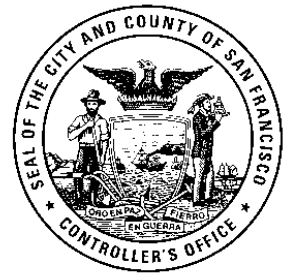
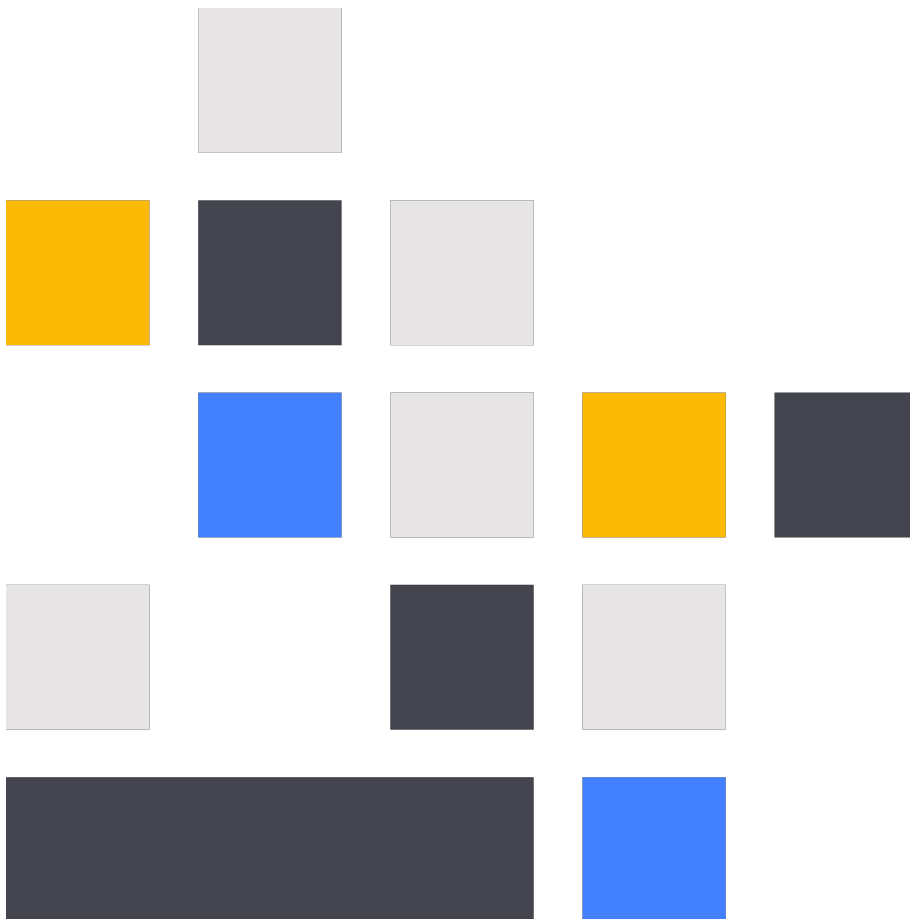


# FY 2017-18

## Nine-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 March 31, 2018, incorporating more current information up to the date of publication as available.



May 11, 2018

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 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 \$513.6 million.** This is a \$94.3 million improvement from the current year projections contained in the FY 2017-18 Six-Month Report.
- **The March 2018 Joint Report Update projected shortfalls of \$37.9 million in FY 2018-19 and an additional \$99.0 million in FY 2019-20, for a cumulative total of \$136.9 million.** Application of this additional current year fund balance would reduce these shortfalls to \$42.3 million over the two-year period.
- **The current year improvement is driven by increased General Fund and Public Health revenue.** Property and business taxes are exceeding budgeted levels, offset by weakness in sales and real property transfer taxes, for a net increase of \$118.5 million compared to budget and \$21.4 million compared to 6-Month Report projections. Increases in supplemental and escape property tax assessments are due to the Assessor's progress towards reducing the average age of items in its enrollment queue. Increases in patient census and payments from insurers, as well as a timing change in federal Medi-Cal expansion capitation revenue resulting in a one-time revenue surplus of \$39.0 million, are increasing revenues above budget by \$94.7 million at the Department of Public Health.
- **A supplemental appropriation may be required** for the Police Department to use salary and benefit savings to cover a shortfall in workers' compensation costs.
- **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. Municipal Transportation Authority (MTA) surpluses are driven by increased transfers from the General Fund as well as operating savings.

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

	<b>6-Month</b>	<b>9-Month</b>	<b>Change</b>
FY 2016-17 Ending Fund Balance	545.9	545.9	-
Appropriation in the FY 2017-18 Budget	(183.3)	(183.3)	-
Reserved for FY 2018-19 Contingencies	(60.0)	(60.0)	-
<b>A. FY 2017-18 Starting Fund Balance</b>	<b>302.6</b>	<b>302.6</b>	<b>-</b>
Citywide Revenue Surplus	97.1	118.5	21.4
Baseline Contributions	(12.5)	(21.9)	(9.3)
Departmental Operations	35.6	119.9	84.3
Approved & Pending Supplemental Appropriations	(3.8)	(0.9)	2.9
Projected Use of General & Other Reserves	1.3	0.4	(0.8)
<b>B. Current Year Revenues and Expenditures</b>	<b>117.7</b>	<b>216.1</b>	<b>98.4</b>
Deposit to Budget Stabilization Reserve	-	-	-
Deposit to Rainy Day Reserves	-	-	-
Deposit to Budget Savings Incentive Fund	(1.0)	(5.1)	(4.1)
<b>C. Withdrawals from / (Deposits) to Reserves</b>	<b>(1.0)</b>	<b>(5.1)</b>	<b>(4.1)</b>
<b>D. FY 2017-18 Projected Ending Balance</b>	<b>419.3</b>	<b>513.6</b>	<b>94.3</b>

# FY 2017-18 Nine-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 \$118.5 million compared to revised budget and \$21.4 million compared to 6-Month Report projections, primarily due to higher than budgeted property and business tax revenues, offset by shortfalls in sales and property transfer taxes. Revenue variances are further described in Appendix 1.

