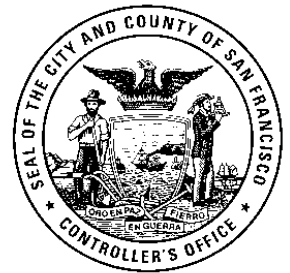
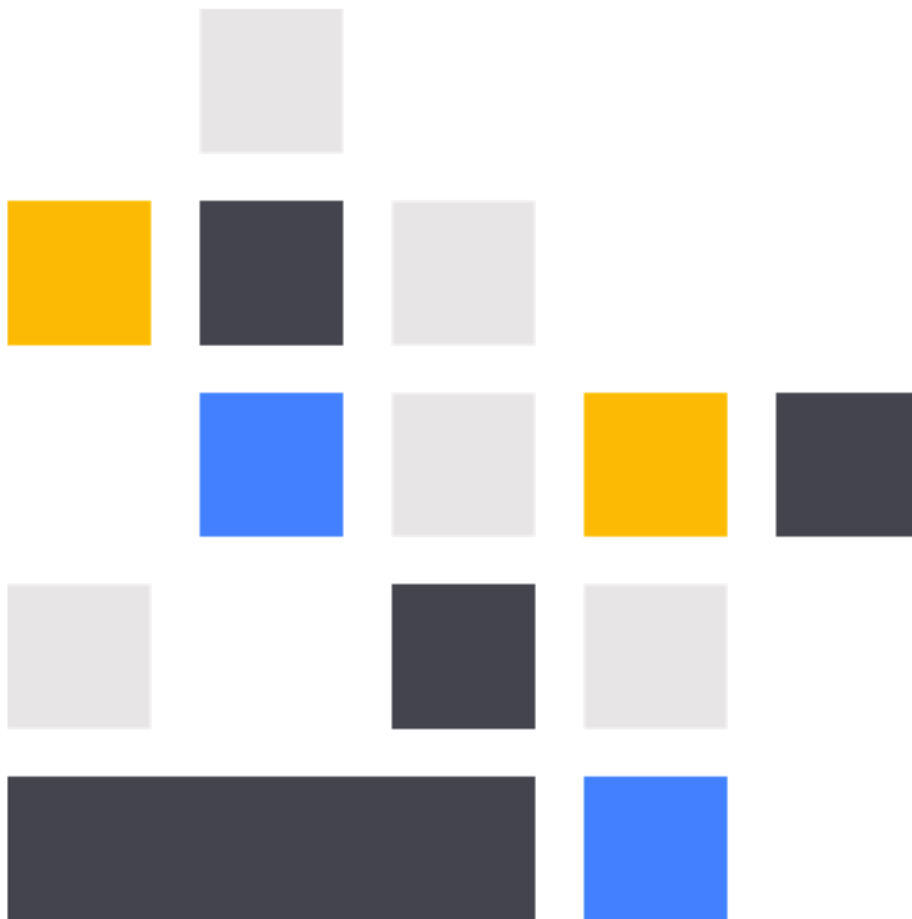


FY 2018-19

Six-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of December 31, 2018, incorporating more current information up to the date of publication as available.



February 15, 2019

City & County Of San Francisco
Office of the Controller
Budget & Analysis Division

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

- **We project a \$79.8 million improvement in current year General Fund ending balance over projections contained in the December 2018 Five Year Financial Plan for FY 2019-20 through FY 2023-24, from \$380.0 million to \$459.8 million.**
- **Application of this additional current year fund balance would reduce the projected shortfalls in the upcoming two-year budget to \$191.0 million.** The December 2018 Five Year Financial Plan projected shortfalls of \$107.4 million in FY 2019-20 and an additional \$163.4 million in FY 2020-21, for a cumulative total of \$270.8 million. These projections will be updated in March 2019.
- **The improvement is driven largely by increased real property transfer tax revenue in the General Fund and Public Health hospital revenue.** Real property transfer taxes are projected to exceed budgeted levels due to the high volume of office properties sold to date and currently on the market. Net patient revenue is projected to exceed budget given higher than anticipated Medi-Cal rates and 1115 Waiver program revenues.
- **The City is projected to reach its 10% target for economic stabilization reserves in the current fiscal year.** City financial policies provide that when the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reach 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. Due to revenues projected in this report and anticipated excess ERAF proceeds, the City is projected to exceed the 10% cap in the current year, resulting in a \$15.7 million deposit to this Budget Stabilization One-Time Reserve.
- **Supplemental appropriations may be required for several departments.** The Sheriff's Department, Fire Department, Emergency Management, and Public Utilities Commission may require supplemental appropriations to shift expenditure savings in salaries, benefits, and/or projects to address over-expenditures in overtime, which the Mayor's Office plans to introduce shortly.

Table 1. FY 2018-19 Projected General Fund Variances to Budget (\$ Millions)

	Prior Projection	6-Month	Change
FY 2017-18 Ending Fund Balance	431.8	431.8	-
Appropriation in the FY 2018-19 Budget	(188.6)	(188.6)	-
A. FY 2018-19 Starting Fund Balance	243.3	243.3	-
Citywide Revenue Surplus	165.4	279.6	114.2
Baseline Contributions	(28.7)	(51.6)	(23.0)
Departmental Operations	-	36.2	36.2
Approved Supplemental Appropriations	-	-	-
B. Current Year Revenues and Expenditures	136.7	264.2	127.4
Deposit to Rainy Day Reserves	-	(39.7)	(39.7)
Deposit to Budget Savings Incentive Fund	-	(7.9)	(7.9)
C. Withdrawals from / (Deposits) to Reserves	-	(47.6)	(47.6)
D. FY 2018-19 Projected Ending Balance	380.0	459.8	79.8

FY 2018-19 Six-Month Budget Status Report

A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2018-19 and FY 2019-20 budget was adopted were \$411.8 million, of which \$188.6 million was appropriated in FY 2018-19 and \$223.3 million was appropriated in FY 2019-20. General Fund available fund balance at the end of FY 2017-18 is estimated to be \$431.8 million, or \$20.0 million more than appropriated. Available fund balance will be confirmed with the publication of the City's FY 2017-18 financial statements in March.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$279.6 from budget, due largely to FY 2017-18 year end base building strength in business and hotel taxes and interest income. This includes an increase of \$114.5 million over prior projections (prepared in December 2018 for the Five Year Financial Plan), due almost entirely to higher than budgeted real property transfer tax revenues. Revenue variances are further described in Appendix 1.

