million, primarily driven by salary and fringe benefits due to vacancies and hiring delays.

5. Police Department

The Police Department projects to end the fiscal year on budget. The Department has requested a supplemental appropriation to appropriate regular salaries and fringe benefit savings for overtime expenses due to increased requests for security services at the San Francisco International Airport, and may request a supplemental appropriation for unplanned overtime related to the mutual aid for the North Bay Fires in October 2017.

6. Sheriff

The Sheriff's Department projects to end the fiscal year on budget. The Department projects a net revenue surplus of \$0.7 million given a \$1.1 million shortfall in revenue from housing of federal prisoners offset by increased recoveries from other departments for security services. Actual expenditures are projected to be higher than budgeted by \$0.7 million due to unplanned overtime and salaries and benefits paid to new hires. A request to re-appropriate regular

salaries and fringe benefit savings for overtime expenses is anticipated as the Department continues to hire towards its budgeted staffing levels.

7. Department of Police Accountability

The Department of Police Accountability is projecting to end the fiscal year with a net surplus of \$0.4 million from salary and benefit savings due to delays in hiring.

8. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year within budget. The Department projects a revenue shortfall of \$7.8 million primarily due to decreased developer exactions that are fully offset by related expenditure savings in personnel costs and programmatic projects of \$7.8 million.

9. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$0.9 million surplus due to \$28.3 million projected expenditure savings offset by a \$27.4 million revenue shortfall.

For aid and assistance programs, the department projects a net \$2.8 million surplus, comprised of \$15.2 million expenditure savings and \$12.4 million revenue deficit. This projection assumes: (1) an \$8.8 million current year supplemental appropriation from the City's "State and Federal Impacts" reserve for anticipated shortfalls related to the cost shift from the state to counties for the In-Home Supportive Services (IHSS) program and (2) an increase of \$2.6 million in health and welfare realignment revenue.

For operations and administration, the department projects a net \$1.9 million shortfall, comprised of \$13.1 million in expenditure savings offset by a \$15.0 million revenue deficit. Savings are primarily driven by delays in hiring, contract underspending, and caseload declines in various program areas, offset by lower than expected state and federal subventions for Medi-Cal eligibility work. The food stamps program experienced revenue reductions corresponding to lower levels of spending.

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

Program	Expenditure Surplus / (Shortfall)	Revenue Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance	15.2	(12.4)	2.8
Operations & Administration	13.1	(15.0)	(1.9)
Child Welfare	(4.7)	1.2	(3.5)
CalWORKs	2.6	(0.1)	2.5
Food Stamps	8.1	(9.2)	(1.1)
MediCal	(1.4)	(2.9)	(4.2)
All Other Programs	8.6	(4.1)	4.5
Total	28.3	(27.4)	0.9

10. Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing projects to end the year with \$0.9 million in expenditure savings due to delays in hiring.

11. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$32.2 million. Overall department revenues are projected to be \$37.2 million above budget, and expenditures are also projected to be \$5.0 million above budget.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	\$ (0.4)	\$ 6.1	\$ 5.7
Laguna Honda Hospital	\$ -	\$ (3.0)	\$ (3.0)
Zuckerberg San Francisco General Hospital	\$ 37.5	\$ (8.1)	\$ 29.4
	\$ 37.2	\$ (5.0)	\$ 32.2

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a combined revenue shortfall of \$0.4 million. This includes a \$3.0 million shortfall in Drug Medi-Cal revenues due to delayed implementation of the Organized Delivery System Pilot under the State 1115 Medicaid Waiver and \$1.5 million lower than expected revenue from capitation revenue for Primary Care, largely offset by favorable net patient service revenues in Primary Care and SF Health Network Services, as well as increased 1991 health and welfare realignment revenues. Expenditures are expected to be \$6.1 million below budget due to personnel cost savings in the Behavioral Health and Public Health divisions.

Laguna Honda Hospital

The Department projects a 3.0 million net deficit at Laguna Honda Hospital in salary and fringe benefit costs, due to a higher-than-normal number of patients with conditions requiring 24-hour one-on-one patient coaches to ensure patient safety.

