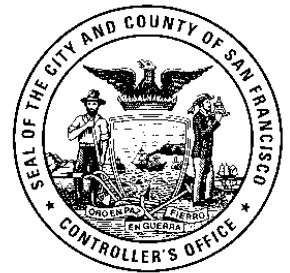
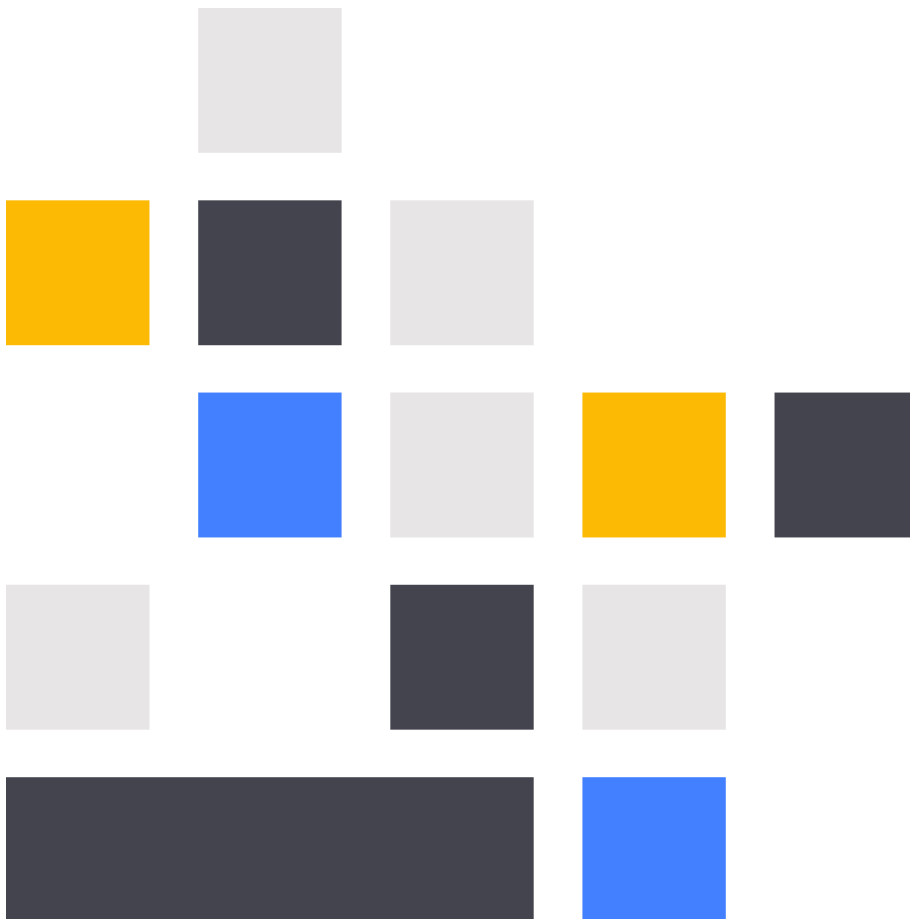


# FY 2020-21

## 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, 2020, incorporating more current information up to the date of publication as available.



February 12, 2021

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. 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.

### Budget & Analysis Team:

Michelle Allersma, *Director of Budget & Analysis*, [michelle.allersma@sfgov.org](mailto:michelle.allersma@sfgov.org)  
Ysabel Catapang, *Budget and Revenue Analyst*, [ysabel.catapang@sfgov.org](mailto:ysabel.catapang@sfgov.org)  
Edward de Asis, *Assistant Citywide Budget Manager*, [edward.deasis@sfgov.org](mailto:edward.deasis@sfgov.org)  
Nicholas Leo, *Budget and Revenue Analyst*, [nicholas.leo@sfgov.org](mailto:nicholas.leo@sfgov.org)  
Carol Lu, *Citywide Revenue Manager*, [carol.lu@sfgov.org](mailto:carol.lu@sfgov.org)  
David Ly, *Property Tax Analyst*, [david.ly@sfgov.org](mailto:david.ly@sfgov.org)  
Mendy Ma, *Budget and Revenue Analyst*, [mendy.ma@sfgov.org](mailto:mendy.ma@sfgov.org)  
Michael Mitton, *Budget and Revenue Analyst*, [michael.mitton@sfgov.org](mailto:michael.mitton@sfgov.org)  
Joshua Oehler, *Budget and Revenue Analyst*, [joshua.j.oehler@sfgov.org](mailto:joshua.j.oehler@sfgov.org)  
Risa Sandler, *Citywide Budget Manager*, [risa.sandler@sfgov.org](mailto:risa.sandler@sfgov.org)  
Jamie Whitaker, *Property Tax Manager*, [james.whitaker@sfgov.org](mailto:james.whitaker@sfgov.org)

For more information, please contact:

Michelle Allersma  
Office of the Controller  
City and County of San Francisco  
(415) 554-4792 | [michelle.allersma@sfgov.org](mailto:michelle.allersma@sfgov.org)

Or visit:

<http://www.sfcontroller.org>

## Executive Summary

- We project a \$125.2 million General Fund ending balance in the current fiscal year, a \$241.0 million improvement from the \$115.9 million shortfall projected in the November 9, 2020 Three Month Report.
- Application of this additional current year fund balance would reduce the projected shortfalls in the upcoming two-year budget to \$528.0 million. The January 2021 Joint Report assumed the \$115.9 million FY 2020-21 shortfall was solved in the current year. In addition, is projected shortfalls of \$411.1 million in FY 2021-22 and an additional \$242.1 million in FY 2022-23, for a cumulative total of \$653.2 million. These projections will be updated in March 2021.
- Federal and state legislative and regulatory actions are driving large revenue improvements, offset by mixed performance of local tax revenues. A state change in procedures governing allocation of property tax increment to redevelopment successor agencies, and pending state guidelines on the calculation of excess ERAF, are projected to increase property tax revenue retained in the City's General Fund. The Department of Public Health projects a revenue surplus due to federal legislation approved in late December 2020, which delayed the end date for federal funding for care of uninsured patients, as well as accelerated state reconciliation of behavioral health claims. Locally, real property transfer taxes are projected to exceed budgeted levels due to a greater number of commercial sales than anticipated, offsetting additional weakness in hotel, sales and business taxes. Finally, expenditure savings at the Human Services Agency are projected due to savings in Home Support Services, County Adult Assistance, and other programs.
- These projections do not reflect numerous proposals intended to mitigate the economic and financial impact of the pandemic which, if adopted, would substantially reduce or eliminate the projected ending balance.
  - A proposed ordinance to appropriate \$11.4 million from the General Reserve to the Mayor's Office of Housing and Community Development for rent relief and for the acquisition, creation and operation of affordable, social housing.
  - A proposed deferral of business registration fees currently due May 31, 2021 to November 1, 2021, which would shift approximately \$37.0 million of revenue from the current fiscal year to FY 2021-22.
  - A proposed waiver of certain business registration fees and license fees for businesses with less than \$25 million in San Francisco gross receipts from business activities precluded by local health orders.
  - Potential legislation to appropriate funds to backfill some or all of the projected \$22.0 million shortfall in hotel tax revenues to arts organizations.
  - Potential legislation to appropriate funds for loans and grants to businesses impacted by the public health emergency.