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

	Original Budget	Prior Projection	6-Month Projection	Variance vs Budget	Variance vs Prior Projection
Property Taxes	1,728.0	1,728.0	1,728.0	-	-
Business Taxes	879.4	1,003.3	1,003.3	123.9	-
Sales Tax - Local 1% and Public Safety	301.5	297.5	307.1	5.6	9.6
Hotel Room Tax	375.8	390.7	390.2	14.3	(0.6)
Utility User & Access Line Taxes	99.1	96.4	96.4	(2.7)	-
Parking Tax	85.5	83.5	85.5	-	2.0
Real Property Transfer Tax	228.0	228.0	329.4	101.4	101.4
Sugar Sweetened Beverage Tax	15.0	15.0	15.0	-	-
Interest Income	27.3	60.3	60.7	33.4	0.4
Public Safety Realignment	39.0	40.0	40.0	1.0	-
Motor Vehicle In-Lieu and All Other	-	1.5	1.5	1.5	-
Stadium Admissions Tax	1.2	1.2	1.2	-	-
Franchise Taxes	17.5	17.0	17.0	(0.4)	-
Airport Transfer-In	46.6	46.6	48.3	1.7	1.7
Total Citywide Revenues	3,843.9	4,009.0	4,123.5	279.6	114.5

Baseline Contributions

Table 3 shows projections for voter-mandated spending requirements are increased by a net \$51.6 million compared to budget, and \$23.0 million versus Five Year Financial Plan projections. MTA baselines are projected to grow by \$22.7 million due to growth in Aggregate Discretionary Revenue (ADR). The Children's Fund is projected to grow by \$14.0 million, and the Public Education Enrichment Fund by \$8.9 million.

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

	Original Budget	5 Year Projection	6-Month Projection	Variance vs Budget	Variance vs Prior Projection
Aggregate Discretionary Revenue	3,658.4	3,843.7	3,948.4	290.0	104.7
MTA Baseline	336.3	351.6	363.0	26.7	11.4
MTA Population Change Baseline	50.9	47.0	47.0	(4.0)	-
80% Parking Tax In-Lieu Transfer to MTA	68.4	66.8	68.4	-	1.6
MTA Baseline Transfers	455.7	465.4	478.4	22.7	13.0
DPW Street Trees Maintenance Fund	19.7	20.6	20.4	0.7	(0.2)
Children's Services Fund (Baseline)	176.7	184.7	190.7	14.0	6.0
Transitional-Aged Youth Services Baseline	21.2	22.2	22.9	1.7	0.7
Library Baseline	83.6	87.4	86.9	3.32	(0.5)
Public Education Fund Baseline	5.3	5.5	5.7	0.4	0.2
Public Education Enrichment Fund	111.8	116.9	120.7	8.9	3.8
2/3 to Schools	74.6	77.9	80.5	5.9	2.5
1/3 to Preschool for All	37.3	39.0	40.2	3.0	1.3
Total Baseline Transfers	874.0	902.7	925.7	51.6	23.0

Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$36.1 million summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2018-19 Departmental Operating Summary (\$ millions)*Note: Figures may not sum due to rounding*

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
City Administrator	(1.1)	0.6	(0.4)
Sheriff	(0.3)	(2.9)	(3.2)
Subtotal Departments with Net Shortfall	(1.4)	(2.2)	(3.6)
Net Surplus Departments			
Adult Probation	-	0.3	0.3
Board of Supervisors	(0.1)	0.3	0.2
Ethics Commission	0.0	0.5	0.5
Fire Department	0.6	(0.0)	0.6
General City Responsibility	-	0.8	0.8
Health Service System	-	0.3	0.3
Law Library	-	0.1	0.1
Public Health	34.3	2.6	36.9
Police Accountability	-	0.1	0.1
Other Departments	(29.4)	29.3	(0.1)
Subtotal Departments with Net Surplus	5.4	34.3	39.7
TOTAL	4.0	32.1	36.1

The San Francisco Public Utilities Commission, Department of Emergency Management, the Sheriff's Department and the Fire Department will require supplemental appropriations to use salaries, benefits, and project savings to cover over-expenditures in overtime, pursuant to Administrative Code Section 3.17.

Approved Supplemental Appropriations

To date no supplemental appropriation using the General Reserve have been approved. Any uses of the Reserve would require a like amount of deposits in the budget year. A supplemental to provide short-term loans to federal government employees in the event of a shutdown would appropriate \$0.5 million of interest earnings above budget. This supplemental is not yet approved and is not included in this report.

The Board of Supervisors is currently considering a proposal current year excess ERAF revenue. This report does not reflect the sources or uses related to these proposed supplemental appropriations.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

A total of \$7.9 million is projected to be deposited into the Citywide Budget Savings Incentive Fund due to projected departmental expenditure savings. Revenue projections excluding excess ERAF will result in projected deposits to the Rainy-Day Reserves of \$39.7 million (\$19.9 million to the City Economic Stabilization Reserve, \$6.6 million to the School Economic Stabilization Reserve, and \$13.2 million to the One-Time Reserve) and to the Budget Stabilization Reserves of \$15.7 million. A discussion of the status of reserves is included in Appendix 3.

D. PROJECTED ENDING FUND BALANCE OF \$459.8 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2018-19 of \$459.8 million. This represents a \$79.8 million improvement from the December 2018 Five Year Financial Plan projection of \$380.0 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.
- FY 2017-18 ending balances in this report are unaudited estimates and may change when the City issues its year end financial statements. These will be updated when the City's Comprehensive Annual Financial Report (CAFR) is issued in March 2019.
- Volatility in revenue at the Department of Public Health, which is projected to be \$34.3 million above budget, due primarily to larger than anticipated payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver at Zuckerberg San Francisco General Hospital (ZSFG), higher than budgeted Medi-Cal per diem rates at Laguna Honda Hospital, partially offset by a projected shortfall in mental health revenue in the General Fund.

- This report assumes PG&E, which filed for bankruptcy protection last month, will pay approximately \$55 million in taxes and fees to the General Fund through year end, as well as \$10 million to \$15 million in monthly CleanPowerSF remittances billed on behalf of the PUC. Anticipated timing delays will be reflected on the City's balance sheet at FY 2018-19 close. The Nine-Month Report will update this assumption as additional information becomes available

UPCOMING PROJECTIONS

An update to the Five-Year Financial Plan in mid-March 2019 will provide revenue and expenditure projections for FY 2019-20 through FY 2023-24. FY 2018-19 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2019.

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. Administrative Code Section 3.17 requires select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds. At this time, the Public Utilities Commission, Sheriff's Department, Department of Emergency Management and Fire Department anticipate supplemental appropriations to move savings in other areas to increase overtime budgets.

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 \$227.5 million above revised budget, of which \$279.6 million is due to improvements in citywide revenue as discussed in this Appendix 1, offset by departmental shortfalls (net of interdepartmental recoveries) in federal subventions, charges for services, and other revenues.