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

	Revised Budget	6-Month Projection	9-Month Projection	Surplus (Shortfall)
Property Taxes	1,557.0	1,624.0	1,651.0	94.0
Business Taxes	750.8	800.4	810.4	59.6
Sales Tax - Local 1% and Public Safety	301.6	293.9	295.3	(6.2)
Hotel Room Tax	372.3	368.6	372.3	-
Utility User & Access Line Taxes	149.3	149.8	150.0	0.7
Parking Tax	82.2	83.4	85.5	3.4
Real Property Transfer Tax	300.0	288.0	257.0	(43.0)
Sugar Sweetened Beverage Tax	7.5	7.5	7.5	-
Interest Income	18.2	24.4	27.0	8.8
Public Safety Realignment	41.3	37.6	37.6	(3.8)
Motor Vehicle In-Lieu and Other Subventions	-	-	1.9	1.9
Stadium Admissions Tax	1.4	1.2	1.2	(0.2)
Franchise Taxes	17.2	17.3	17.2	-
Airport Transfer-In	45.6	45.3	45.4	(0.2)
Transfers In from Other Funds	-	-	3.4	3.4
<b>Total Citywide Revenues</b>	<b>3,644.3</b>	<b>3,741.4</b>	<b>3,762.8</b>	<b>118.5</b>
		<b>6-Month Projection</b>		<b>97.1</b>
		<b>Change from 6-Month Projection</b>		<b>21.4</b>

## 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 \$21.9 million compared to budget. The MTA baseline is projected to grow by \$24.1 million due to growth in Aggregate Discretionary Revenue (ADR), San Francisco's increased daytime population in 2016, and a projected \$2.7 million increase in the MTA's parking tax in-lieu transfer. The Library baseline is projected to be reduced by \$2.4 million because the projected General Fund return of \$4.8 million offsets a projected increase of \$2.4 million due to increased ADR.

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

	Original Budget	6-Month Projection	9-Month Projection	Variance
<b>Aggregate Discretionary Revenues (ADR)</b>	3,411.3	3,496.8	3,515.6	104.3
MTA Baseline 9.2% ADR	313.6	321.4	323.2	9.6
MTA Population Change Baseline	39.1	43.3	50.9	11.8
80% Parking Tax In-Lieu Transfer to MTA	65.7	66.7	68.4	2.7
<b>MTA Baseline Transfers</b>	<b>418.4</b>	<b>431.5</b>	<b>442.5</b>	<b>24.1</b>
Library Baseline 2.3% ADR	78.0	77.3	75.6	(2.4)
Public Education Fund Baseline 0.3% ADR	4.9	5.1	5.1	0.1
<b>Total Baseline Transfers</b>	<b>501.3</b>	<b>513.9</b>	<b>523.2</b>	<b>21.9</b>

## Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$119.9 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)
<b>Net Shortfall Department</b>			
City Attorney	(3.9)	3.4	(0.5)
<b>Net Surplus Departments</b>			
Public Health	94.7	(14.1)	80.5
General City Responsibility	-	11.0	11.0
Homelessness & Supportive Housing	-	8.3	8.3
City Administrator	(2.4)	5.1	2.7
Human Services Agency	(25.5)	34.8	9.3
War Memorial	1.9	-	1.9
Mayor's Office	(4.1)	5.5	1.4
Ethics Commission	0.1	1.3	1.4
Other Net Surplus	(15.9)	19.9	4.0
<b>Subtotal Departments with Net Surplus</b>	<b>48.6</b>	<b>71.8</b>	<b>120.4</b>
<b>TOTAL</b>	<b>44.7</b>	<b>75.2</b>	<b>119.9</b>
	<b>6-Month Projection</b>		<b>35.6</b>
	<b>Change from 6-Month Projection</b>		<b>84.3</b>

The Board has approved supplemental appropriations to use salaries, benefits and project savings to cover over-expenditures in overtime at the Department of Emergency Management, Police Department, Police operations at the Airport, and Sheriff, pursuant to Administrative Code Section 3.17. The Police department will likely require a supplemental appropriation to use salary and benefit savings to cover a shortfall in workers' compensation costs.

## General Reserve Supplemental Appropriations

To date, one supplemental appropriation has been approved using \$0.4 million of the General Reserve for immigration-related legal services through various departments. Uses of \$0.4 million are reflected in section B of Table 1 above and will result in a projected ending reserve balance of \$106.9 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 \$0.4 million used in the current year.

## C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

A total of \$5.1 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 \$513.6 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2017-18 of \$513.6 million, a \$94.3 million improvement from the Six-Month Report projected fund balance of \$419.3 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 in the current fiscal year 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 \$85.8 million above budget. Significant variances include a \$39.6 million surplus in net patient revenues resulting from higher-than-budgeted patient census and strength in commercial patient revenues. In addition, due to issues surrounding the timing of payments from the federal government to offset the cost of care for Medi-Cal Expansion beneficiaries, the department expects to receive two years' worth of payments under this program during FY 2017-18, resulting in a one-time \$39.0 million surplus in capitation revenue.



## NINE-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 nine months of the year and straight-line projections through year end. While these calculations suggest a shortfall \$0.8 million at the Police Department, detailed projections at the pay period level show no shortfall as they adjust for a large amount of overtime incurred for a single event in October 2017.