- General Fund support of COVID emergency response costs is projected to end the fiscal year with a balance, reducing the need for additional appropriations next fiscal year. Total projected response expenditures of \$725.3 million represent an increase of \$145.8 million from projections in our Three-Month Report but are more than offset by increased revenues resulting from increases in claimed federal emergency revenue sources.
- Economically sensitive revenues are subject to historically high levels of uncertainty given the course of the pandemic and its economic effects. Business tax revenues are projected to be \$158.3 million below budget and \$59.6 million below Three-Month Report projections, given our assumption of the effect of continued health orders on telecommuting levels. Postponement of the tax year 2020 business tax filing deadline from March 1 to April 30, 2020, will result in a high level of uncertainty about current year revenue until late in the summer. General Fund Hotel tax revenues are projected to be \$27.9 million for the fiscal year, \$54.9 million below prior projections, assuming the beginning of a recovery of leisure tourism by the end of the fiscal year. Our projections of growth later this fiscal year in other economically sensitive revenues are similarly dependent on a gradual recovery beginning in coming months.
- The pending Federal stimulus bill is not included in these projections. Various Congressional committees are preparing reports that are intended to be incorporated in the \$1.9 trillion COVID relief reconciliation bill proposed by President Biden and authorized under the budget resolution approved by Congress last week. The bill includes \$350 billion in aid to state and local governments, and additional amounts for transportation, education and health agencies.

**Table 1. FY 2020-21 Projected General Fund Variances to Budget (\$ millions)**

	3-Month	6-Month	Change
FY 2019-20 Ending Fund Balance	391.7	388.8	(2.9)
Appropriation in the FY 2020-21 Budget	(370.4)	(370.4)	-
<b>A. FY 2020-21 Starting Fund Balance</b>	<b>21.3</b>	<b>18.4</b>	<b>(2.9)</b>
Citywide Revenue Shortfall	(132.1)	(18.3)	113.8
Baseline Contributions	46.4	34.2	(12.2)
Departmental Operations	(51.4)	90.9	142.3
Approved Supplemental Appropriations	-	-	-
Projected Use of General Reserve	-	-	-
<b>B. Current Year Revenues and Expenditures</b>	<b>(137.1)</b>	<b>106.8</b>	<b>243.9</b>
<b>C. Withdrawals from / (Deposits) to Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. FY 2020-21 Projected Ending Balance</b>	<b>(115.9)</b>	<b>125.2</b>	<b>241.0</b>

# FY 2020-21 Six-Month Budget Status Report

## A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2020-21 and FY 2021-22 budget was adopted were \$370.5 million, of which \$370.4 million was appropriated in FY 2020-21 and \$0.1 million was appropriated in FY 2021-22. General Fund available fund balance at the end of FY 2019-20 was \$10.4 million more than appropriated and assigned.

## B. CURRENT YEAR REVENUES AND EXPENDITURES

### Citywide Revenue Surplus

As shown in Table 2, citywide revenues are projected to be \$18.3 million below budget, an improvement of \$113.8 million from the 3 Month report, largely due to better than anticipated property tax; the passage of November 2020 Proposition I which increased real property transfer tax rates; and increased activity in real property transfer tax. These increases are offset by serious weakness in hotel, sales, and business taxes. Revenue variances are further described in Appendix 1.

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

	FY 2019-20	FY 2020-21			Variance		
	Actuals	Budget	3-Mo	6-Mo	3-Mo Vs Budget	Vs Budget	Vs 3-Mo
Property Taxes	2,071.9	2,019.6	2,067.6	2,215.2	48.0	195.6	147.6
Property Tax	1,833.6	1,832.6	1,860.0	1,922.0	27.4	89.4	62.0
Excess ERAF	238.3	187.0	207.6	293.2	20.6	106.2	85.6
Business Taxes	822.2	826.4	727.5	668.1	(98.9)	(158.3)	(59.4)
Sales Tax - Local 1%	180.2	183.7	171.3	140.2	(12.4)	(43.5)	(31.0)
Hotel Room Tax	252.2	126.2	82.8	27.9	(43.4)	(98.4)	(55.0)
Utility User & Access Line Taxes	143.9	130.0	126.8	124.4	(3.2)	(5.5)	(2.4)
Parking Tax	69.5	59.4	41.5	41.5	(17.8)	(17.8)	-
Real Property Transfer Tax	334.5	138.0	138.0	253.8	-	115.8	115.8
Sugar Sweetened Beverage Tax	13.2	14.0	10.5	10.5	(3.5)	(3.5)	-
Stadium Admissions Tax	2.8	2.5	-	-	(2.5)	(2.5)	-
Cannabis Tax	-	4.3	4.9	-	0.7	(4.3)	(4.9)
Franchise Taxes	16.0	15.6	14.1	14.1	(1.6)	(1.6)	-
Interest Income	78.8	23.5	21.9	32.4	(1.6)	8.9	10.5
Public Safety Realignment	41.1	36.0	33.2	38.8	(2.8)	2.8	5.6
Public Safety Sales Tax	103.9	97.1	103.6	103.9	6.5	6.9	0.4
Airport Transfer In	33.5	25.1	15.2	12.3	(9.9)	(12.9)	(2.9)
<b>Total Citywide Revenues</b>	<b>4,163.6</b>	<b>3,701.4</b>	<b>3,558.9</b>	<b>3,683.0</b>	<b>(143.5)</b>	<b>(18.3)</b>	<b>125.2</b>

## Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. The General Fund portion of the baseline contribution decreased by \$34.2 million compared to budget and increased by \$12.2 million versus the Three-Month projection. Highlights:

- MTA baselines are projected to be \$24.5 million under budget, due to modest growth in Aggregate Discretionary Revenue (ADR) and delays to the opening of the Central Subway.
- The Library baseline and property tax set-aside is projected to be \$0.5 million below budget, after a \$3.8 million return to the General Fund.
- The total Public Education Enrichment Fund annual contribution to SFUSD and OECE is projected to decrease by \$0.9 million from budget.
- The Children and Transitional-Aged Youth expenditure baselines were funded above the required levels in the adopted FY 2020-21 budget, therefore the projected increase in ADR does not increase spending requirements for them.