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

GENERAL FUND (\$ Millions)	FY 2017-18		FY 2018-19		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,661.0	\$ 1,728.0	\$ 1,728.0	\$ 1,728.0	\$ -
BUSINESS TAXES	897.1	879.4	879.4	1,003.3	123.9
Business Registration Tax	43.3	46.8	46.8	45.9	(0.8)
Payroll Tax	442.2	254.4	254.4	174.4	(80.0)
Gross Receipts Tax	388.9	550.0	550.0	744.7	194.7
Admin Office Tax	22.6	28.2	28.2	38.2	10.0
Total Business Taxes	897.1	879.4	879.4	1003.3	123.9
OTHER LOCAL TAXES					
Sales Tax	192.9	196.9	196.9	201.1	4.2
Hotel Room Tax	382.2	375.8	375.8	390.2	14.3
Utility Users Tax	94.5	99.1	99.1	96.4	(2.7)
Parking Tax	83.5	85.5	85.5	85.5	-
Real Property Transfer Tax	280.4	228.0	228.0	329.4	101.4
Sugar Sweetened Beverage Tax	7.9	15.0	15.0	15.0	-
Stadium Admission Tax	1.1	1.2	1.2	1.2	-
Access Line Tax	51.3	51.9	51.9	51.1	(0.7)
Cannabis Tax	0.0	0.0	0.0	1.5	1.5
Total Other Local Taxes	1,093.8	1,053.4	1,053.4	1,171.3	117.9
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	11.9	13.4	13.4	12.7	(0.7)
Franchise Tax	16.9	17.5	17.5	17.0	(0.4)
Total Licenses, Permits & Franchises	28.8	30.8	30.8	29.7	(1.1)
FINES, FORFEITURES & PENALTIES	8.2	3.1	3.1	3.8	0.7
INTEREST & INVESTMENT INCOME	50.4	27.3	27.3	60.7	33.4
RENTS & CONCESSIONS					
Garages - Rec/Park	7.8	8.9	8.9	8.9	-
Rents and Concessions - Rec/Park	5.9	5.3	5.3	5.3	-
Other Rents and Concessions	0.6	0.5	0.5	0.3	(0.2)
Total Rents and Concessions	14.4	14.8	14.8	14.6	(0.19)

GENERAL FUND (\$ Millions)	FY 2017-18	FY 2018-19			
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	232.8	265.8	279.5	249.5	(30.0)
Other Grants & Subventions	1.3	12.7	12.7	12.7	-
Total Federal Subventions	234.1	278.4	292.2	262.2	(30.0)
State Government					
Social Service Subventions	197.4	219.4	221.3	219.6	(1.7)
Health & Welfare Realignment - Sales Tax	156.0	168.0	168.0	160.4	(7.6)
Health & Welfare Realignment - VLF	41.9	41.1	41.1	44.9	3.8
Health & Welfare Realignment - CalWORKs MO	26.1	19.9	19.9	19.4	(0.5)
Health/Mental Health Subventions	140.8	153.1	153.1	153.5	0.3
Public Safety Sales Tax	104.8	104.7	104.7	106.1	1.4
Motor Vehicle In-Lieu	0.8	-	-	0.0	-
Public Safety Realignment (AB109)	37.4	39.0	39.0	40.0	1.0
Other Grants & Subventions	24.2	15.9	15.9	23.2	7.3
Total State Grants and Subventions	729.5	761.0	762.9	767.0	4.1
Other Regional Government					
Redevelopment AgenDY	3.1	12.2	12.2	12.2	(0.0)
CHARGES FOR SERVICES:					
General Government Service Charges	62.6	64.4	64.4	61.2	(3.1)
Public Safety Service Charges	43.0	43.6	43.6	43.6	-
Recreation Charges - Rec/Park	20.9	21.5	21.5	21.5	-
MediCal, MediCare & Health Service Charges	90.5	87.5	87.1	85.2	(1.9)
Other Service Charges	23.0	31.3	31.4	25.7	(5.7)
Total Charges for Services	240.0	248.4	248.0	237.2	(10.7)
RECOVERY OF GEN. GOV'T. COSTS	9.9	12.9	12.9	12.9	-
OTHER REVENUES	14.4	41.1	23.5	37.3	13.8
TOTAL REVENUES	4,984.5	5,090.9	5,088.5	5,340.3	251.8
TRANSFERS INTO GENERAL FUND:					
Airport	46.5	46.6	46.6	48.3	1.7
Other Transfers	185.0	124.1	131.9	124.1	(7.9)
Total Transfers-In	231.5	170.7	178.5	172.3	(6.2)
TOTAL GENERAL FUND RESOURCES	\$ 5,216.0	\$ 5,261.6	\$ 5,267.0	\$ 5,512.6	\$ 245.6

Property Tax

Property Tax revenue in the General Fund is projected to be on budget and \$67.0 million (4.0%) over prior year pre-audit actual revenue. The budget assumed 10.8% growth in net assessed valuation of the locally assessed secured roll. In addition, revenue from supplemental and escape assessments, which is realized when new construction and changes in ownership that occurred in prior periods is brought onto the rolls, is projected to be reduced by about 40%

from FY 2017-18, from \$215 million to \$127 million, as the Assessor continues to minimize the age of items in the enrollment queue. These revenues were a significant driver of revenue variances in FY 2015-16 through FY 2017-18.

The budget assumed secured roll corrections and cancellations, which represent reductions in assessed value as determined by the Assessment Appeals Board and/or the Assessor and result in revenue refunds, would decline from FY 2017-18. Current projections assume a greater amount than budgeted for FY 2018-19, reflecting year to date activity.

Property tax set asides to special revenue funds are increased by \$0.2 million, as shown below. Additional property taxes (excess ERAF) anticipated in the current year, and their corresponding uses, are excluded.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	101.7	101.8	0.1
Open Space Fund	63.6	63.6	0.1
Library Preservation Fund	63.6	63.6	0.1
Total	228.8	229.0	0.2

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 \$123.9 million (14.1%) above budget and \$106.4 million (11.9%) 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. Preliminary FY 2017-18 data from the Bureau of Labor Statistics show 2.5% growth in employment and 10.8% 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. FY 2018-19 is the final year of tax rate adjustments and the FY 2018-19 rates will continue to future years. While overall payroll in San Francisco is expected to grow, payroll tax collections are expected to decline by 35.0% between FY 2017-18 and FY 2018-19 due to the lower tax rate. Gross receipts collections are expected to grow by 35.6% from prior year, due mainly to the increasing tax rates. Business registration and administrative office revenues are projected to grow by 6.0% and 5.6% over prior year, respectively.

Local Sales Tax

Local Sales Tax revenues are projected to be \$4.2 million (2.1%) over budget and \$8.1 million (4.2%) over FY 2017-18 actual sales tax receipts. The increases are mainly due delayed payments related to implementation of new systems at the California Department of Tax and Fee Administration. The State was not able to process all sales tax remittances from paper filers and distribute the related revenue to local taxing entities in FY 2017-18, and is instead remitting

them in FY 2018-19, causing an increase in sales tax revenue in the current year. The projection does not take into consideration potential impacts from the June 2018 Supreme Court *Wayfair* ruling because of uncertainty about the scope and timing of regulatory changes the state may make in response.

Hotel Room Tax

General Fund Hotel Room Tax revenues are projected to be \$14.3 million (3.8%) over budget and \$8.0 million (2.1%) over prior year actual revenues. The increases are due to stronger than expected collections in the first half of the fiscal year, and revised expectations of Revenue per Available Room (RevPAR).