Zuckerberg San Francisco General Hospital

The Department projects a \$29.4 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$37.5 million above budget. Significant variances include a \$27.9 million surplus in net patient revenues resulting from higher-than-budgeted patient census, a \$14.3 million surplus in capitation revenues due to higher than anticipated supplemental payments for services provided to Medi-Cal expansion population, and an \$8.0 million shortfall in payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver. Expenditures are projected to be over budget by \$8.1 million. Salaries are projected to exceed budget by \$12.8 million due to higher-than-budgeted patient census. This overage is

partially offset by fringe benefit savings of \$4.7 million as census-driven staffing increases have been met partially using overtime and per diem staffing.

The increase in patient census at ZSFG results in both an increase in staffing and surplus patient revenues. The Department is working with the Controller's Office to determine whether it will need to request a supplemental appropriation of surplus patient revenues to provide expenditure authority for excess staffing costs.

12. City Administrator

The City Administrator projects to end the fiscal year on budget. The Department projects a revenue shortfall of \$1.1 million primarily due to a shortfall in salary and benefit recoveries from the Office of Community Investment and Infrastructure (OCII) and a projected revenue shortfall in the Office of Cannabis. This is fully offset by \$1.1 million of salary and benefit savings from positions funded by OCII and savings in personnel costs from the Office of Cannabis due to hiring delays.

13. Assessor Recorder

The Assessor Recorder projects to end the fiscal year on budget. The Department projects a revenue deficit of \$0.9 million due mainly to lower than expected recording fees, offset by salary and fringe benefit savings of \$0.9 million.

14. Board of Supervisors

The Board of Supervisors projects a \$0.6 million net surplus at the end of the fiscal year. The Department projects \$0.7 million of expenditure savings mainly due to salary and fringe benefits savings, slightly offset by a minimal shortfall in recoveries for services provided to other departments.

15. City Attorney

The City Attorney's Office projects to end the year with a net operating shortfall of \$0.5 million due to a shortfall in recoveries from the Office of Community Investment & Infrastructure (OCII) and other departments.

16. Controller

The Controller's Office projects to end the year on budget, as a \$0.5 million shortfall in recoveries will be offset by an equal amount of expenditure savings.

17. City Planning

The City Planning Department projects to end the year on budget. After several years of significant increases, revenues have plateaued, and the department projects to end the year with a revenue deficit of \$1.7 million, which assumes the recognition of \$0.9 million of revenue received in prior years. This deficit will be offset by expenditure savings of an equal amount in salary and fringe benefits, contracts, and projects.

18. Ethics

The Ethics Department projects expenditure savings of \$0.2 million in salaries and benefits.

19. Health Services System

The Health Services System projects a \$0.2 million surplus at the end of the fiscal year, driven primarily from savings in salary and fringe benefits.

20. Treasurer/Tax Collector

The Treasurer/Tax Collector projects to end the fiscal year with a net surplus of \$0.1 million due to non-personnel services savings of \$1.6 million offset by a \$1.5 million shortfall in credit card processing fees.

21. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected to have \$1.1 million in retiree health subsidy savings. Funds appropriated for nonprofit COLAs are assumed allocated to departments, as reflected in the Joint Report issued in December 2017.

Appendix 3. Reserve Status

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Table A3.1 and discussed in detail below. Table A3.1 also includes deposits and withdrawals included in the approved FY 2017-18 budget.

Table A3.1 Reserve Balances (\$ Millions)

	FY 2016-17		FY 2017-18			FY 2018-19		
	Ending Balance	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 88.7	\$ 107.3	\$ -	\$ (1.3)	\$ 106.0	\$ 14.1	\$ -	\$ 120.1
Budget Savings Incentive Fund	67.5	67.5	1.0	-	68.4	-	-	68.4
Recreation & Parks Savings Incentive Reserve	4.4	0.9	-	-	0.9	-	-	0.9
Rainy Day Economic Stabilization City Reserve	78.3	78.3	-	-	78.3	-	-	78.3
Rainy Day Economic Stabilization School Reserve	44.2	44.2	-	-	44.2	-	-	44.2
Rainy Day One-Time Reserve	47.4	47.4	-	-	47.4	-	-	47.4
Budget Stabilization Reserve	323.2	323.2	-	-	323.2	-	-	323.2
Salary and Benefits Reserve	23.1	37.6	-	(37.6)	-	14.5	(14.5)	-
Contingency Reserve - State and Federal	-	10.0	-	(9.6)	0.4	-	-	0.4
Contingency Reserve - Affordable Care Act	-	50.0	-	-	50.0	-	-	50.0
Public Health Management Reserve	92.1	92.1	-	-	92.1	-	-	92.1
Total	768.8	858.5	1.0	(48.4)	811.1	28.6	(14.5)	825.2
Economic reserves					448.9			
Economic reserves as a % of General Fund revenues					9.3%			
Economic reserves					448.9			
1G Revenues					4,836.1			
Economic reserves as a % of 1G Revenues					9.3%			

General Reserve

To date, one supplemental appropriation that draws on the General Reserve is pending: \$1.3 million for immigration-related legal services. This results in a projected ending General Reserve balance of \$106.0 million, which will be carried forward to FY 2018-19. The approved budget includes a \$14.1 million deposit to the reserve in FY 2018-19, which will have to be increased by the \$1.3 million spent in the current year.