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

	FY 2019-20	FY 2020-21			Variance	
	Actuals	Budget	3-Mo	6-Mo	Vs Budget	Vs 3-Mo
<b>General Fund Aggregate Discretionary Revenue (ADR)</b>	\$ 3,942.7	\$ 3,486.8	\$ 3,351.5	\$ 3,456.5	\$ (30.3)	\$ 105.0
<b>Municipal Transportation Agency (MTA)</b>						
MTA - Municipal Railway Baseline: 6.686% ADR	263.6	233.1	224.1	231.1	(2.0)	7.0
MTA - Central Subway	-	7.6	-	-	(7.6)	-
MTA - Parking & Traffic Baseline: 2.507% ADR	98.8	87.4	84.0	86.7	(0.8)	2.6
MTA - Population Adjustment	49.7	55.4	55.6	55.6	0.2	-
MTA - 80% Parking Tax In-Lieu	55.6	47.5	33.2	33.2	(14.3)	-
<b>Subtotal Municipal Transportation Agency</b>	<b>\$ 467.7</b>	<b>\$ 431.0</b>	<b>\$ 396.9</b>	<b>\$ 406.5</b>	<b>\$ (24.5)</b>	<b>\$ 9.7</b>
<b>Library Preservation Fund</b>						
Library - Baseline: 2.286% ADR, net of General Fund Return	90.1	79.7	76.6	75.2	(4.5)	(1.4)
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	65.3	67.4	68.7	71.4	4.0	2.6
<b>Subtotal Library</b>	<b>155.4</b>	<b>147.1</b>	<b>145.3</b>	<b>146.6</b>	<b>(0.5)</b>	<b>1.3</b>
<b>Children's Services</b>						
Children's Services Baseline - Requirement: 4.830% ADR	203.1	168.4	161.9	166.9	(1.5)	5.1
Children's Services Baseline - Eligible Items Budgeted	266.6	207.2	207.2	207.2	-	-
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	24.4	20.2	19.4	20.1	(0.2)	0.6
Transitional Aged Youth Baseline - Eligible Items Budgeted	31.4	32.4	32.4	32.4	-	-
Public Education Services Baseline: 0.290% ADR (50% GF)	11.4	10.1	9.7	10.0	(0.1)	0.3
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	104.5	107.8	109.9	114.2	6.4	4.3
Public Education Enrichment Fund: 3.057% ADR	120.5	106.6	102.5	105.7	(0.9)	3.2
1/3 Annual Contribution to Preschool for All	40.2	35.5	34.2	35.2	(0.3)	1.1
2/3 Annual Contribution to SF Unified School District	80.3	71.1	68.3	70.4	(0.6)	2.1
<b>Subtotal Childrens Services</b>	<b>534.4</b>	<b>464.1</b>	<b>461.7</b>	<b>469.4</b>	<b>5.4</b>	<b>7.8</b>
<b>Recreation and Parks</b>						
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	65.3	67.4	68.7	71.4	4.0	2.6
Recreation & Parks Baseline - Requirement	76.2	76.2	76.2	76.2	-	-
Recreation & Parks Baseline - Budgeted	82.1	84.0	84.0	84.0	-	-
<b>Subtotal Recreation and Parks</b>	<b>147.4</b>	<b>151.4</b>	<b>152.7</b>	<b>155.4</b>	<b>4.0</b>	<b>2.6</b>
<b>Other Financial Baselines</b>						
Housing Trust Fund Requirement	36.8	39.6	39.6	39.6	-	-
Housing Trust Fund Budget	57.1	39.6	39.6	39.6	-	-
Dignity Fund	50.1	50.1	50.1	50.1	-	-
Street Tree Maintenance Fund	20.3	18.0	17.3	17.8	(0.2)	0.5
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.5	3.8	3.8	3.8	-	-
City Services Auditor: 0.2% of Citywide Budget	20.1	22.9	22.9	22.9	-	-
Mission Bay Transportation Improvement Fund	7.6	7.4	3.2	3.2	(4.2)	-
<b>Subtotal Other Financial Baselines</b>	<b>158.6</b>	<b>141.7</b>	<b>136.8</b>	<b>137.3</b>	<b>(4.3)</b>	<b>0.5</b>
<b>* General Fund Impact</b>					<b>\$ (34.2)</b>	<b>\$ 12.2</b>

## Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$90.9 million summarized in Table 4 below and further detailed in Appendix 2.

**Table 4. FY 2020-21 Departmental Operating Summary (\$ millions)**

*Note: Figures may not sum due to rounding.*

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
<b>Net Shortfall Departments</b>			
Recreation and Park	(13.6)	3.4	(10.3)
Fire Department	(6.5)	(0.1)	(6.6)
City Planning	(9.8)	3.7	(6.1)
Public Works	(2.0)	(2.1)	(4.1)
Police	(1.3)	(1.9)	(3.2)
Children, Youth, and Their Families	-	(0.8)	(0.8)
Treasurer/Tax Collector	(0.8)	0.3	(0.6)
<b>Subtotal Departments with Net Shortfall</b>	<b>(34.0)</b>	<b>2.5</b>	<b>(31.7)</b>
<b>Net Surplus Departments</b>			
Public Health	68.6	1.4	70.0
Human Services Agency	7.4	27.5	35.0
General City Responsibility	2.0	1.1	3.1
Homelessness & Supportive Housing	-	2.6	2.6
Juvenile Probation	0.1	1.9	2.0
City Administrator	(2.4)	4.1	1.7
Sheriff	0.5	0.8	1.3
Human Resources	(0.9)	2.1	1.2
Superior Court	-	1.2	1.2
Mayor	-	1.0	1.0
Assessor/Recorder	0.8	-	0.8
Controller	-	0.6	0.6
Police Accountability	(0.1)	0.6	0.6
Board of Supervisors	0.1	0.3	0.4
Human Rights Commission	-	0.3	0.3
Ethics Commission	-	0.3	0.3
Other Departments	(9.2)	9.6	0.5
<b>Subtotal Departments with Net Surplus</b>	<b>66.9</b>	<b>55.4</b>	<b>122.5</b>
<b>TOTAL</b>	<b>32.9</b>	<b>57.9</b>	<b>90.9</b>

## Supplemental Appropriations

Two supplemental appropriations have been introduced or pending at the Board of Supervisors, totaling \$11.6 million use of the General Reserve. Neither has been fully approved; they are therefore not assumed in our projections. Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year.