RevPAR, which is the combined effect of occupancy, average daily room rates, and room supply, experienced a monthly average increase of 3.5% between July and November 2018, the latest month of available data. Increases in monthly rates have been partially offset by declines occupancy. Projections assume continued growth in the second half of the fiscal year due to the full reopening of the Moscone Convention Center as well as modest growth in room supply.

In August 2018, the California Supreme Court delivered its final rulings regarding online travel companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. The Court ruled in favor of the online travel companies, and San Francisco refunded the disputed taxes plus interest in September 2018. Funds necessary to make the payments, which had been held in reserve given the legal risk, exceeded the final refund amount by \$3.5 million, leading to a one-time increase in the current year.

Utility Users Tax

Utility Users Tax revenues are projected to be \$2.7 million (2.8%) below budget, and \$1.7 million (1.8%) above prior year actuals. This projection reflects a shortfall in telephone user tax revenue, the continuation of a multi-year trend, partially offset by higher than expected collections of electric, gas and water users tax. These projections assume any delays in utility users tax remitted by PG&E due to ongoing bankruptcy proceedings will be reflected in the City's balance sheet at year end.

Parking Tax

Parking revenues are projected to be on budget, an increase of \$2.0 million (2.4%) from prior year actual, reflecting year to date collections through the first half of the year, forestalling a four-year decline in this source. The shift is attributable to the implementation of the Parking Access Revenue Control System (PARCS) in MTA garages, which has improved revenue collections, and modest increases in length of stay offsetting a decline in volume. 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.

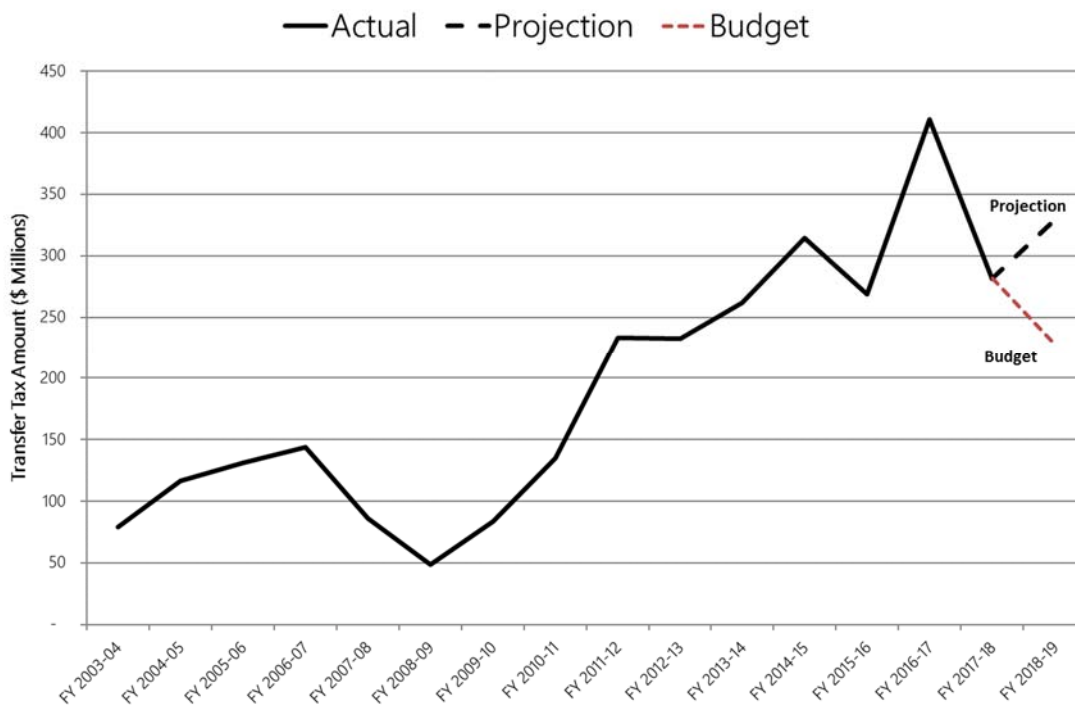
Real Property Transfer Tax

Real Property Transfer Tax revenues are projected to be \$101.4 million (44.5%) above budget and \$48.9 million (17.5%) above prior year actual revenues. Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on several factors, including interest rates, credit availability, foreign capital controls, and the relative attractiveness of San

San Francisco real estate compared to other investment options, all of which have been favorable for San Francisco commercial and residential real estate in the past seven 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 (0.5% in FY 2017-18), the proportion of the total transfer tax revenue generated by this tier is large (47% in FY 2017-18). The progressive tax structure for this small number of high-value transactions is 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 expected to be stronger in 2019 than 2018, resulting in the increase over FY 2017-18 actuals, though still below the FY 2016-17 peak of \$410.6 million. 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 global investment options. The graph below shows the volatility of this revenue over the past 15 years.

Real Property Transfer Tax, FY 2003-04 through FY 2018-19 (Projected), \$millions



Access Line Tax

Access Line Tax revenues are projected to be \$0.7 million (-1.5%) below budget and \$0.2 million (0.4%) less than FY 2017-18 actual revenues. The slight decline is due to a one-time recognition of deferred revenue in FY 2017-18.

Interest & Investment

Interest and investment revenues are projected to be \$33.4 million (122.6%) above budget in the General Fund and \$10.3 (20.5%) million above prior year actual revenues. Projections reflect

information about FY 2017-18 interest earnings that became available after the current year budget was prepared. A series of Federal Reserve interest rate increases during FY 2017-18 increased the earned income yield of the pool by 75% over FY 2016-17, from 0.93% to 1.63%. Additional Fed interest rate increases, if they occur, may increase revenues above this projection. Increased cash balances in the pool due to overall revenue growth are expected to offset potential losses due to delayed tax, franchise, and clean power payments arising from PG&E bankruptcy proceedings, and do not reflect the proposed use of \$0.5 million in interest earnings to support loans to federal government employees affected by potential shutdowns in the second half of the year.

State and Federal Grants and Subventions

State and Federal Grants and Subventions are projected to be \$4.1 million (0.5%) above budget and \$38.0 million (5.2%) above prior year actual revenues. The projected increase from budget is due to a \$7.9 million increase in reimbursement of costs mandated by the State, \$1.4 million increase in Public Safety Sales Tax, and \$1.0 million increase in 2011 Public Safety Realignment, partially offset by a \$3.7 million decrease in 1991 Health and Welfare Realignment and a \$1.9 million decrease in federal and state social service subventions.