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support reserve requirements established by the policy. For FY 2017-18 and FY 2018-19, the policy requires the General Reserve to be no less than 2.25% and 2.5% of budgeted regular General Fund revenues, respectively.

Budget Savings Incentive Fund

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. At FY 2016-17 year-end, the Reserve balance was \$67.5 million. A projected deposit of \$1.0 million and no budgeted uses result in a projected year-end balance of \$68.4 million. The approved budget did not appropriate any of the balance in FY 2018-19.

Recreation and Parks Savings Incentive Reserve

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund.

This reserve ended FY 2016-17 with \$4.4 million, of which \$3.5 million was appropriated in FY 2017-18, resulting in a starting balance of \$0.9 million. No deposits are projected for the current fiscal year, leaving a projected ending balance of \$0.9 million.

Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. At FY 2016-17 year-end, the Rainy Day Economic Stabilization Reserve had a balance of \$78.3 million.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve. No deposits or withdrawals are currently projected.

Rainy Day One-Time Reserve

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. This Reserve began the year with \$47.4 million. There is no budgeted withdrawal or anticipated deposit in the current year.

Budget Stabilization Reserve

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above that appropriated as a source in the subsequent year's budget. The current balance of the Reserve is \$323.2 million. No deposits or withdrawals are currently projected.

Salary and Benefits Reserve

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a fiscal year starting balance of \$37.6 million (\$23.1 million carried forward from FY 2016-17 and \$14.5 million appropriated in the FY 2017-18 budget). The Controller's Office has transferred \$1.6 million to departments and anticipates transferring an additional \$26.4 million by year-end, as detailed in Table A3-2. In addition, the approved FY 2018-19 budget assumes \$9.6 million use of reserve to pay for regularly scheduled staffing in 24/7 operations in the last two weekend days of the fiscal year.

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

Sources	
Adopted AAO Salary and Benefits Reserve	14.5
Carryforward balance from FY 2016-17	23.1
Total Sources	37.6
Uses - Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1-Q2)	0.6
Training, development, and recruitment	0.9
Visual display terminal insurance (Q1, Q2)	0.1
Total Transfers to Departments	1.6
Anticipated Allocations	
Public Safety, including wellness, premium, and one-time payouts and one additional day of operation	16.9
Citywide premium, retirement and severance payouts	6.6
Various training, tuition, and other reimbursements	2.2
SEIU as needed temporary employees healthcare (Q3-Q4)	0.6
Visual display terminal insurance (Q3 & Q4)	0.1
Total Anticipated Allocations	26.4
FY 2018-19 Two Additional Days of 24/7 Operations	9.6
Total Uses	37.6
Net Surplus / (Shortfall)	-