<b>Department</b>	<b>Status</b>	<b>Use</b>
MOHCD - Rent Relief and Social Housing	Pending	\$ 11.4
DBI - Accessory Dwelling Unit	Introduced	\$ 0.2
<b>Potential Uses of General Reserve</b>		<b>\$ 11.6</b>
<b>Approved Uses of General Reserve</b>		<b>\$ -</b>

## C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Compared to budget, no additional deposits or withdrawals are assumed in this report. The \$1.9 million use of the COVID Response and Economic Loss Reserve by the Human Services Agency to assist small businesses in Chinatown is assumed to be fully spent. A discussion of the status of reserves is included in Appendix 4.

## D. PROJECTED ENDING FUND BALANCE OF \$125.2 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2020-21 of \$125.2 million, a \$241.0 million improvement from the prior projection of a \$115.9 million shortfall.

## 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.

## UPCOMING PROJECTIONS

An update to the Joint Report in March 2021 will provide revenue and expenditure projections for FY 2021-22 through FY 2025-26 and will incorporate fund balance projections identified in



this report. FY 2020-21 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2021.

## 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.

## APPENDICES

1. General Fund Revenues and Transfers In
2. General Fund Department Projections
3. COVID Emergency Response Revenues & Expenditures
4. Status of Reserves
5. Other Funds Highlights
6. Overtime Report

# Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$47.5 million below revised budget, of which \$18.3 million is due to projected shortfalls in citywide revenue as discussed in this Appendix 1, and \$29.2 million is due to projected shortfalls in departmental General Fund revenues, particularly in charges for services.

**Table A1-1: Detail of General Fund Revenue and Transfers In (\$ millions)**

GENERAL FUND (\$ Millions)	FY 2019-20		FY 2020-21			Surplus/ Shortfall	Note
	Year End Actual	Original Budget	Revised Budget	3-Month	6-Month		
<b>PROPERTY TAXES</b>	\$ 2,071.9	\$ 2,019.6	\$ 2,019.6	\$ 2,067.6	\$ 2,215.2	195.6	1
<b>BUSINESS TAXES</b>							
Business Registration Tax	10.5	80.5	80.5	74.0	74.0	(6.5)	
Payroll Tax	253.2	220.7	220.7	176.5	91.3	(129.4)	
Gross Receipts Tax	544.0	512.2	512.2	466.4	492.2	(20.0)	
Admin Office Tax	14.6	13.0	13.0	10.6	10.6	(2.4)	
<b>Total Business Taxes</b>	<b>822.2</b>	<b>826.4</b>	<b>826.4</b>	<b>727.5</b>	<b>668.1</b>	<b>(158.3)</b>	2
<b>OTHER LOCAL TAXES</b>						-	
Sales Tax	180.2	183.7	183.7	171.3	140.2	(43.5)	3
Hotel Room Tax	252.2	126.2	126.2	82.8	27.9	(98.4)	4
Utility Users Tax	94.2	81.1	81.1	76.5	74.2	(6.9)	5
Parking Tax	69.5	59.4	59.4	41.5	41.5	(17.8)	6
Real Property Transfer Tax	334.5	138.0	138.0	152.4	253.8	115.8	7
Sugar Sweetened Beverage Tax	13.2	14.0	14.0	10.5	10.5	(3.5)	
Stadium Admission Tax	2.8	2.5	2.5	0.0	0.0	(2.5)	
Access Line Tax	49.7	48.9	48.9	50.3	50.3	1.4	
Cannabis Tax	0.0	4.3	4.3	4.9	0.0	(4.3)	8
<b>Total Other Local Taxes</b>	<b>996.3</b>	<b>658.0</b>	<b>658.0</b>	<b>590.2</b>	<b>598.3</b>	<b>(59.7)</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>						-	
Licenses & Permits	9.1	7.5	7.5	7.5	4.3	(3.3)	
Franchise Fee	16.0	15.6	15.6	14.1	14.1	(1.6)	
<b>Total Licenses, Permits &amp; Franchises</b>	<b>25.1</b>	<b>23.2</b>	<b>23.2</b>	<b>21.6</b>	<b>18.4</b>	<b>(4.8)</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>3.6</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	-	
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>78.8</b>	<b>23.5</b>	<b>23.5</b>	<b>21.9</b>	<b>32.4</b>	<b>8.9</b>	9
<b>RENTS &amp; CONCESSIONS</b>	<b>9.7</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>7.7</b>	<b>(3.2)</b>	

GENERAL FUND (\$ Millions)	FY 2019-20	FY 2020-21					Surplus/ Shortfall	Note
	Year End Actual	Original Budget	Revised Budget	3-Month	6-Month			
<b>INTERGOVERNMENTAL REVENUES</b>							-	
<b>Federal Government</b>	424.1	616.7	646.6	616.7	646.6		-	
<b>State Government</b>							-	10
Health & Welfare Realignment - Sales Tax	177.9	154.4	154.4	153.5	172.7		18.3	
Health & Welfare Realignment - VLF	41.6	35.7	35.7	35.5	38.3		2.7	
Public Safety Sales Tax	103.9	97.1	97.1	103.6	103.9		6.9	
Public Safety Realignment (AB109)	41.1	36.0	36.0	33.2	38.8		2.8	
All Other	445.4	437.9	449.7	437.9	442.2		(7.5)	
<b>Total State Grants and Subventions</b>	<b>809.9</b>	<b>761.1</b>	<b>772.9</b>	<b>763.8</b>	<b>796.0</b>		<b>23.1</b>	
<b>Other Regional Government</b>							-	
Redevelopment Agency	2.4	2.9	12.6	2.9	11.3		(1.3)	
<b>CHARGES FOR SERVICES</b>	220.8	235.5	235.5	235.5	206.3		(29.2)	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	12.9	21.8	21.8	21.8	21.8		-	
<b>OTHER REVENUES</b>	49.1	25.3	46.9	26.4	41.2		(5.7)	
<b>TOTAL REVENUES</b>	<b>5,526.8</b>	<b>5,227.2</b>	<b>5,300.2</b>	<b>5,109.1</b>	<b>5,265.5</b>		<b>(34.6)</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>							-	
Airport	33.5	25.1	25.1	15.2	12.3		(12.9)	11
Other Transfers	157.1	422.0	423.4	422.0	423.4		-	
<b>Total Transfers In</b>	<b>190.6</b>	<b>447.1</b>	<b>448.5</b>	<b>437.2</b>	<b>435.7</b>		<b>(12.9)</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 5,717.5</b>	<b>\$ 5,674.3</b>	<b>\$ 5,748.7</b>	<b>\$ 5,546.3</b>	<b>\$ 5,701.2</b>		<b>(47.5)</b>	

## 1. Property Tax

Total property tax revenue in the General Fund is projected to be \$195.6 million (9.7%) above budget and \$143.3 million (6.9%) above prior year actual revenue. Changes in excess ERAF account for \$54.9 million of the increase from prior year and \$106.2 million of the increase from budget.