Appendix 2. General Fund Department Projections

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

Note: Figures may not sum due to rounding

17 | FY 2018-19 Six-Month Budget Status Report

GENERAL FUND (\$ MILLIONS)	Expenditures -		Revenue	Expenditure	Net Surplus/ (Deficit)	Notes
	Revised Budget	Projected Year End	Surplus/ (Deficit)	Savings/ (Deficit)		
PUBLIC PROTECTION						
Adult Probation	40.4	40.1	-	0.3	0.3	1
Superior Court	31.6	31.6	-	-	-	
District Attorney	57.3	57.2	-	-	-	
Emergency Management	58.3	58.3	-	-	-	2
Fire Department	376.9	376.9	0.6	(0.0)	0.6	3
Juvenile Probation	39.2	38.6	(0.6)	0.6	-	4
Public Defender	38.4	38.4	-	-	-	
Police	558.6	558.6	-	-	-	
Sheriff	240.1	242.9	(0.3)	(2.9)	(3.2)	5
Department of Police Accountability	8.7	8.6	-	0.1	0.1	6
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	74.0	74.0	-	-	-	
Economic & Workforce Development	66.3	62.4	(3.9)	3.9	-	7
Board of Appeals	1.1	1.0	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	35.3	35.3	-	-	-	
Human Services Agency	839.9	818.3	(21.6)	21.6	0.0	8
Human Rights Commission	5.5	5.5	-	-	-	
Homelessness and Supportive Housing	193.1	193.1	-	-	-	
Status of Women	9.4	9.4	-	-	-	
COMMUNITY HEALTH						
Public Health	1,219.6	1,217.0	34.3	2.6	36.9	9
CULTURE & RECREATION						
Asian Art Museum	11.7	11.7	-	-	-	
Arts Commission	8.3	8.3	-	-	-	
Fine Arts Museum	16.9	16.9	-	-	-	
Law Library	2.2	2.1	-	0.1	0.1	10
Recreation and Park Department	100.7	100.7	-	-	-	
Academy of Sciences	6.5	6.5	-	-	-	
War Memorial	9.3	9.3	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	111.9	111.2	(1.1)	0.6	(0.4)	11
Assessor/Recorder	28.5	28.0	(0.6)	0.5	-	12
Board of Supervisors	15.7	15.5	(0.1)	0.3	0.2	13
City Attorney	83.9	83.9	-	-	-	
Controller	85.3	85.3	-	-	-	
City Planning	50.2	47.5	(2.8)	2.8	-	14
Civil Service Commission	1.3	1.3	-	-	-	
Ethics Commission	4.5	4.0	-	0.5	0.5	15
Human Resources	28.0	28.0	-	-	-	
Health Service System	12.2	11.8	-	0.3	0.3	16
Mayor	70.1	70.1	-	-	-	
Elections	19.5	19.5	-	-	-	
Technology	4.4	4.4	-	-	-	
Treasurer/Tax Collector	35.7	35.7	-	-	-	
Retirement System	2.3	2.3	-	-	-	
GENERAL CITY RESPONSIBILITY	191.1	190.3	-	0.8	0.8	17
TOTAL GENERAL FUND	4,793.7	4,761.5	4.0	32.1	36.2	

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 with \$0.3 million in salary and fringe benefits expenditure savings due to staff vacancies and extended leaves.

2. Emergency Management

The Department of Emergency Management projects to end the year on budget, with a potential year end shortfall of \$0.4 million in dispatcher related salary and benefit costs projected to be offset by expenditure savings in other areas, requiring a supplemental reappropriation.

3. Fire Department

The Fire Department projects to end the fiscal year with a revenue surplus of \$0.6 million due to greater than budgeted receipts of inspection fees and other charges for services.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year on budget with a revenue deficit of \$0.6 million offset by an expenditure surplus of \$0.6 million. Revenue is projected to be \$0.6 million under budget primarily due to federal and state revenue shortfalls, closure of Log Cabin Ranch, and foster parent program delays. These shortfalls are projected to be offset by work order recoveries and \$0.6 million in salary and fringe benefits and nonpersonnel services savings.

5. Sheriff

The Sheriff's Department projects to end the fiscal with a \$3.2 million net operating deficit, comprised of a \$0.3 million shortfall in revenue from the housing of federal prisoners and expenditures exceeding budget by \$2.9 million, mainly for unplanned overtime. A supplemental appropriation ordinance request to re-appropriate regular salaries, fringe benefit, and non-personnel expenditure budget for overtime expenses is anticipated. The department is exploring the development of solutions that will not require additional General Fund support. To ensure the Department stays within budget, the Controller's Office is closely monitoring hiring and department expenditures.

6. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with \$0.1 million in expenditure savings due to staff vacancies.

7. 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 \$3.9 million primarily due to decreased developer exactions that are fully offset by related expenditure savings in personnel and project costs.

8. Human Services Agency

The Human Services Agency projects to end the year on budget, with a \$21.6 million revenue shortfall offset by \$21.6 million projected expenditure savings.

In aid and assistance programs, the department projects a net \$3.7 million deficit, comprised of \$12.9 million expenditure savings and a \$16.6 million revenue deficit. The revenue shortfall is due to a \$5.5 million revenue shortfall in 1991 Health and Welfare Realignment funding from the State. This Realignment funding shortfall is offset by a \$5.8 million increase in 1991 Health and Welfare Realignment to the Department of Public Health.

For the department's operations and administration, a net \$3.7 million surplus is projected, comprised of \$8.7 million in expenditure savings due to hiring delays and contract underspending. This is offset by a \$5.0 million revenue shortfall based on a shift in the allocation of staff time to various programs, resulting in a decrease in associated revenue.

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

Program	Expenditure Surplus / (Deficit)	Revenue Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance	12.9	(16.6)	(3.7)
Operations & Administration	8.7	(5.0)	3.7
Child Welfare	(0.8)	0.0	(0.8)
Aging & Adult Services	4.7	(1.8)	2.9
CalWORKs	0.0	(1.3)	(1.3)
Food Stamps	(1.1)	0.5	(0.6)
MediCal	3.1	(0.9)	2.2
All Other Programs	2.8	(1.4)	1.4
Total	21.6	(21.6)	0.0

9. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$36.9 million. Overall department revenues are projected to be \$34.3 million above budget, and expenditures are also projected to be \$2.6 million above budget.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	\$ (6.7)	\$ 7.8	\$ 1.1
Laguna Honda Hospital	\$ 16.4	\$ (2.0)	\$ 14.4
Zuckerberg San Francisco General Hospital	\$ 24.6	\$ (3.2)	\$ 21.4
	\$ 34.3	\$ 2.6	\$ 36.9

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 \$6.7 million. Significant variances from budget included a \$5.0 million shortfall in Short Doyle Medi-Cal revenue, a \$5.8 million shortfall under a Mental Health State Plan Amendment that were budgeted in FY 2018-19 but received at the end of FY 2017-18, and a \$4.7 million shortfall in Primary Care capitated and fee-for-service revenues due to declining Medi-Cal enrollment. These shortfalls are partially offset by a \$5.1 million surplus in 2011 Realignment, a \$1.8 million surplus in 1991 Realignment, and a \$2.0 million surplus in other behavioral health operating revenues. Expenditures are expected to be \$7.8 million above budget due to personnel cost savings from delayed hiring of new positions primarily in the Health Network Services and Public Health divisions.

Laguna Honda Hospital

The Department projects a \$14.4 million net surplus at Laguna Honda Hospital. Revenue is projected to be \$16.4 million above budget due to a higher-than-expected Medi-Cal per diem rate. Expenditures are projected to be above budget in salary and fringe benefit costs, due to higher-than budgeted backfill costs for employee leave and vacant positions.