## 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 \$80.3 million above revised budget, of which \$118.5 million is due to improvements in citywide revenue as discussed in this Appendix 1, offset by departmental shortfalls (net of interdepartmental recoveries) of \$48.2 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	9-Month Projection	Surplus/ (Shortfall)
<b>PROPERTY TAXES</b>	\$ 1,481.1	\$ 1,557.0	\$ 1,557.0	\$ 1,624.0	\$ 1,651.0	\$ 94.0
<b>BUSINESS TAXES</b>	<b>703.9</b>	<b>750.8</b>	<b>750.8</b>	<b>800.4</b>	<b>810.4</b>	<b>59.6</b>
Business Registration Tax	43.8	40.8	40.8	44.5	44.5	3.7
Payroll Tax	349.8	307.5	307.5	308.5	340.5	33.0
Gross Receipts Tax	283.8	380.5	380.5	420.0	398.0	17.5
Admin Office Tax	26.4	22.0	22.0	27.4	27.4	5.4
<b>Total Business Taxes</b>	<b>703.9</b>	<b>750.8</b>	<b>750.8</b>	<b>800.4</b>	<b>810.4</b>	<b>59.6</b>
<b>OTHER LOCAL TAXES</b>						
Sales Tax	189.5	199.9	199.9	191.7	191.7	(8.2)
Hotel Room Tax	370.3	372.3	372.3	368.6	372.3	0.0
Utility Users Tax	101.2	99.7	99.7	100.2	98.0	(1.7)
Parking Tax	84.3	82.2	82.2	83.4	85.5	3.4
Real Property Transfer Tax	410.6	300.0	300.0	288.0	257.0	(43.0)
Sugar Sweetened Beverage Tax	0.0	7.5	7.5	7.5	7.5	-
Stadium Admission Tax	1.2	1.4	1.4	1.2	1.2	(0.2)
Access Line Tax	46.5	49.6	49.6	49.6	52.0	2.5
<b>Total Other Local Taxes</b>	<b>1,203.6</b>	<b>1,112.6</b>	<b>1,112.6</b>	<b>1,090.2</b>	<b>1,065.3</b>	<b>(47.3)</b>
<b>LICENSES, PERMITS &amp; FRANCHISES</b>						
Licenses & Permits	12.2	12.8	12.8	12.8	12.8	-
Franchise Tax	17.1	17.2	17.2	17.3	17.2	-
<b>Total Licenses, Permits &amp; Franchises</b>	<b>29.3</b>	<b>30.0</b>	<b>30.0</b>	<b>30.1</b>	<b>30.0</b>	<b>-</b>
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>2.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>	<b>(0.1)</b>
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>24.2</b>	<b>18.2</b>	<b>18.2</b>	<b>24.4</b>	<b>27.0</b>	<b>8.8</b>
<b>RENTS &amp; CONCESSIONS</b>						
Garages - Rec/Park	8.7	8.4	8.4	8.4	8.4	-
Rents and Concessions - Rec/Park	5.6	5.0	5.0	5.0	5.0	-
Other Rents and Concessions	1.3	0.6	0.6	0.6	0.6	-
<b>Total Rents and Concessions</b>	<b>15.6</b>	<b>14.1</b>	<b>14.1</b>	<b>14.1</b>	<b>14.1</b>	<b>-</b>
<b>INTERGOVERNMENTAL REVENUES</b>						
<b>Federal Government</b>						
Social Service Subventions	238.8	256.6	247.3	234.2	233.5	(13.8)
Other Grants & Subventions	(8.5)	7.3	7.3	6.2	6.1	(1.2)
<b>Total Federal Subventions</b>	<b>230.2</b>	<b>264.0</b>	<b>254.6</b>	<b>240.4</b>	<b>239.6</b>	<b>(15.0)</b>
<b>State Government</b>						
Social Service Subventions	209.9	225.0	218.9	207.3	202.2	(16.7)
Health & Welfare Realignment - Sales Tax	154.0	156.3	156.3	153.1	159.7	3.4
Health & Welfare Realignment - VLF	38.1	32.3	32.3	42.0	38.0	5.7
Health & Welfare Realignment - CalWORKs MOE	14.9	21.6	21.6	20.4	20.3	(1.4)
Health/Mental Health Subventions	148.9	159.3	159.3	159.3	159.3	-
Public Safety Sales Tax	100.4	101.6	101.6	102.2	103.6	2.0
Motor Vehicle In-Lieu	0.7	-	-	0.0	0.8	0.8
Public Safety Realignment (AB109)	35.5	41.3	41.3	37.6	37.6	(3.8)
Other Grants & Subventions	22.4	14.3	26.6	16.6	27.7	1.1
<b>Total State Grants and Subventions</b>	<b>724.8</b>	<b>751.9</b>	<b>758.1</b>	<b>738.4</b>	<b>749.3</b>	<b>(8.8)</b>
<b>Other Regional Government</b>						
Redevelopment Agency	2.8	3.3	5.4	3.1	4.1	(1.3)
<b>CHARGES FOR SERVICES:</b>						
General Government Service Charges	65.1	67.5	67.5	65.2	65.4	(2.1)
Public Safety Service Charges	46.2	43.9	43.9	42.4	43.5	(0.3)
Recreation Charges - Rec/Park	20.8	20.3	20.3	20.3	20.3	-
MediCal, MediCare & Health Service Charges	62.4	84.1	84.1	79.9	81.2	(2.9)
Other Service Charges	17.2	17.2	17.2	16.5	16.4	(0.8)
<b>Total Charges for Services</b>	<b>211.7</b>	<b>232.9</b>	<b>232.9</b>	<b>224.3</b>	<b>226.8</b>	<b>(6.1)</b>
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>10.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>-</b>
<b>OTHER REVENUES</b>	<b>35.0</b>	<b>40.1</b>	<b>40.1</b>	<b>32.2</b>	<b>33.3</b>	<b>(6.8)</b>
<b>TOTAL REVENUES</b>	<b>4,675.8</b>	<b>4,789.3</b>	<b>4,788.2</b>	<b>4,836.1</b>	<b>4,865.3</b>	<b>77.1</b>
<b>TRANSFERS INTO GENERAL FUND:</b>						
Airport	45.0	45.6	45.6	45.3	45.4	(0.2)
Other Transfers	201.7	125.5	224.7	125.7	228.1	3.4
<b>Total Transfers-In</b>	<b>246.8</b>	<b>171.1</b>	<b>270.3</b>	<b>171.1</b>	<b>273.5</b>	<b>3.2</b>
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 4,922.6</b>	<b>\$ 4,960.4</b>	<b>\$ 5,058.5</b>	<b>\$ 5,007.1</b>	<b>\$ 5,138.8</b>	<b>\$ 80.3</b>

## Property Tax

Property Tax revenue in the General Fund is projected to be \$94.0 million (6.0%) above budget and \$169.9 million (11.5%) 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. Property tax set asides to special revenue funds are increased by \$11.8 million, as shown below.