The FY 2020-21 budget was prepared assuming valuation reductions from a proposed state law to expand criteria for mid-year calamity reassessments to include the pandemic's effect on property values (SB1431 from the 2019-2020 Regular Session) and more generally for local Assessment Appeals Board (AAB) filings. The proposed legislative change to calamity reassessment law has since expired in committee. In addition, the primary AAB filing period for annual secured property assessments passed on September 15, 2020, providing a clearer picture of potential property tax refunds. These changes increase projected property tax revenues by \$45.0 million.

Supplemental and escape related property assessments, which are triggered by new construction or changes in the majority ownership of properties, are being enrolled by the Assessor at higher rates than assumed in the budget, increasing projected revenue by approximately \$14.0 million and \$10.5 million, respectively.

Due to a change in practice by the California Department of Finance, property tax increment earned in former redevelopment areas (e.g. Mission Bay Transbay, Hunters Point Shipyard/Candlestick) and pledged to developers may no longer be accumulated by the Office of Community Investment and Infrastructure for future reimbursement to developers. Beginning in the current year, the Department of Finance will only approve distributions to successor agencies for the amounts billed by the developers, which were finalized in December 2020. The

remaining tax increment is distributed among the other taxing entities, resulting in an increase of approximately \$20 million in General Fund property tax revenue.

The changes noted above also increase property tax revenues distributed to the San Francisco Unified School District, the San Francisco County Office of Education, and City College. As these direct local property tax revenues for schools increases, the amount of property tax revenue initially shifted by state law to the Educational Revenue Augmentation Fund (ERAF) to be distributed to the schools is reduced (bottom line residual), increasing the amount of excess ERAF returned to the General Fund. Also, the changes noted above increase the amount of General Fund property tax revenues initially shifted by state law to ERAF, thereby increasing excess ERAF on the top line. The net effect is a \$50.2 million increase in excess ERAF compared to the budget and \$29.6 million compared to the Three-Month Report.

At the end of February, the California Department of Education and California Community Colleges Chancellor's Office will release FY 2019-20 annual reports and the FY 2020-21 First Principal Apportionment (P-1) reports that may adjust ERAF entitlement amounts for local education entities in both years, which would in turn affect the City's excess ERAF revenue.

Finally, the City has received a summary of guidance on the calculation of excess ERAF from the California State Controller's Office. While detailed written instructions were not available as of the writing of this report, based on our understanding of their contents, we project the General Fund will receive additional excess ERAF \$56.0 million in FY 2020-21, or \$43.1 after baseline allocations. State legislative changes are likely to be introduced in the coming months and could apply retroactively, creating uncertainty about future excess ERAF revenue.

Property tax set asides to special revenue funds are shown in Table 3 of the Executive Summary.

## **2. Business Tax**

Business tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes, and administrative office taxes, and are projected to be \$668.1 million in FY 2020-21, or \$158.3 million (19.2%) below budget and \$154.1 million (18.7%) below prior year actual revenues. Due to the passage of Proposition F, the business tax overhaul, on the November 2020 ballot, the payroll tax will be eliminated for tax year 2021 to be offset by increases in the gross receipts tax rates.

The COVID-19 emergency continues to significantly affect the business tax revenue base. Because of the timing of business tax payments, revenues in FY 2020-21 are driven by the economic conditions in 2020. Our projection assumes underlying economic contraction of 5% in tax year 2020. This decline is offset by the decision to delay business registration fees due in May 2020 until May 2021, which transferred about \$45 million from FY 2019-20 into FY 2020-21. Due to business closures and reduced economic activity, we assume that the amount collected in May 2021 will be less than the amount we had expected in May 2020.

For tax year 2021, the Treasurer-Tax Collector removed penalties on businesses that do not remit their quarterly prepayment of business taxes by the due date. Without a penalty for late payment, some business tax payments for tax year 2021 that would ordinarily be received in FY 2020-21 may not be received until FY 2021-22. Although this will not affect total revenue for the

tax year, it increases the uncertainty about collections in the current fiscal year. We estimate revenue will be reduced by \$40 million in FY 2020-21 as businesses delay payments into the following fiscal year.

Businesses owe payroll tax only on employees that physically work within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Approximately 70% of the payroll tax base comes from office-using sectors, like Information and Professional Services, and approximately half of workers in these sectors live outside of San Francisco. The budget assumed that in these sectors, 50% of non-essential workers would telecommute through December 2020 and 20% through December 2021.

As the State and County reimposed shelter-in-place restrictions and companies have extended their telecommute policies further into the future, we have reflected these assumptions in our projection. For the first nine months of FY 2020-21, we assume that 100% of non-essential workers in office-using industries telecommute and 75% telecommute in the final three months of the fiscal year.

Because businesses are billed for their quarterly prepayments based on their tax liability in the prior year, we will be unable to verify our assumptions about the extent of telecommuting in tax year 2020 until businesses file their tax returns. The filing deadline for tax year 2020 has been moved from March 1 to April 30, and businesses can request an extension until June 30. This delay raises additional uncertainty about FY 2020-21 that may not be resolved until the end of the fiscal year.

### **3. Local Sales Tax**

Local sales tax revenues are projected to be \$140.2 million, which is \$43.5 million (23.7%) below budget and \$40.0 million (22.2%) below prior year. The decline is primarily due to decreases in the City's daytime population, which affects businesses who rely on workers and visitors to shop and dine out. Year-to-date, disproportionately large losses have been experienced in the restaurant and hospitality industry and at fuel and services stations. In addition, there is evidence that the City's residential population has declined since the onset of the pandemic. Unlike other California counties, sales tax collected from online retailers did not offset losses at brick-and-mortar stores. The projection includes two large audit corrections totaling \$5.3 million, partially offset by a \$3.0 million audit-related refund.