Zuckerberg San Francisco General Hospital

The Department projects a \$21.4 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$24.6 million above budget. Significant variances include a \$1.6 million surplus in net patient revenues resulting from a higher-than-budgeted patient census, a \$1.8 million surplus in capitation revenues, a \$17.2 million surplus in payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver, and a \$4.0 million surplus in 1991 Realignment. Expenditures are projected to be over budget by \$3.2 million. Salaries are projected to exceed budget by \$11.8 million due to higher-than-budgeted patient census, although this overage is partially offset by \$6.6 million in funding budgeted for the event that patient census exceeds budget. The department projects fringe benefit savings of \$2.0 million as census-driven staffing increases have been met partially using overtime and per diem staffing.

10. Law Library

The Law Library projects to end the fiscal year with \$0.1 million in salary and benefits savings due to staff vacancies.

11. City Administrator

The City Administrator projects to end the year with a \$0.4 million shortfall. The Department projects a revenue shortfall of \$1.1 million primarily due to a \$1.0 million recovery shortfall from the Airport for the Office of Contract Administration and a \$0.5 million projected revenue shortfall in the Office of Cannabis. These are both offset by a \$0.4 million projected revenue surplus from settlement revenue in the Office of Labor Standards Enforcement and \$0.6 million of salary and benefit savings.

12. Assessor Recorder

The Assessor Recorder projects to end the fiscal year on budget. The Department projects a revenue deficit of approximately \$0.6 million due mainly to lower than expected recording fees, offset by salary and fringe benefit savings of \$0.5 million.

13. Board of Supervisors

The Board of Supervisors projects a \$0.2 million net surplus at the end of the fiscal year. The Department projects \$0.3 million of expenditure savings, mainly due to salary and fringe benefit savings, slightly offset by \$0.1 million in an assessment appeals fee shortfall.

14. 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 \$2.8 million. This deficit will be fully offset by savings in salary and fringe benefits, contracts, and project savings.

15. Ethics

The Ethics Department projects expenditure savings of \$0.5 million in salaries and fringe benefits.

16. Health Service System

The Health Service System projects a \$0.3 million surplus at the end of the fiscal year due to salary and fringe benefit savings.

17. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected to have a net surplus of \$0.8 million, due to estimated retiree health subsidy savings. Current balances of \$10.0 million for Minimum Wage increases and \$29.1 million for Community Based Organizations' cost of living adjustments are expected to be spent in the current year and the upcoming budget year.

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 2019-20 budget.

Table A3.1 Reserve Balances (\$ Millions)

	FY 2018-19						FY 2019-20		
	FY 2017-18 Unaudited Balance	Starting Balance	Projected Deposits - Excess ERAF	Projected Deposits - 6-Month Update	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 106.9	\$ 128.3	\$ -		\$ -	128.3	\$ 14.2	\$ -	\$ 142.5
Budget Savings Incentive Fund	73.6	73.6	-	7.9	-	81.5	-	-	81.5
Recreation & Parks Savings Incentive Reserve	1.7	1.7	-	-	-	1.7	-	(1.0)	0.7
Rainy Day Economic Stabilization City Reserve	89.3	89.3	78.0	19.9	-	187.2	-	-	187.2
Rainy Day Economic Stabilization School Reserve	47.9	47.9	26.0	6.6	-	80.5	-	-	80.5
Rainy Day One-Time Reserve (1)	54.7	54.7	52.0	13.2	-	119.9	-	-	119.9
Budget Stabilization Reserve	383.2	383.2	-	(15.7)	-	367.5	-	-	367.5
Budget Stabilization Reserve - One Time Reserve	-	-	-	15.7		15.7	-	-	15.7
Salary and Benefits Reserve	23.9	48.7	-		(48.7)	-	15.0	(15.0)	-
Contingency Reserve - State and Federal	-	40.0	-		-	40.0	-	-	40.0
Contingency Reserve - Labor Cost Contingency Reserve	-	70.0	-			70.0	-	(70.0)	-
Contingency Reserve - Affordable Care Act	50.0	50.0	-		-	50.0	-	-	50.0
Public Health Revenue Management Reserve	136.8	136.8	-		(55.9)	80.9	-	-	80.9
Total	968.1	1,124.3	156.0	47.6	(104.6)	1,223.3	29.2	(86.0)	1,166.5
Economic reserves						554.7			
Economic reserves as a % of General Fund revenues						10.0%			

General Reserve

No uses of the General Reserve have been proposed year to date, resulting in a projected ending General Reserve balance of \$128.3 million, which will be carried forward to FY 2019-20. The approved budget includes a \$14.2 million deposit to the reserve in FY 2019-20. Any

proposed uses of the reserve during the current year will increase the required FY 2019-20 deposit by a like amount.

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 2018-19 and FY 2019-20, the policy requires the General Reserve to be no less than and 2.5% and 2.75% 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. The FY 2017-18 projected ending balance was \$73.6 million. A projected deposit of \$7.9 in the current year would result in a projected year-end balance of \$81.4 million.

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. No deposits are projected in the current year. The approved FY 2019-20 budget includes a \$1.0 million use of reserve.

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 (SFUSD) operating budgets in years when revenues decline. At FY 2017-18 year-end, the City Rainy Day Economic Stabilization Reserve had a pre-audit balance of \$89.3 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. In addition to a \$78.0 million deposit projected due to the receipt of \$414.7 million in excess ERAF revenue in the current year, revenue growth is projected to drive a deposit of \$19.9 million to the City Reserve. The School Reserve is projected to receive deposits of \$26.0 million related to excess ERAF proceeds and \$6.6 million due to current year revenue growth.

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

\$54.7 million. In addition to a \$52.0 million deposit projected due to the receipt of \$414.7 million in excess ERAF revenue in the current year, revenue growth is projected to result in a deposit of \$13.2 million to this reserve.

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 estimated FY 2017-18 ending balance of the Reserve is \$383.2 million. The Charter provides that when the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reach 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. The City is projected to exceed the 10% cap in the current year, resulting in a \$15.7 million deposit to this Budget Stabilization One-Time Reserve and a \$15.7 million reduction to the Budget Stabilization Reserve.

State and Federal Revenue Risk Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned \$40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected withdrawals in the current fiscal year.

Labor Cost Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned \$70.0 million in unappropriated fund balance to a contingency reserve for managing costs related to wage and salary provisions negotiated in the City's labor contracts in FY 2019-20, and to manage volatility in the employee health and pension costs. Shortfalls projected in the December 2018 Five Year Financial Plan assume the entire reserve is spent as one time fund balance.

Affordable Care Act Contingency Reserve

The FY 2017-18 and FY 2018-19 budget assigned \$50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital for managing cost and revenue uncertainty related to federal and state changes to the administration and funding of the Affordable care act during the term of the budget. There are no projected withdrawals in the current fiscal year.

Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the Affordable Care Act and funding allocations for indigent health services. Currently projected uses of the reserve total \$55.9 million for the budgeted repayment of disallowed SB1128 reimbursements.