### Property Tax Set Asides

	Original Budget	6-Month Projection	9-Month Projection	Variance
Children's Fund	86.4	89.7	91.4	5.1
Open Space Fund	57.6	59.8	61.0	3.4
Library Preservation Fund	57.6	59.8	61.0	3.4
<b>Total</b>	<b>201.5</b>	<b>209.3</b>	<b>213.3</b>	<b>11.8</b>

## 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 \$59.6 million (7.9%) above budget, and \$106.6 million (15.1%) 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% private sector payroll 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 2.7% between FY 2016-17 and FY 2017-18 due to the lower tax rate. Gross receipts collections are expected to grow by 40.2% from prior year, due mainly to the increasing tax rates. Business registration and administrative office revenues are projected to grow by 1.5% 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 current year shortfall is due to 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 on budget and \$2.0 million (0.5%) over prior year actual revenues. Projections of hotel tax revenue are largely based on expected room supply and Revenue per Available Room (RevPAR), which is the combined effect of occupancy and

average daily room rates. RevPAR experienced a monthly average decline of 1.7% between July 2017 and February 2018, the latest month of available data. Both room rates and occupancy rates declined. RevPAR is expected to rebound in the last quarter of FY2017-18 due to the reopening of the Moscone Center.

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 \$1.7 million (1.7%) below budget and \$3.2 million (3.3%) below FY 2016-17 actual revenues. This projection reflects lower than expected collections from gas, steam, and electric use, with telephone and water collections expected to be on budget.

## **Parking Tax**

Parking Tax revenues are projected to be \$3.4 million (4.1%) above budget and \$1.3 million (1.5%) over 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 nine months of the current fiscal year. The increase in revenue over prior year is partially due to improved revenue control equipment and processes. 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 \$43.0 million (14.3%) below budget and \$153.6 million (37.4%) below prior year actual revenues. The downward adjustment is due mainly to lower than expected revenue collections through the first nine months of the fiscal year. Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on several 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. Year-to-date collections have been well below prior year collections. The City is projected to collect \$18.2 million in each of the final two months of the fiscal year as shown below.

## Real Property Transfer Tax Monthly Collections

<b>(\$ millions)</b>	<b>FY16-17</b>	<b>FY17-18</b>
July	\$22.1	\$11.4
August	\$33.9	\$22.2
September	\$44.1	\$44.3
October	\$28.1	\$25.2
November	\$22.3	\$21.2
December	\$73.2	\$20.4
January	\$36.9	\$19.4
February	\$26.9	\$8.4
March	\$40.6	\$20.4
April	\$37.3	\$27.6
May <i>(forecast)</i>	\$21.6	<i>\$18.2</i>
June <i>(forecast)</i>	\$18.0	<i>\$18.2</i>
<b>Total <i>(forecast)</i></b>	<b>\$405.0</b>	<b><i>\$257.0</i></b>

## Access Line Tax

Access Line Tax revenues are projected to be \$2.5 million (4.8%) above budget and \$5.5 million (11.8%) above FY 2016-17 actual revenues.

## Interest and Investment

Interest and investment earnings are projected to be \$8.8 million (48.5%) above budget and \$2.8 (11.6%) million above prior year actual revenues. Average monthly pooled interest rates and cash balances are higher than previously anticipated.

## State and Federal Grants and Subventions

State and Federal Grants and Subventions are projected to be \$23.8 million (2.4%) below budget and \$33.9 million (3.5%) greater than prior year actual revenues. The projected decrease from budget is primarily due to a \$30.5 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 a \$5.3 million increase in 1991 Health and Welfare Realignment and 2011 Public Safety Realignment, \$2.0 million increase in Public Safety Sales Tax, \$0.8 million in Motor Vehicle In-Lieu, and \$1.1 million in other state grants and subventions.

# 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
<b>PUBLIC PROTECTION</b>						
Adult Probation	37.0	36.2	(0.3)	0.8	0.5	1
Superior Court	31.3	31.2	-	0.1	0.1	
District Attorney	51.7	51.6	-	0.2	0.2	2
Emergency Management	52.9	52.9	-	-	-	3
Fire Department	360.3	360.3	-	-	-	
Juvenile Probation	40.4	39.2	(0.4)	1.2	0.8	4
Public Defender	36.3	36.3	-	-	-	
Police	524.2	524.2	-	-	-	5
Sheriff	231.2	229.9	(1.2)	1.3	0.1	6
Department of Police Accountability	7.3	6.6	-	0.7	0.7	7
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Public Works	67.2	67.2	-	-	-	
Economic & Workforce Development	61.8	52.4	(9.2)	9.4	0.2	8
Board of Appeals	1.1	0.9	-	-	-	
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>						
Children, Youth and Their Families	41.2	41.2	-	-	-	
Human Services Agency	827.6	792.8	(25.5)	34.8	9.3	9
Human Rights Commission	5.1	5.1	-	-	-	
Homelessness and Supportive Housing	197.4	189.1	-	8.3	8.3	10
Status of Women	9.0	9.0	-	-	-	
<b>COMMUNITY HEALTH</b>						
Public Health	1,212.0	1,226.1	94.7	(14.1)	80.5	11
<b>CULTURE &amp; RECREATION</b>						
Asian Art Museum	10.5	10.5	-	-	-	
Arts Commission	8.6	8.5	-	0.1	0.1	
Fine Arts Museum	15.9	15.9	-	-	-	
Law Library	1.9	1.7	-	0.2	0.2	12
Recreation and Park Department	97.0	97.0	-	-	-	
Academy of Sciences	7.2	7.2	-	-	-	
War Memorial	9.3	9.3	1.9	-	1.9	13
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
City Administrator	106.3	101.2	(2.4)	5.1	2.7	14
Assessor/Recorder	26.1	25.6	(0.4)	0.4	-	15
Board of Supervisors	15.5	14.6	(0.0)	0.9	0.9	16
City Attorney	79.7	76.3	(3.9)	3.4	(0.5)	17
Controller	87.3	87.0	(0.2)	0.3	-	18
City Planning	50.8	49.1	(1.7)	1.7	-	19
Civil Service Commission	1.3	1.3	-	-	-	
Ethics Commission	4.2	2.9	0.1	1.3	1.4	20
Human Resources	23.9	23.9	-	-	-	
Health Service System	12.2	11.9	-	0.3	0.3	21
Mayor	67.8	62.3	(4.1)	5.5	1.4	22
Elections	15.1	15.1	-	-	-	
Technology	4.1	4.1	-	-	-	
Treasurer/Tax Collector	36.8	34.6	(2.3)	2.3	-	23
Retirement System	2.3	2.3	-	-	-	
<b>GENERAL CITY RESPONSIBILITY</b>						
	156.6	145.6	-	11.0	11.0	24
<b>TOTAL GENERAL FUND</b>	<b>4,635.2</b>	<b>4,560.0</b>	<b>44.9</b>	<b>75.0</b>	<b>119.9</b>	

## 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 a \$0.5 million surplus due to a \$0.8 million savings in salary and fringe benefits offset by a revenue shortfall of \$0.3 million. The \$0.3 million revenue deficit is due to a policy decision to halt probation fee collections, resulting in six months of foregone revenue.