### **4. Hotel Room Tax**

Hotel taxes for all funds are projected to be \$36.2 million, \$120.4 million (76.9%) below budget and \$245.4 million (87.1%) below prior year. General Fund hotel tax revenues are projected to be \$27.9 million, which is \$98.4 million (77.9%) below budget and \$224.3 million (89.0%) below prior year actual revenues due to the restrictions on non-essential travel.

Hotel tax is highly correlated with the hotel industry indicator, revenue per available room (RevPAR). RevPAR is the combined effect of occupancy and average daily room rates. RevPAR for the first half of FY 2020-21 decreased to \$38.0, which is an 83.2% drop from pre-pandemic RevPAR of \$226.5 for the same period last year. In December 2020, RevPAR dropped to \$24.0. For the remainder of the fiscal year, we project RevPAR to decline to the twenties and teens, due to lagged impacts of the holiday COVID surge and associated travel restrictions, as well as

generally lower RevPAR in the winter and spring. The projection assumes that average RevPAR for FY 2020-21 is \$21.0. Enplanements at the San Francisco International Airport improved incrementally in the fall of 2020 but declined again in December 2020 with reimposition of travel restrictions. Even with accelerating vaccine distribution this spring, we anticipate a lag before leisure travelers will feel comfortable flying to San Francisco and anticipate further lags before businesses resume employee travel for meetings and conferences.

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of total hotel tax revenue) to arts programming outside of the General Fund. Due to the unprecedented decline in hotel tax revenues, the allocation to arts programs is projected to be \$3.9 million, or \$22.0 million (85.0%) below budget and \$24.9 million (86.5%) below prior year actual revenues, as shown in Table A1.1 below.

Table A1.1 Hotel Tax for the Arts, FY 2021-21 Budget versus Projected Allocations (\$ millions)

	<b>Budget</b>	<b>6-Month</b>	<b>Variance</b>
Grants for the Arts	13.2	2.0	(11.2)
Arts Impact Endowment	2.0	0.3	(1.7)
Cultural Centers	3.1	0.5	(2.6)
Cultural Equity Endowment	5.2	0.8	(4.4)
Cultural Districts	2.4	0.4	(2.1)
<b>Total</b>	<b>25.9</b>	<b>3.9</b>	<b>(22.0)</b>

## 5. Utility Users Tax

Utility user tax revenue in FY 2020-21 is projected to be \$74.2 million, which is \$6.9 million (8.5%) below budget and \$20.0 million (21.3%) below prior year actual. Due to business capacity reductions and intermittent closures related to the public health emergency, businesses are anticipated to reduce their utility consumption, particularly electricity and gas. As residential consumers are exempt from the tax on electricity and gas consumption, business closures have a disproportionate effect.

## 6. Parking Tax

Parking tax revenue in FY 2020-21 is projected to be \$41.5 million, which is \$17.8 million (30.1%) below budget and \$28.0 million (40.1%) below prior year actual. This projection reflects year to date collections through the first half of the year, which have been depressed compared to pre-pandemic levels due to reduced parking activity related to the City's shelter-in-place orders and fewer commuters, tourists and visitors. 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.

## 7. Real Property Transfer Tax

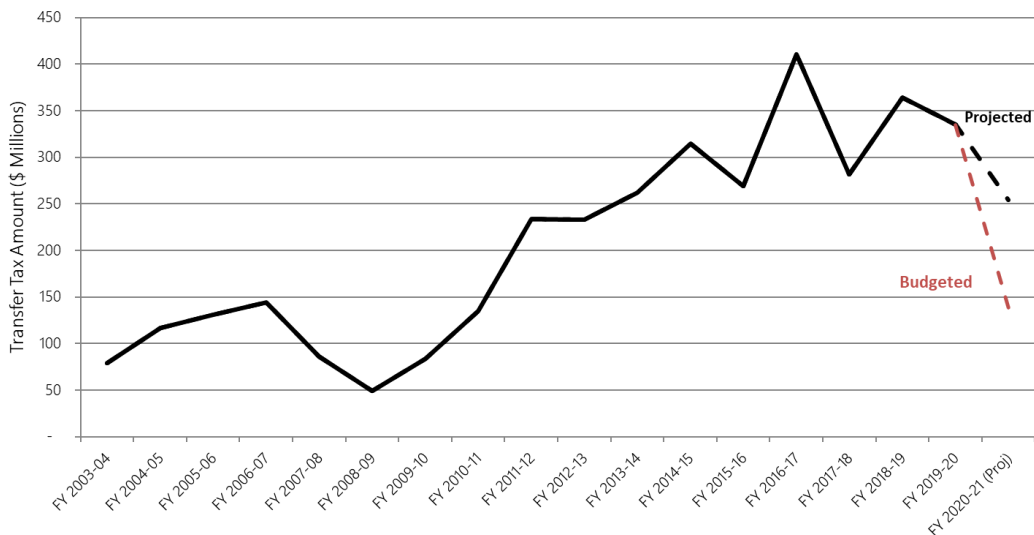
Real property transfer tax revenue in FY 2020-21 is projected to be \$253.8 million, which is \$115.8 million (83.9%) above budget and \$80.7 million (24.1%) below prior year actual revenues. The increase is due to higher than anticipated levels of commercial real estate activity in the first six months of the year, and the passage of Proposition I, which increased transfer tax rates for

transactions over \$10.0 million. Proposition I, which takes effect in January 2021, is estimated to increase revenue by \$26.1 million in FY 2020-21, or approximately \$20.1 million after baselines.

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 availability, and the relative attractiveness of San Francisco real estate compared to other investment options, all of which have been favorable for San Francisco commercial and residential real estate in recent years. However, the shift to telecommuting and its effect on the future value of office real estate is highly uncertain.

The tax is highly progressive and volatile, with a handful of high-value transactions generating a majority of the tax. For example, in FY 2018-19, less than 1% of transactions were greater than \$25.0 million, but generated 60% of revenue. The graph below shows the volatility of this revenue over the past 15 years.

Real Property Transfer Tax, FY 2003-04 through FY 2020-21 (Projected) (\$millions)



## 8. Cannabis Tax

The cannabis tax was initially set to take effect on January 1, 2021. However, in November 2020, the Mayor and Board of Supervisors delayed the imposition of the tax to January 1, 2022 and increased the exemption thresholds. Thus, none of the \$4.3 million of budgeted revenues will be realized.