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 an unaudited fiscal year starting balance of \$48.7 million (\$23.9 million carried forward from FY 2017-18 and \$24.8 million appropriated in the FY 2018-19 budget). The Controller's Office has transferred \$1.0 million to departments and anticipates transferring an additional \$47.6 million by year-end, as detailed in Table A3-2. In addition, the approved FY 2018-19 budget assumes \$15.3 million use of reserve to pay for regularly scheduled staffing in 24/7 operations for two additional weekend days of the fiscal year.

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

Sources	Budget
Adopted AAO Salary and Benefits Reserve	24.8
Carryforward balance from FY 17-18	23.9
Total Sources	48.7
Uses	
Transfers to Departments	
For SEIU settlement to FAM	0.2
For Police Department - DHR recruitment	0.3
Visual Display Terminal Insurance (Q1)	0.0
Visual Display Terminal Insurance (Q2)	0.0
L39, L261, UAPD Development Funds	0.5
Total Transfer to Departments	1.1
Anticipated Allocations	
Public Safety, including premium, wellness, one-time	18.0
Citywide premium, retirement, severance and other payouts	13.7
Two additional days of 24/7 operations & other expenses	15.3
Various training, tuition, other reimbursements	0.4
Fair Labor Standards Act one-time payments	0.2
Visual Display Terminal Insurance (Q3 + Q4)	0.1
Total Anticipated Uses	47.6
Net Surplus / (Shortfall)	-

Appendix 4. Other Funds Highlights

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

	FY 2018-19				FY 2019-20	Notes
	Fund Balance Used in FY 2018-19 Budget	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	(July 2018) Board Approved Budgeted Use	
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>						
Building Inspection Operating Fund	\$ 6.0	\$ 4.7	\$ 2.2	\$ 6.9	\$ 6.5	1
Children's Fund	8.6	3.0	-	3.0	2.7	2
Public Education Special Fund	-	6.3	0.0	6.3	-	3
Convention Facilities Fund	3.6	-	5.9	5.9	1.5	4
Golf Fund	0.3	0.6	1.2	1.8	-	5
Library Preservation Fund	11.9	1.1	2.6	3.7	-	6
Local Courthouse Construction Fund	-	-	-	-	-	7
Open Space Fund	12.2	0.1	-	0.1	1.2	8
Telecomm. & Information Systems Fund	3.0	(5.6)	7.2	1.6	1.8	9
General Services Agency-Central Shops Fund	0.0	(0.3)	2.8	2.5	-	10
Arts Commission Street Artist Fund	-	0.0	0.3	0.3	-	11
War Memorial Fund	0.6	-	0.1	0.1	0.6	12
Gas Tax Fund	0.8	-	-	-	0.6	13
Neighborhood Beautification Fund	-	-	-	-	-	14
Election Campaign Fund	6.1	-	5.0	5.0	-	15
Culture and Recreation Hotel Tax Fund	-	-	2.2	2.2	0.0	16
<u>SELECT ENTERPRISE FUNDS</u>						
Airport Operating Funds	42.4	7.6	22.9	30.5	88.1	17
MTA Operating Funds	33.2	19.1	1.9	21.0	38.0	18
Port Operating Funds	25.9	1.4	4.3	5.7	10.6	19
PUC Hetch Hetchy Operating Funds	14.1	(13.6)	2.9	(10.7)	4.9	20
PUC Wastewater Operating Funds	6.0	(2.4)	4.0	1.6	-	21
PUC Water Operating Funds	4.3	(6.9)	-	(6.9)	11.1	22
PUC Clean Power Funds	-	(0.5)	2.5	2.0	-	23

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Department projects a net increase of \$6.9 million in fund balance, comprised of both surplus revenues and expenditure savings. A \$4.7 million revenue surplus is projected, due to expected growth in plan checking revenues and the number of permits issued. Revenues remain strong but are slowing from prior year. Revenue collected in the first half of FY 2018-19 is \$1.6 million more than the same time last year. Year-to-date expenditures are \$6.2 million more than the prior year. Expenditures are projected to be \$2.2 million under budget due to savings in salary and fringe benefits. In addition, the estimated balances of the department's contingency and other post-employment benefit reserves are currently \$41.0 million and \$26.25 million, respectively.

2. Children's Fund

The Children's Fund is projected to have a revenue surplus of \$3.0 million comparing to the current budget. This is primarily due to the increase in the Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund.

3. Children's Fund – Public Education Special Fund

Revenues are expected to be \$6.3 million above budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund.

4. Convention Facilities Fund

Operating savings of \$0.2 million as well as debt service payments savings of \$5.7 million are projected in the current year, resulting in operating surplus of \$5.9 million.

5. Golf Fund

The Recreation and Parks Department projects both revenues and expenses to be on budget for FY 2018-19.

6. Library Preservation Fund

The Library projects the Library Preservation Fund to have a net revenue surplus of \$1.1 million, of which \$3.3 million is from increased Aggregate Discretionary Revenue General Fund support and a use of \$2.7 million in fund balance. The Department projects expenditure savings of \$2.6 million, due to savings in non-personnel costs, materials and supplies, and services needed from other departments, resulting in a net operating surplus of \$3.7 million.

7. Local Courthouse Construction Fund

Revenues and expenditures are expected to be on budget in the Local Courthouse Construction Fund.

8. Open Space Fund

The Open Space Fund is projected to have a \$0.1 million in additional property tax set-aside revenue.

9. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund projects to end the fiscal year with a net operating surplus of \$1.6 million. A revenue deficit of \$5.6 million driven by shortfalls in work order recoveries and rents, concessions, and fines is offset by \$7.2 million of expenditure surplus mainly due to savings in project carryforward budget, non-personnel services, materials and supplies, equipment, and informational technology (IT) projects such as Broadband Connectivity and Wide Area Network projects.

10. Central Shops Fund

The Central Shops Fund projects a net operating surplus of \$2.5 million. A revenue shortfall of \$0.3 million, primarily from fuel sales to non-city entities, is offset by \$2.8 million in expenditure savings in contract savings and materials and supplies.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund is projected to have \$0.3 million expenditure savings due to open positions.

12. War Memorial Fund

The Department projects expenditure savings of \$0.1 million in salary and fringe benefits in the War Memorial Operating Fund.

13. Gas Tax Fund

The Department of Public Works expects the gas tax fund to end the year on budget.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) projects no variance from budget.

15. Election Campaign Fund

The Election Campaign Fund projects ending the current year with a surplus of \$5.0 million. A total of \$1.2 million in public financing of elections was expended for the November 2018 Board of Supervisors and Mayoral races. There are no scheduled elections for the remainder of the fiscal year.

16. Culture and Recreation Hotel Tax Fund

The Culture and Recreation Hotel Tax Fund was established after the passage of Prop E in November 2018. The measure went into effect on January 1, 2019. The Arts Commission projects expenditure savings of \$2.2 million during this initial period of implementation. As specified in the ordinance, any unspent balance shall be carried forward as funding provided for a specific purpose and remain in the Fund. Effective FY 2019-20, hotel tax revenue allocations will be

adjusted by the percentage increase or decrease in hotel tax collected versus the prior fiscal year, provided, however, that such percentage increase or decrease shall not exceed 10%.