Appendix 4. Other Funds Highlights

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

	Prior Year		FY 2017-18					FY 2018-19	Notes
	FY 2016-17 Year End Fund Balance	Fund Balance Used in FY 2017-18 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	(July 2017) Board Approved Budgeted Use	
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>									
Building Inspection Operating Fund	\$ 18.3	\$ 7.5	\$ 10.7	\$ 5.8	\$ 2.5	\$ 8.4	\$ 19.1	\$ 10.0	1
Children's Fund	4.9	2.4	2.5	3.2	-	3.2	5.7	0.3	2
Public Education Special Fund	3.1	0.0	3.1	0.2	-	0.2	3.3	-	3
Convention Facilities Fund	13.1	5.1	7.9	-	0.1	0.1	8.1	1.8	4
Golf Fund	2.8	0.7	2.1	-	-	-	2.1	0.6	5
Library Preservation Fund	32.5	0.6	31.9	0.9	1.4	2.3	34.1	-	6
Local Courthouse Construction Fund	0.3	-	0.3	0.3	-	0.3	0.6	-	7
Open Space Fund	22.7	-	22.7	2.2	1.0	3.2	25.9	0.9	8
Telecomm. & Information Systems Fund	6.9	4.1	2.8	-	-	-	2.8	2.4	9
General Services Agency-Central Shops Fund	1.8	-	1.8	(0.3)	0.3	-	1.8	-	10
Arts Commission Street Artist Fund	(0.1)	-	(0.1)	-	0.1	0.1	-	-	11
War Memorial Fund	2.1	1.4	0.7	-	0.3	0.3	1.0	1.2	12
Gas Tax Fund	6.6	0.2	6.3	-	-	-	6.3	0.1	13
Neighborhood Beautification Fund	0.6	-	0.6	-	-	-	0.6	-	14
Election Campaign Fund	\$ 7.0		7.0	\$ -	\$ (7.0)	(7.0)	-		15
<u>SELECT ENTERPRISE FUNDS</u>									
Airport Operating Funds	\$ 101.0	\$ 35.2	\$ 65.8	\$ 5.8	\$ 31.8	\$ 37.6	\$ 103.4	\$ 30.1	16
MTA Operating Funds	242.0	47.1	194.9	8.8	-	8.8	203.8	28.6	17
Port Operating Funds	43.8	18.0	25.8	(5.2)	20.5	15.3	41.1	-	18
PUC Hetch Hetchy Operating Funds	56.8	5.5	51.3	(20.1)	32.8	12.7	64.0	2.1	19
PUC Wastewater Operating Funds	144.7	-	144.7	8.2	47.6	55.8	200.5	-	20
PUC Water Operating Funds	174.2	12.2	162.0	50.0	1.6	51.6	213.6	5.1	21

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Building Inspection operating fund began the fiscal year with \$10.7 million in available fund balance. The Department projects a \$5.8 million revenue surplus due to higher than expected growth in plan checking revenues and an increased number of permits issued. Revenues remain strong but are slowing from prior year. Revenue collected in the first half of FY 2017-18 is \$3.7 million less than the same time last year. Year-to-date expenditures are \$3.5 million less than the prior year. Expenditures are projected to be \$2.5 million under budget due to savings from salary and fringe benefits. Year-end available fund balance is projected to be \$19.1 million. The approved FY 2018-19 budget was balanced using \$10.0 million in available fund balance. In

addition, the balances of the department's contingency and other post-employment benefit reserves are currently \$41.0 million and \$16.25 million, respectively.

2. Children's Fund

The Children's Fund began the fiscal year with \$2.5 million in available fund balance. Current year revenues are projected to be \$3.2 million better than budget due to estimated increases in property tax set-aside revenue. The projected fiscal year-end available fund balance is \$5.7 million, of which \$0.3 million was appropriated in the FY 2018-19 budget.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund began the fiscal year with \$3.1 million in available fund balance. Revenues are expected to be \$0.2 million above budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR). The projected fiscal year-end available fund balance is \$3.3 million.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$7.9 million in available fund balance, as \$5.1 million of the prior year ending balance of \$13.1 million was appropriated in the current year. Salary and fringe benefit savings of \$0.1 million are projected in the current year, resulting in a fiscal year-end available fund balance of \$8.1 million, of which \$1.8 million was appropriated in the approved budget for FY 2018-19.

5. Golf Fund

The Golf Fund began the fiscal year with \$2.1 million in available fund balance. The Recreation and Parks Department projects revenues and expenses to be on budget, and \$0.6 million of this balance was appropriated in the approved budget for FY 2018-19.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$31.9 million in available fund balance. The Department projects a revenue surplus of \$3.5 million from increased property tax allocations and baseline revenue, of which \$2.6 million will be returned to the General Fund at year-end, for a net surplus of \$0.9 million. Expenditure savings of \$1.4 million, due to personnel cost savings, resulting in a \$2.3 million net operating surplus, and a year-end projected fund balance of \$34.1 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the fiscal year with \$0.3 million in fund balance. Revenue is projected to be \$0.3 million over budget, resulting a year-end fund balance of \$0.6 million.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$22.7 million in available fund balance. The Department projects a \$2.2 million revenue surplus due to increased property tax allocations

and \$1.0 million in salary and fringe benefit savings, resulting in a projected year-end balance of \$25.9 million, of which \$0.9 million was appropriated in the FY 2018-19 budget.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$2.8 million. The Department projects no change to this balance, of which \$2.4 million has been appropriated in the FY 2018-19 budget.