### 2. District Attorney

The District Attorney projects a \$0.2 million net surplus at the end of the fiscal year due to salary and benefit savings.

### 3. Emergency Management

The Department of Emergency Management projects to end the fiscal year at budget. A supplemental appropriation was approved 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.

### 4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.8 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 \$1.2 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. Supplemental appropriations to use regular salaries and fringe benefit savings for overtime expenses due to increased requests for security services at the San Francisco International Airport and for unplanned overtime related to mutual aid for the North Bay Fires in October 2017 have been approved by the Board of Supervisors and signed by the Mayor. The straight-line projection of a \$0.8 million shortfall in overtime shown in Appendix 5 does not adjust for significant one-time costs in October 2017; detailed projections at the pay period level indicate no shortfall.

A supplemental appropriation will likely be required to use salary and fringe savings to address a projected \$5.7 million shortfall in workers' compensation, which is due primarily to greater than expected medical expenditures for catastrophic and presumption claims, as well as an increase in permanent disability settlements.



## 6. Sheriff

The Sheriff's Department projects to end the fiscal year with \$0.1 million in expenditure savings. A revenue shortfall of \$1.2 million in reimbursement for housing of federal prisoners is offset by \$1.3 million in salary and non-personnel savings.

## 7. Department of Police Accountability

The Department of Police Accountability is projecting to end the fiscal year with a net surplus of \$0.7 million due to salary and benefit savings of \$0.5 million from delays in hiring and \$0.2 million of project savings.

## 8. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year with a \$0.2 million surplus. The Department projects a total revenue shortfall of \$9.2 million primarily due to a shortfall in developer exactions. The total revenue shortfall is fully offset by related expenditure savings of \$9.4 million in non-personnel costs and programmatic projects due to project delays for developer agreement implementation.

## 9. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$9.3 million surplus due to \$34.8 million projected expenditure savings offset by a \$25.5 million revenue shortfall.

For aid and assistance programs, the department projects a net \$6.0 million surplus, comprised of \$24.7 million in expenditure savings and a \$18.7 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 \$5.6 million in health and welfare realignment revenue.

For operations and administration, the department projects a net \$3.3 million surplus, comprised of \$10.1 million in expenditure savings offset by a \$6.9 million revenue deficit. Savings are primarily driven by delays in hiring, contract underspending, and caseload declines, offset by lower than expected state and federal payments 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	24.7	(18.7)	6.0
Operations & Administration	10.1	(6.9)	3.3
Child Welfare	0.8	(3.2)	(2.4)
CalWORKs	2.1	(0.6)	1.5
Food Stamps	7.7	(8.2)	(0.5)
MediCal	(2.1)	(3.1)	(5.2)
All Other Programs	1.7	8.2	9.8
<b>Total</b>	<b>34.8</b>	<b>(25.5)</b>	<b>9.3</b>

## 10. Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing projects to end the year with \$8.3 million in expenditure savings: \$4.1 million in the work order with Mayor's Office of Housing & Community Development (MOHCD) due to MOHCD's conversion of some City-funded operating subsidies to federally funded rental vouchers, \$3.0 million due to project delays, and \$1.1 million in salary and benefit savings due to hiring delays.

## 11. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$80.4 million. Overall department revenues are projected to be \$94.5 million above budget, and expenditures are projected to be \$14.1 million above budget.

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

Fund	Sources	Uses	Net
	Surplus/(Shortfall)	Savings/(Deficit)	Surplus/(Shortfall)
Public Health General Fund	0.4	15.4	15.7
Laguna Honda Hospital	8.3	(3.5)	4.8
Zuckerberg San Francisco General Hospital	85.8	(8.7)	77.1
DPH Management Reserve	-	(17.3)	(17.3)
<b>Total</b>	<b>94.7</b>	<b>(14.1)</b>	<b>80.5</b>

### 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 \$3.4 million surplus from 1991 health and welfare realignment revenues, offset by a \$3.0 million shortfall in Drug Medi-Cal revenues due to delayed implementation of Organized Delivery System Pilot under the State 1115 Medicaid Waiver. Expenditures are expected to be \$15.4 million below budget due to delays in hiring new positions in the Behavioral Health and Public Health divisions, and savings and encumbrance closeouts in Behavioral Health contracts.

The department's projected year end surplus includes a \$17.3 million expenditure increase in the Public Health Management Reserve for an expected statewide disallowance of Medicaid reimbursements for specialty mental health services, as discussed below.

### Laguna Honda Hospital

The Department projects a \$4.8 million net surplus at Laguna Honda Hospital. Revenues are projected to be above budget by \$8.3 million due to higher than budgeted Medi-Cal Skilled Nursing Facility per diem rates. Expenditures are projected to be over budget by \$3.5 million 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 \$77.1 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$85.8 million above budget. The department projects a \$39.6 million surplus in net patient revenues resulting from higher-than-budgeted patient census and strength in commercial patient revenues, a \$3.3 million surplus in 1991 health and welfare realignment revenue, and a \$3.9 million surplus from other revenue sources. In addition, DPH receives supplemental payments from the federal government to offset the cost of care for Medi-Cal Expansion beneficiaries. The FY 2017-18 budget assumed DPH would receive a single payment during the current year. Due to issues surrounding the timing of these payments, the department expects to receive two years' worth of payments under this program during FY 2017-18, resulting in a \$39.0 million surplus in capitation revenue.

Expenditures at ZSFG are projected to be over budget by \$8.7 million. The hospital is experiencing a significantly higher than budgeted patient census in the current year, resulting in projected deficits of \$2.0 million in salaries and \$5.0 million in non-personnel services to meet operating and regulatory requirements associated with the higher patient population. ZSFG also projects expenditures \$1.8 million over budget in services of other departments due primarily to City Attorney services. A supplemental appropriation may be required to the extent these overages cannot be addressed.