SELECT ENTERPRISE FUNDS

17. Airport Operating Fund

The Airport projects the Airport Operating Fund to have a revenue surplus of \$7.6 million and expenditure savings of \$22.9 million, for a net operating surplus of \$30.5 million.

The revenue surplus is due to a \$11.4 million increase in rental receipts and concessions under the new duty-free lease and higher than anticipated Transportation Network Company activities, offset by a decrease of \$3.1 million in charges for services primarily due to lower than anticipated landing fee revenues. The projected \$22.9 million expenditure savings is largely due to savings of \$9.5 million in salaries and fringes, \$2.8 million in non-personnel services, \$2.5 million in materials and supplies, and \$4.4 million in services needed from other departments.

18. Municipal Transportation Agency (MTA) Operating Funds

MTA projects a net revenue surplus of \$19.1 million primarily due to a \$26.7 million increase in General Fund baseline transfers, offset by a projected revenue shortfall of \$7.6 million primarily from parking meter collections and traffic fines. The Agency projects expenditure savings of \$1.9 million mostly from personnel costs, resulting in a net projected operating surplus of \$21.0 million, which will be contributed towards the \$33.2 million and \$38.0 million budgeted use of fund balance in the FY 2018-19 and FY 2019-20 budgets.

19. Port Operating Funds

The Port projects a current year net operating surplus of \$5.7 million, comprised of a revenue surplus of \$1.4 million and net expenditure savings of \$4.3 million.

The \$1.4 million revenue surplus is due to an increase of \$2.0 million in maritime revenue from increased auto volume and storage revenue at Pier 80 (\$1.3 million), higher than anticipated rent revenue (\$0.6 million), and unanticipated ship repair revenue at Pier 70 (\$0.1 million); a \$0.4 million surplus from increased permitting activity on the waterfront; and a decrease of \$1.0 million in real estate revenues due to lower than budgeted parking revenue (\$0.7 million), revenue from the one-time sale of the Ferry Building lower than budgeted (\$4.6 million) offset by higher than anticipated commercial, industrial, and percentage rent performance (\$4.3 million). The \$4.3 million expenditure savings is due to \$1.7 million savings in salaries and fringe benefits from currently vacant positions, \$1.1 million in non-personnel services from savings on professional services and software licensing fees, \$0.3 million in workorders primarily due to lower utility costs, and \$1.2 million in annual projects due to the preservation of funds for contingency purposes such as oil spills and hazardous material clean up.

Public Utilities Commission

Public Utilities Commission projects net operating surpluses for the Wastewater Operations Fund and the Clean Power Fund and net operating deficits for the Hetch Hetchy Operating and Water Operating Funds. The Public Utilities Commission anticipates requesting a supplemental ordinance to re-appropriate savings to cover over-expenditures in overtime per San Francisco Administrative Code Section 3.17.

20. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund is projected to end the year with a net operating deficit of \$10.7 million due to revenue shortfalls of \$13.6 million offset by \$2.9 million of expenditure savings. The revenue deficit is mainly driven by lower electricity sales to city departments and external agencies such as Treasure Island Development Authority. Expenditure savings are due to savings on natural gas and steam purchases (\$2.9 million), distribution costs (\$1.3 million), and a power purchase contingency reserve (\$4.4 million) offset by higher energy prices due to shutdowns and higher resource adequacy (RA) costs from lower generation (\$5.7 million).

21. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund is projected to end the year with a net operating surplus of \$1.6 million. Wastewater's net operating surplus is due to salary and fringe savings of \$4.0 million from position vacancies offset by a revenue deficit of \$2.4 million. The revenue deficit is driven by a deficit of \$2.6 million from sewer service charges offset by \$0.2 million of unbudgeted biofuel revenue.

22. Public Utilities Commission – Water Operating Fund

The Water Operating Fund is projected to end the year with a net operating deficit of \$6.9 million. Water's net operating deficit is all due to revenue deficits of \$4.9 million from retail water sales and \$3.4 million from wholesale water sales offset by \$1.4 million of miscellaneous income higher than budgeted from water service installation charges and land sales.

23. Public Utilities Commission – Clean Power Fund

CleanPowerSF is projected to end the year with a net operating surplus of \$2.0 million due to salary and fringe savings of \$2.5 million from position vacancies offset by an electric sales revenue deficit of \$0.5 million. The electric sales revenue deficit is driven by a deficit of \$2.1 million for the Green Product as a result of the March 1st rate reduction offset by a surplus of \$1.6 million for SuperGreen Product from higher than anticipated consumption.

Appendix 5. Overtime Report

Department	FY 2017-18	FY 2018-19		
	Actual	Revised Budget	July through December 2019	% of Budget through December 31
Municipal Transit Agency - Total	73.5	32.1	40.6	126%
Police*				
General Fund (Excl. Work Orders)	19.2	19.2	10.0	52%
Airport	2.3	2.4	1.1	46%
General Fund Work Orders	4.0	2.6	2.2	82%
Total Annual Operating Funds	25.6	24.3	13.2	55%
<i>Special Revenue (10B)</i>	<i>15.1</i>		<i>9.9</i>	
<i>Total</i>	<i>40.6</i>		<i>23.1</i>	
Public Health*				
ZSF General	10.5	11.0	5.8	53%
Laguna Honda	7.8	8.5	5.0	58%
Other Annual Funds	1.9	1.6	1.4	86%
Total Annual Operating Funds	20.1	21.2	12.2	57%
Fire*				
General Fund	30.7	31.4	18.6	59%
Airport	5.0	5.0	2.5	51%
Total Annual Operating Funds	35.8	36.4	21.1	58%
Sheriff*				
General Fund (Excl. Work Orders)	23.0	17.1	11.2	65%
General Fund Work Orders	5.3	3.6	3.5	99%
Total Annual Operating Funds	28.4	20.7	14.7	71%
Airport*				
Annual Operating Funds	2.3	2.5	1.5	57%
Emergency Management*				
Annual Operating Funds	4.7	4.6	2.3	50%
General Fund Work Orders	1.4	1.7	0.0	0%
Public Works*				
Annual Operating Funds	1.4	1.7	1.1	63%
Public Utilities*				
Annual Operating Funds	4.8	5.0	3.0	61%
Recreation and Park*				
Annual Operating Funds	1.3	1.2	1.1	89%
Fine Arts Museum	0.7	1.1	0.5	49%
Juvenile Probation	1.8	0.7	0.6	94%
Admin Services	2.7	0.6	1.6	258%
Technology	1.1	0.5	0.5	95%
Human Services	2.6	0.5	1.3	243%
Total Overtime**	208.2	154.9	115.4	74%

* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds.

** Total overtime excludes special revenue (10B), non-annual operating funds in departments listed in Administrative Code 3.17, and expenditures from departments with less than \$500,000 in budgeted overtime.

Note: The table shows all departments subject to Administrative Code Section 3.17 and other departments with an overtime budget of at least \$500,000.