## 9. Interest & Investment Income

Interest and investment revenues in the General Fund are projected to be \$32.4 million, which is \$8.9 million (37.9%) above budget and \$46.5 million (58.9%) below prior year actual revenues. Projections reflect the Federal Reserve’s policy to keep interest rates within a target range of 0% to 0.25%. The projection was adjusted based on year-to-date performance of the Treasurer’s investment pool, which has been declining as higher-yield, long-term investments expire and replaced with shorter-term investments.

## **10. State Subventions**

State grants and subventions are projected to total \$796.0 million, \$23.1 million (3.0%) above revised budget and \$13.9 million (1.7%) below prior year actual revenues. The projected increase from budget is primarily driven by State sales tax-based subventions performing better than anticipated due to strength in sales tax in the rest of California relative to San Francisco. These subventions include Health & Welfare realignment, Public Safety realignment, and Public Safety sales tax. These increases are slightly offset by net decreases in other state sources.

## **11. Airport Transfer In**

The Airport's annual service payment to the General Fund is projected to be \$12.3 million, which is \$12.9 million (51.2%) below budget and \$21.2 million (63.4%) below prior year actuals. The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the City's General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic. In April 2020, enplanements at SFO decreased by 97% compared to prior year. As of December 2020, enplanements have improved but are still 80% below prior year. Confidence in the safety of resuming travel and the City's re-opening timeline are anticipated to drive the airport transfer in and hotel tax. Given the strong connection between these two revenues, the Controller's Office projects changes to the airport transfer-in using factors similar to the hotel tax projection and will work closely with the Airport to monitor passenger activity levels and to revise the forecast.



# 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	41.7	41.7	(0.1)	-	(0.0)	1
Superior Court	33.5	32.3	-	1.2	1.2	2
District Attorney	61.1	61.1	-	-	-	
Emergency Management	63.3	63.3	-	-	-	
Fire Department	396.1	396.1	(6.5)	-	(6.5)	3
Juvenile Probation	35.1	33.2	0.1	1.9	2.0	4
Public Defender	42.6	42.4	-	0.2	0.2	5
Police	586.5	588.4	(1.3)	(1.9)	(3.2)	6
Sheriff	246.8	246.0	0.5	0.8	1.3	7
Police Accountability	10.7	10.0	(0.1)	0.6	0.6	8
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Public Works	79.4	83.1	(2.0)	(2.1)	(4.1)	9
Economic & Workforce Development	92.9	86.1	(6.8)	6.8	-	10
Port	9.0	8.4	(1.3)	1.3	-	11
Board of Appeals	1.2	1.0	(0.2)	0.2	-	12
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>						
Children, Youth and Their Families	27.5	28.3	-	(0.8)	(0.8)	13
Human Services Agency	988.6	961.1	7.4	27.5	35.0	14
Human Rights Commission	9.7	9.4	-	0.3	0.3	15
Homelessness and Supportive Housing	214.6	212.0	-	2.6	2.6	16
Status of Women	10.6	10.6	-	-	-	
<b>COMMUNITY HEALTH</b>						
Public Health	1,345.3	1,343.9	68.6	1.4	70.0	17
<b>CULTURE &amp; RECREATION</b>						
Asian Art Museum	10.1	10.1	-	-	-	
Arts Commission	9.0	9.0	-	-	-	
Fine Arts Museum	18.0	17.9	-	0.1	0.1	18
Law Library	2.0	1.9	-	0.1	0.1	19
Recreation and Park Department	102.1	98.7	(13.6)	3.4	(10.3)	20
Academy of Sciences	5.8	5.8	-	-	-	
War Memorial	9.3	9.3	-	-	-	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
City Administrator	128.6	124.6	(2.4)	4.1	1.7	21
Assessor/Recorder	27.1	27.1	0.8	-	0.8	22
Board of Supervisors	19.0	18.7	0.1	0.3	0.4	23
City Attorney	93.8	93.8	-	-	-	
Controller	86.3	85.7	-	0.6	0.6	24
City Planning	52.4	48.8	(9.8)	3.7	(6.2)	25
Civil Service Commission	1.3	1.3	-	-	-	
Ethics Commission	4.8	4.5	-	0.3	0.3	26
Human Resources	29.4	27.3	(0.9)	2.1	1.2	27
Health Service System	12.5	12.4	-	0.2	0.1	28
Mayor	79.3	78.2	-	1.0	1.0	29
Elections	23.9	23.9	-	-	-	
Technology	4.6	3.8	(0.8)	0.8	-	30
Treasurer/Tax Collector	38.6	38.4	(0.8)	0.3	(0.6)	31
Retirement System	2.8	2.8	-	-	-	
<b>GENERAL CITY RESPONSIBILITY</b>	<b>210.6</b>	<b>209.6</b>	<b>2.0</b>	<b>1.1</b>	<b>3.1</b>	<b>32</b>
<b>TOTAL GENERAL FUND</b>	<b>5,267.7</b>	<b>5,212.1</b>	<b>33.0</b>	<b>57.9</b>	<b>90.9</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 on budget. The department projects a salary and fringe benefits deficit of \$1.3 million and lower than budgeted work order recoveries of \$0.1 million. The department will have offsetting savings in payments for services provided by other departments, non-personnel services, and materials and supplies.

### **2. Superior Court**

The Superior Court projects \$1.2 million in expenditure savings in the Indigent Defense program due to the reduced level of jury trials as a result of COVID-19.

### **3. Fire Department**

The Fire Department projects to end the fiscal year with a \$6.5 million revenue shortfall due to lower inspection fee collections. Expenditures are projected to remain within budget.

### **4. Juvenile Probation**

The Juvenile Probation Department projects to end the fiscal year with an operating surplus of \$2.0 million, due to a revenue surplus of \$0.1 million from enhanced claiming of grant revenue and a \$1.9 million expenditure surplus in non-personnel services and materials and supplies due to a below average population in Juvenile Hall.

### **5. Public Defender**

The Public Defender's Office projects to end the fiscal year with a net surplus of \$0.2 million due to savings from personnel changes and from non-personnel services related to the slower than expected timing of court trials.

### **6. Police**

The Police Department projects to end the year with a net operating deficit of \$3.2 million. The department projects a revenue deficit of \$1.3 million, primarily due to decreases in fines and fees. The department projects exceeding expenditure authority by \$1.9 million, primarily due to overtime expenses, and may require a supplemental appropriation to offset this deficit.