## **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. This provision was adopted by the Board of Supervisors to smooth volatile state and federal revenues that can lead to large variances between budgeted and actual amounts due to unpredictable timing of payments, major changes in projected allocations, and delays in final audit settlements. Current projected uses of the reserve total \$109.4 million, including repayment of disallowed SB1128 reimbursement, greater than budgeted withholding of 1991 health and welfare realignment subventions, and repayment of disallowed behavioral health claims. The FY 2017-18 projected ending balance represents a \$17.3 million increase from the FY 2016-17 year-end balance, which is assumed repaid in FY 2018-19. The department will request in the proposed FY 2018-19 budget that the Board of Supervisors appropriate \$56.0 million of this balance into the Laguna Honda Debt Service Fund to repay the State for federally disallowed prior year payments under SB 1128.

## **12. Law Library**

The Law Library projects a \$0.2 million savings in salaries and benefits.

## **13. War Memorial**

The War Memorial projects a \$1.9 million surplus due to unbudgeted revenue from the sale of transferrable development rights (TDRs).

## **14. City Administrator**

The City Administrator projects to end the fiscal year with a \$2.7 million net operating surplus. The Department projects a revenue shortfall of \$2.4 million primarily due to a \$2.3 million shortfall in recoveries from services provided to other City departments; a shortfall of \$0.8 million in recoveries of salary and benefit costs from the Office of Community Investment and Infrastructure (OCII), \$0.9 million less in recoveries from the Office of Contract Administration (OCA); and recoveries that are \$1.6 million higher than budgeted for the relocation of Central Shops. This is offset by \$5.1 million of savings, primarily from \$3.8 million of salary and benefit savings in the Entertainment Commission, OCII, OCA, 311 Customer Service Center, the Contract Monitoring Division (CMD), and Risk Management programs; and \$1.3 million of savings on non-personnel costs related to services provided to other City departments.

## **15. Assessor Recorder**

The Assessor Recorder projects to end the fiscal year on budget. The Department projects a revenue deficit of \$0.4 million due mainly to lower than expected recording fees, offset by salary and fringe benefit savings of \$0.4 million. Additional savings of \$0.2 million in projected salary and benefit costs and \$1.3 million of savings in services to other departments will be applied to the property tax system replacement project as detailed in Section 26.1 of the Administrative Provisions of the Annual Appropriation Ordinance.

## **16. Board of Supervisors**

The Board of Supervisors projects a \$0.9 million net surplus at the end of the fiscal year. The Department projects \$0.9 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.

## **17. City Attorney**

The City Attorney's Office projects to end the year with a net operating shortfall of \$0.5 million due to a \$3.4 million shortfall in recoveries from the Office of Community Investment & Infrastructure (OCII) and other departments, partially offset by \$3.4 million of salary, benefit, and project savings.

## **18. Controller**

The Controller's Office projects to end the year on budget, as a \$0.2 million shortfall in recoveries will be offset by expenditure savings.

## **19. 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 \$1.75 million, offset by expenditure savings of an equal amount in salary and fringe benefits, contracts, and projects associated with work orders.

## **20. Ethics**

The Ethics Department projects a surplus of \$1.4 million, comprised of expenditure savings of \$1.3 million in salaries, benefits and project costs and a penalty revenue surplus of \$0.1 million.

## **21. Health Services System**

The Health Services System projects a \$0.3 million surplus at the end of the fiscal year primarily from savings in salary and fringe benefits.

## **22. Mayor**

The Mayor's Office projects a \$1.4 million surplus due largely to savings in salary and fringe benefits. A \$4.1 million work order recovery shortfall from the Department of Homelessness and Supportive Housing is offset by a like amount of expenditure savings.

## **23. Treasurer/Tax Collector**

The Treasurer/Tax Collector projects to end the fiscal year on budget. Non-personnel services savings of \$3.5 million are offset by a \$2.3 million shortfall in revenue due mainly to decreases in credit card processing fees. The net savings of \$1.2 million will be applied to the property tax system replacement project as detailed in Section 26.1 of the Administrative Provisions of the Annual Appropriation Ordinance.

## **24. General City Responsibility**

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected to have a total of \$11.0 million in expenditure savings, including \$1.1 million in retiree health subsidy savings, \$4.1 million in nonprofit COLA savings, and \$5.8 million in minimum wage expenditure savings as these costs are partially covered within existing departmental budgets.

## 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 2017-18					FY 2018-19		
	FY 2016-17 Ending Balance	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 88.7	\$ 107.3	\$ -	\$ (0.4)	\$ 106.9	\$ 14.1	\$ -	\$ 120.9
Budget Savings Incentive Fund	67.5	67.5	5.1	-	72.5	-	-	72.5
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)	-
State and Federal Contingency Reserve	-	10.0	-	(10.0)	-	-	-	-
Affordable Care Act Contingency Reserve	-	50.0	-	-	50.0	-	-	50.0
Public Health Management Reserve	92.1	92.1	17.3	-	109.4	-	(73.3)	36.1
<b>Total</b>	<b>768.8</b>	<b>858.5</b>	<b>22.4</b>	<b>(48.0)</b>	<b>832.9</b>	<b>28.6</b>	<b>(87.8)</b>	<b>773.6</b>
Economic reserves	448.9				448.9			
As a % of General Fund revenues	9.6%				9.2%			

### General Reserve

To date, one supplemental appropriation that draws on the General Reserve has been approved, providing a total of \$0.9 million for immigration-related legal services, including \$0.4 million from the General Reserve. This results in a projected ending General Reserve balance of \$106.9 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 \$0.4 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 \$5.1 million and no budgeted uses result in a projected year-end balance of \$72.5 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 \$1.9 million to departments and anticipates transferring an additional \$20.3 million by year-end, as detailed in Table A3-2, leaving \$15.9 million, which will reduce the required deposit in FY 2018-19 to cover the costs of two additional weekend work days in 24/7 operations and other provisions.