10. Central Shops Fund

The Central Shops Fund began the year with an available fund balance of \$1.8 million. A revenue shortfall of \$0.3 million due to lower fuel sales to non-city entities including the San Francisco Unified School District, University of California San Francisco, and the San Francisco Housing Authority is fully offset by \$0.3 million in savings on fuel purchases. As a result, the Central Shops Fund projects no change to fund balance.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with a fund balance shortfall of \$0.1 million. The Department projects that a shortfall in licensing fee collections will be offset by expenditure savings, however, the fund is projected to end with a small fund balance deficit. The Controller's Office and the Department will continue to work to identify a solution to address the shortfall.

12. War Memorial Fund

The War Memorial Fund began the fiscal year with a fund balance of \$0.7 million. The Department projects expenditure savings of \$0.3 million in personnel costs and contract savings, resulting in a projected year-end fund balance of \$1.0 million. The previously approved FY 2018-19 budget appropriated \$1.2 million in available fund balance. The Controller's Office will continue to monitor this balance to assure future appropriations are balanced.

13. Gas Tax Fund

The Gas Tax Fund began the year with an available fund balance of \$6.3 million. The Department of Public Works expects to end the year on budget and no change in year-end fund balance. There is a proposed voter initiative to repeal most sections of Senate Bill 1, which generates an estimated \$5.2 billion a year increase in transportation-related taxes and fees statewide for transportation purposes. The Department is projecting to receive a \$15.5 million apportionment of this revenue in FY2017-18. The Department and the Controller's Office will closely monitor the results of the ballot measure.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) began the year with a \$0.6 million fund balance. The Department projects no change to fund balance.

15. Election Campaign Fund

The Election Campaign Fund began the year with a \$7.0 million balance. The fund is projected to be depleted at the end of the year due to the June 2018 Mayoral election.

SELECT ENTERPRISE FUNDS

16. Airport Operating Fund

The Airport began the fiscal year with \$65.8 million in available fund balance. The department projects a revenue surplus of \$5.8 million and net expenditure savings of \$31.8 million, for a net operating surplus of \$37.6 million.

The \$31.8 million in projected expenditure savings include \$20.8 million in non-personnel expenditure savings, \$1.8 million less in services of other departments, \$4.3 million in salary and benefit savings, \$3.8 million in public safety savings, and \$0.7 million in savings for materials and supplies. A fund balance of \$103.4 million is projected by year-end, of which \$30.1 million has been appropriated in the FY 2018-19 budget.

17. Municipal Transportation Agency (MTA) Operating Funds

MTA began the fiscal year with \$194.9 million in available operating fund balance net of the \$47.1 million appropriated to support the FY 2017-18 budget. The Agency is projected to end the year with a net operating surplus of \$8.8 million, resulting in a projected year-end fund balance of \$203.8 million.

The Agency projects the revenue surplus of \$8.8 million primarily due to an \$8.8 million increase in General Fund baseline transfers, a \$6.6 million surplus in fees and fines, and a \$5.3 million surplus in operating grants, offset by a \$6.8 million shortfall in taxi fees and the medallion program, \$2.9 million shortfall in transit fares, and \$2.2 million shortfall in parking garage revenue. Expenditures are on budget, resulting in a projected ending balance of \$203.8 million, of which \$28.6 million has been appropriated in the FY 2018-19 budget.

18. Port Operating Funds

The Port began the fiscal year with \$25.8 million in available fund balance. The department projects a revenue deficit of \$5.2 million and net expenditure savings of \$20.5 million, for a net operating surplus of \$15.3 million and ending balance of \$41.1 million.

The \$5.2 million revenue deficit is due to a decrease of \$4.7 million in maritime revenue due to reduced ship repair revenue from temporary closure of the shipyard; reduced cruise revenue from fewer cruise calls and special events, and slower-than-anticipated growth in cargo; and a decrease of \$0.5 million in real estate revenues due to lower parking fines. The \$20.5 million expenditure savings is due to a \$16.2 million reserve designated for future capital uses, \$2.2 million savings in salaries and fringe benefits from currently vacant positions, \$0.7 million in non-personnel services, \$0.4 million in workorders, and \$1.0 million in annual projects due to the preservation of funds for contingency purposes such as oil spills and hazardous material clean up.

19. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund began the fiscal year with \$51.3 million in available fund balance. The Department projects a net revenue shortfall of \$20.1 million driven by lower than expected electricity consumption by City departments and lower sales to the Turlock Irrigation District. The Department projects expenditure savings of \$32.8 million, driven by \$26.7 million in savings in transmission distribution and related charges, \$4.8 million in salaries and benefits savings due to delay in filling vacant positions, and other power purchase savings. This results in a projected fiscal year-end available balance of \$64.0 million, of which \$2.1 million is appropriated in the FY 2018-19 budget.

20. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$144.7 million in available fund balance. The Department projects revenue to be \$8.2 million higher than budget mainly due to increased sewer discharge volumes. The Department projects an expenditure surplus of \$47.6 million due to planned underuse of general reserves of \$16.9 million along with debt service savings of \$25.7 million due to 2016 wastewater bonds that will be in capitalized interest until FY 2019-20. The Department projects a fiscal year-end available fund balance of \$200.5 million.

21. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with \$162.0 million in available fund balance. Water Department revenues are projected to be \$50.0 million higher than budget, mainly due to increased retail and wholesale water sales. The Department projects \$1.6 million of expenditure savings due to planned underuse of general reserves. This results in a projected fiscal year-end available fund balance of \$213.6 million, of which \$5.1 million was appropriated in the FY 2018-19 budget.

Appendix 5. Overtime Report

Overtime Spending by Department (\$Millions) For Departments with Budgeted Overtime above \$100,000

Department	FY 2016-17	FY 2017-18			
	Actual	Revised Budget	July through December 2017	Straight Line Projection	Surplus/ (Deficit)
Municipal Transit Agency - Total	63.3	38.4	35.9	71.8	(33.4)
Police*					
General Fund (Excl. Work Orders)	21.9	19.3	10.5	21.1	(1.8)
General Fund Work Orders	3.6	2.0	2.1	4.2	(2.2)
Airport	1.9	2.1	2.0	4.0	(1.9)
Other	1.6	2.9	1.8	3.6	(0.8)
Subtotal of Budgeted Funds	29.0	26.2	16.4	32.9	(6.7)
Special Revenue (10B)	13.1	-	7.7	15.4	
Total	42.0	-	24.1	48.3	
Public Health*					
Laguna Honda	6.8	10.6	5.0	10.0	0.6
ZSF General	10.6	8.2	3.8	7.7	0.6
Non-Hospital Ops.	1.7	2.1	1.0	1.9	0.1
Total	19.1	20.9	9.8	19.6	1.4
Fire*					
General Fund	33.4	32.5	14.4	28.8	3.6
Airport	4.8	6.0	2.6	5.2	0.8
Other	0.4	0.4	0.2	0.4	0.0
Subtotal of Budgeted Funds	38.6	38.9	17.2	34.4	4.5
Special Revenue (10B)	-	-	2.9	2.9	
Total	38.6	-	20.1	37.3	
Sheriff*					
General Fund (Excl. Work Orders)	21.0	20.2	12.0	24.0	(3.8)
General Fund Work Orders	5.1	1.9	2.5	5.0	(3.1)
Other	0.4	0.3	0.3	0.7	(0.3)
Subtotal of Budgeted Funds	26.6	22.5	14.8	29.7	(7.2)
Special Revenue (10B)	-	-	0.2	0.5	
Total	26.6	-	15.1	30.2	
Public Utilities*	7.4	14.7	3.8	7.6	7.0
Airport*	3.3	6.5	2.2	4.4	2.2
Public Works*	2.8	4.4	1.4	2.7	1.6
Emergency Management*	4.0	3.3	2.4	4.8	(1.6)
Recreation and Park*	1.3	1.3	0.6	1.2	0.0
Admin Services	2.1	1.0	1.2	2.5	(1.5)
Juvenile Probation	1.5	0.7	1.0	2.0	(1.3)
Human Services	3.0	0.5	1.2	2.4	(1.8)
Technology	1.3	0.5	0.6	1.2	(0.7)
Controller	0.2	0.5	0.2	0.4	0.1
Elections	0.5	0.4	0.0	0.0	0.4
Building Inspection	0.4	0.4	0.2	0.4	(0.0)
Fine Arts Museum	0.9	0.4	0.4	0.8	(0.4)
Port	0.4	0.3	0.3	0.6	(0.3)
War Memorial	0.2	0.1	0.1	0.2	(0.1)
Total Overtime**	205.8	181.7	109.8	219.6	(37.9)

* Administrative Code Section 3.2 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime.

** Total overtime excludes special revenue (10B) expenditures.