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

### Uses

#### Transfers to Departments

SEIU as needed temporary employees healthcare	0.6
Training, development, and recruitment	0.9
Emergency Management training and separation costs	0.3
Visual display terminal insurance (Q1, Q2, Q3)	0.1
<b>Total Transfers to Departments</b>	<b>1.9</b>

#### Anticipated Allocations

Public Safety, including wellness, premium, and one-time payouts	14.8
Citywide premium, retirement and severance payouts	3.2
Various training, tuition, and other reimbursements	1.7
SEIU as needed temporary employees healthcare (Q3 & Q4)	0.6
Visual display terminal insurance (Q4)	0.1
<b>Total Anticipated Allocations</b>	<b>20.3</b>

#### Available for FY 2018-19 Two Additional Days of 24/7

<b>Operations &amp; Other Expenses</b>	<b>15.3</b>
<b>Total Uses</b>	<b>37.5</b>

<b>Net Surplus / (Shortfall)</b>	<b>-</b>
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## **State and Federal Reserve Contingency Reserve**

The FY 2017-8 and FY 2018-19 budget assigned \$10.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the second year (FY 2018-19) of the budget. The reserve has been depleted due to the approval of two supplemental appropriations. The first approved use of \$9.6 million in January 2018 was largely to backfill the loss of state In Home Supportive Services (IHSS) revenue and fund a larger than expected payment to the state for the IHSS Maintenance of Effort (MOE) requirement. The second approved use of approximately \$0.4 million supports immigrant related legal services.

## **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 reserve withdrawals in the current fiscal year.

## **Public Health 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. Details are further described in item 11 of Appendix 2 above.

# Appendix 4. Other Funds Highlights

## SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

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
<b>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</b>									
Building Inspection Operating Fund	\$ 18.3	\$ 7.5	\$ 10.7	\$ 5.6	\$ 0.6	\$ 6.2	\$ 16.9	\$ 10.0	1
Children's Fund	4.9	2.4	2.5	4.9	-	4.9	7.4	0.3	2
Public Education Special Fund	3.1	0.0	3.1	0.3	-	0.3	3.4	-	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	0.6	1.2	1.8	3.9	0.6	5
Library Preservation Fund	32.5	0.6	31.9	0.4	3.7	4.1	36.0	-	6
Local Courthouse Construction Fund	0.3	-	0.3	0.1	-	0.1	0.5	-	7
Open Space Fund	22.7	-	22.7	3.4	-	3.4	26.0	0.9	8
Telecomm. & Information Systems Fund	6.9	4.1	2.8	-	2.1	2.1	4.9	2.4	9
General Services Agency-Central Shops Fund	1.8	-	1.8	(1.9)	2.9	0.9	2.8	-	10
Arts Commission Street Artist Fund	(0.1)	-	(0.1)	(0.0)	0.1	0.1	-	-	11
War Memorial Fund	2.1	1.4	0.7	0.3	0.4	0.7	1.4	0.6	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	\$ -	\$ (3.7)	(3.7)	3.3	\$ -	15
<b>SELECT ENTERPRISE FUNDS</b>									
Airport Operating Funds	\$ 101.0	\$ 35.2	\$ 65.8	\$ 6.5	\$ 44.4	\$ 50.9	\$ 116.7	\$ 30.1	16
MTA Operating Funds	242.0	47.1	194.9	12.3	0.1	12.4	207.3	28.6	17
Port Operating Funds	43.8	18.0	25.8	(5.7)	21.9	16.2	42.1	-	18
PUC Hetch Hetchy Operating Funds	56.8	5.5	51.3	(19.3)	26.0	6.7	58.0	2.1	19
PUC Wastewater Operating Funds	144.7	-	144.7	10.3	46.5	56.8	201.5	-	20
PUC Water Operating Funds	174.2	12.2	162.0	51.2	1.6	52.8	214.8	5.1	21
PUC Clean Power Funds	16.0	-	16.0	-	-	-	16.0	3.6	22

### 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 \$5.6 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; revenues for the first three quarters are \$2.5 million less than the same period last fiscal year. Expenditures are projected to be \$0.5 million under budget due to savings from salary and fringe benefits, and year-end available fund balance is

projected to be \$16.9 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 \$16.3 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 \$4.9 million better than budget due to estimated increases in property tax set-aside revenue. The projected fiscal year-end available fund balance is \$7.4 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 \$0.3 million above budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR). The projected fiscal year-end available fund balance is \$3.4 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 a net operating surplus of \$1.8 million due to a revenue surplus of \$0.6 million from favorable weather and increased play and concession revenue and an expenditure surplus of \$1.2 million from reduced water usage and savings in salaries and benefits. As a result, the department projects a year-end fund balance of \$3.9 million, 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 \$5.2 million from increased property tax allocations and baseline revenue, of which \$4.8 million will be returned to the General Fund at year-end, for a net surplus of \$0.4 million. Expenditure savings of \$3.7 million, due to personnel cost savings, result in a \$4.1 million net operating surplus, and a year-end projected fund balance of \$36.0 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 \$0.2 million over budget, resulting in a year-end fund balance of \$0.5 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 \$3.4 million revenue surplus due to increased property tax allocations and expenditures on budget, resulting in a projected year-end balance of \$26.0 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 expenditure savings of \$2.1 million mainly due to salary and fringe savings. A year-end fund balance of \$5.0 million is projected, 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 \$1.9 million is due to under-recovery of \$1.6 million for fleet management and other services provided to other City departments and fuel sales to non-city entities including the San Francisco Unified School District, University of California San Francisco, and the San Francisco Housing Authority that are lower by \$0.3 million. The department projects \$2.9 million of expenditure savings due to carry forwards that will not be needed next fiscal year. As a result, the Central Shops Fund projects an increase to fund balance of \$0.9 million for a year-end fund balance of \$2.8 million.

## **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 \$0.1 million expenditure savings offset by a shortfall in license revenue.

## **12. War Memorial Fund**

The War Memorial Fund began the fiscal year with a fund balance of \$0.7 million, net of the \$1.4 million appropriated to support the FY 2017-18 budget. The Department projects expenditure savings of \$0.4 million in personnel costs and contract savings as well as \$0.3 million revenue surplus, ending the year with fund balance of \$1.4 million, of which the previously approved FY 2018-19 budget appropriated \$0.6 million.

## **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 projects 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. Unanticipated expenses of \$3.7 million for the June 2018 mayoral election will result in a projected ending balance of \$3.3 million.

## **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 \$6.5 million and net expenditure savings of \$44.4 million, for a net operating surplus of \$50.9 million.

The \$44.4 million in projected expenditure savings include \$21.8 million in non-personnel expenditure savings, \$8.6 million in public safety savings, \$8.3 million in salary and benefit savings, \$5.3 million savings in services of other departments, and \$0.3 million in savings from capital equipment and materials and supplies. A fund balance of \$116.7 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 \$12.4 million, resulting in a projected year-end fund balance of \$207.3 million. The Agency projects the revenue surplus of \$12.3 million primarily due to increase in General Fund baseline transfers and parking tax transfer from General Fund. Expenditures are mostly on budget with a small projected saving of \$0.1M.

### **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 \$5.7 million and net expenditure savings of \$21.9 million, for a net operating surplus of \$16.2 million and ending fund balance of \$42.1 million.

The \$5.7 million revenue deficit is due to a decrease of \$3.1 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; a decrease of \$3.6 million in real estate revenues due to reduced rent revenue from leases and lower parking revenue from meters, fines, and renting parking spaces; and a \$1.0 million miscellaneous revenue surplus from building and planning permits. The \$21.9 million expenditure savings is due to a \$16.2 million reserve designated for future capital uses; \$2.4 million savings in workorders due to a reclass of City Attorney expenses as continuing projects;

\$1.4 million savings in salaries and fringe benefits from currently vacant positions, \$0.9 million in annual projects due to the preservation of funds for contingency purposes such as oil spills and hazardous material clean up, \$0.6 million in non-personnel services, and \$0.4 million in equipment.

### **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 \$19.3 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 \$26.0 million, driven by \$17.2 million in savings in transmission distribution and related charges, \$3.0 million in salaries and benefits savings due to delays in filling vacant positions, and other power purchase savings. This results in a projected fiscal year-end available balance of \$58.0 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 \$10.3 million higher than budget mainly due to increased sewer discharge volumes. The Department projects an expenditure surplus of \$46.5 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 \$201.5 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 \$51.2 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 \$214.8 million, of which \$5.1 million was appropriated in the FY 2018-19 budget.

### **22. Public Utilities Commission – Clean Power Fund**

The Clean Power Fund began the fiscal year with \$16.0 million in available fund balance. Revenues and expenditures are projected to be on budget, resulting in no change in fund balance, of which \$3.6 million was appropriated in the FY 2018-19 budget.

## Appendix 5. Overtime Report

Department	FY 2016-17	FY 2017-18			
	Actual	Revised Budget	July through March 2018	Straight Line Projection	Surplus/ (Deficit)
<b>Municipal Transit Agency - Total</b>	<b>63.3</b>	<b>38.4</b>	<b>52.0</b>	<b>69.3</b>	<b>(30.9)</b>
<b>Police*</b>					
General Fund (Excl. Work Orders)	21.9	20.5	15.3	20.4	0.1
General Fund Work Orders	3.6	3.4	2.8	3.8	(0.4)
Airport	1.9	3.0	2.1	2.8	0.2
Other	1.6	2.9	2.7	3.5	(0.7)
<b>Subtotal of Budgeted Funds</b>	<b>29.0</b>	<b>29.7</b>	<b>22.9</b>	<b>30.5</b>	<b>(0.8)</b>
Special Revenue (10B)	13.1	-	10.6	14.1	
<b>Total</b>	<b>42.0</b>	<b>-</b>	<b>33.5</b>	<b>44.6</b>	
<b>Public Health*</b>					
Laguna Honda	6.8	10.6	7.4	9.8	0.8
ZSF General	10.6	8.2	5.5	7.3	0.9
Non-Hospital Ops.	1.7	2.1	1.4	1.9	0.2
<b>Total</b>	<b>19.1</b>	<b>20.9</b>	<b>14.3</b>	<b>19.0</b>	<b>1.9</b>
<b>Fire*</b>					
General Fund	33.4	31.2	19.6	26.1	5.1
Airport	4.8	6.0	3.5	4.6	1.4
Other	0.4	0.4	0.2	0.3	0.1
<b>Subtotal of Budgeted Funds</b>	<b>38.6</b>	<b>37.6</b>	<b>23.3</b>	<b>31.0</b>	<b>6.6</b>
Special Revenue (10B)	-	-	3.3	4.4	
<b>Total</b>	<b>38.6</b>	<b>-</b>	<b>26.6</b>	<b>35.4</b>	
<b>Sheriff*</b>					
General Fund (Excl. Work Orders)	21.0	26.2	16.8	22.4	3.8
General Fund Work Orders	5.1	2.1	3.7	4.9	(2.8)
Other	0.4	0.3	0.4	0.5	(0.1)
<b>Subtotal of Budgeted Funds</b>	<b>26.6</b>	<b>28.7</b>	<b>20.9</b>	<b>27.8</b>	<b>0.9</b>
Special Revenue (10B)	-	-	0.4	0.5	
<b>Total</b>	<b>26.6</b>	<b>-</b>	<b>21.2</b>	<b>28.3</b>	
<b>Public Utilities*</b>	7.4	14.7	5.7	7.5	7.1
<b>Airport*</b>	3.3	6.0	3.7	4.9	1.1
<b>Public Works*</b>	2.8	4.4	1.9	2.6	1.8
<b>Emergency Management*</b>	4.0	4.7	3.4	4.6	0.2
<b>Recreation and Park*</b>	1.3	1.3	1.0	1.3	0.0
<b>Admin Services</b>	2.1	1.0	1.8	2.4	(1.5)
<b>Juvenile Probation</b>	1.5	0.7	1.3	1.8	(1.1)
<b>Fine Arts Museum</b>	0.9	0.5	0.6	0.7	(0.2)
<b>Human Services</b>	3.0	0.5	2.0	2.7	(2.1)
<b>Technology</b>	1.3	0.5	0.8	1.1	(0.6)
<b>Controller</b>	0.2	0.5	0.2	0.3	0.2
<b>Elections</b>	0.5	0.4	0.0	0.0	0.4
<b>Building Inspection</b>	0.4	0.4	0.3	0.4	(0.0)
<b>Port</b>	0.4	0.3	0.4	0.5	(0.2)
<b>War Memorial</b>	0.2	0.1	0.2	0.2	(0.1)
<b>Total Overtime**</b>	<b>205.8</b>	<b>191.3</b>	<b>156.6</b>	<b>208.8</b>	<b>(17.5)</b>

\* 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.