### **7. Sheriff**

The Sheriff's Department projects to end the fiscal year with an operating surplus of \$1.3 million. A net expenditure surplus of \$0.8 million is due to debt service savings of \$1.3 million from the San Bruno Jail replacement project, offset by an expenditure deficit of \$0.5 million for unbudgeted costs to respond to COVID and civil unrest. The department projects a revenue surplus of \$0.5 million from reimbursements for security services provided to other city departments.

## **8. Department of Police Accountability**

The Department of Police Accountability projects to end the fiscal year with a \$0.6 million surplus. This is due to \$0.6 million in expenditure savings from staff vacancies. The expenditure savings is slightly offset by \$0.1 million less than budgeted projected recoveries from other departments.

## **9. Department of Public Works**

The Department of Public Works projects to end the year with a net \$4.1 million deficit. Revenues are projected to be \$2.0 million below budget due to decreased fee revenues in the Bureau of Street Use and Mapping. Expenditures are projected to exceed budget by \$2.1 million, mainly due to a \$5.5 million deficit due to spending in the Shared Spaces Program and COVID-19 response costs. This expenditure overage will be partially offset by \$3.4 million in savings from transfers and reductions of other programs. The department may require a supplemental appropriation to offset this deficit.

## **10. Economic and Workforce Development**

The Office of Economic and Workforce Development projects to end the year on budget. A projected \$6.8 million shortfall in developer exaction revenue will be offset by \$6.8 million in expenditure savings.

## **11. Port**

The Port projects ending the year on budget in the General Fund. The Department expects to incur \$8.4 million of expenditures for the Mission Bay Ferry Landing project this fiscal year and will receive associated revenue from the Office of Community Investment and Infrastructure (OCII). This is \$1.3 million below budget for both revenues and expenditures.

## **12. Board of Appeals**

The Board of Appeals projects ending the year on budget. Lower than budgeted surcharge revenues of \$0.2 million are projected to be offset by expenditure savings of a like amount.

## **13. Children, Youth and Their Families**

The Department of Children, Youth and Their Families projects to end the year with a \$0.8 million expenditure deficit. This is due to unexpected technology expenditures related to the implementation of Community Learning Hubs, which will need to be funded either by savings in other areas or through a supplemental appropriation.

## **14. Human Services Agency**

The Human Services Agency projects to end the year with a net surplus of \$35.0 million, comprised of a \$8.1 million revenue surplus and a \$26.9 million expenditure savings, as shown in Table A2-2.

In aid payments, the department projects a net \$1.1 million surplus, comprised of \$23.1 million in expenditure savings, offset by a \$22.0 million revenue deficit. The net surplus is primarily due to delayed implementation of wage increases, lower contract mode hours and lower health and

dental benefit rates for In-Home Supportive Services (IHSS) and lower than anticipated caseloads in County Adult Assistance Programs, CalWORKs and Foster Care Child Care Assistance. These savings are partially offset by an \$8.0 million budget shift from aid programs to operations and administration to address a shortfall for the Great Plates program.

For the department's operations and administration, a net \$33.8 million surplus is projected, comprised of a \$30.0 million revenue surplus and \$3.8 million in expenditure savings. The revenue surplus is primarily due to funding increases in General Operations and Special Projects (\$15.7 million), Medi-Cal (\$5.6 million), Aging and Adult Services (\$5.4 million), Food Stamps Eligibility, Employment and Training programs (\$2.6 million) and Child Welfare services (\$1.9 million). Expenditure savings are primarily due to \$10.1 million in savings in Medi-Cal due to redetermination, recertification, and/or reapplication (RRR) waivers during the pandemic, \$6.4 million underspending in CalWORKs and \$3.6 million underspending in Child Welfare services, based on a shift in the allocation of staff time to other program activities. These expenditure savings are offset by additional spending in Aging and Adult Services (\$6.5 million), Food Stamps Eligibility, Employment & Training (\$3.6 million) and County Adult Assistance Programs (\$3.5 million) in response to the increased and changing needs of vulnerable populations that have been more severely impacted during this pandemic, as well as cost of doing business increases and minimum compensation ordinance implementation (\$3.5 million).

In addition, the department identified a potential risk due to the transition of the ending of the Federal Title IV-E Waiver in September 2019 and the rapidly decreasing replacement of Federal funding. State law allows counties to create local reserves to manage this risk; should policymakers wish to fund such a reserve the projected surplus would be reduced.

**Table A2-2. Human Services Agency (\$ millions)**

	<b>Revenue Surplus / (Deficit)</b>	<b>Expenditure Surplus / (Deficit)</b>	<b>Net Surplus / (Deficit)</b>
<b>Aid Payments</b>			
In Home Supportive Services	(16.2)	16.3	0.1
Great Plates Feeding	-	(8.0)	(8.0)
County Adult Assistance Programs	(0.5)	8.0	7.4
CalWORKs	(3.6)	3.4	(0.1)
Foster Care & Foster Care Child Care Assistance	(1.3)	2.9	1.6
All Other Aid Programs	(0.3)	0.5	0.1
<b>Subtotal, Aid Payments</b>	<b>(22.0)</b>	<b>23.1</b>	<b>1.1</b>
<b>Operations &amp; Administration</b>			
Aging & Adult Services	5.4	(6.5)	(1.1)
CalWORKs and Workforce Development	0.9	6.4	7.3
Child Welfare	1.9	3.6	5.4
County Adult Assistance Programs	(0.5)	(3.5)	(4.0)
Food Stamps Eligibility, Employment & Training	2.6	(3.6)	(1.0)
General Operations & Special Projects	15.7	(3.5)	12.2
Medi-Cal	5.6	10.1	15.7
All Other Programs	(1.6)	0.9	(0.7)
<b>Subtotal, Operations &amp; Administration</b>	<b>30.0</b>	<b>3.8</b>	<b>33.8</b>

## 15. Human Rights Commission

The Human Rights Commission projects \$0.3 million in salary and benefits savings from delays in filling vacancies.

## 16. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of \$2.6 million due mainly to expenditure savings in contractual services, including savings from shelter closures required by the public health emergency and delays in starting new services funded in the FY 2020-21 budget.

## 17. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$70.0 million. Overall department revenues are projected to be \$68.6 million above budget, and expenditures are projected to have \$1.4 million in savings.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	\$ 2.9	\$ (0.4)	\$ 2.5
Laguna Honda Hospital	\$ -	\$ 3.5	\$ 3.5
Zuckerberg San Francisco General Hospital	\$ 65.7	\$ (1.8)	\$ 63.9
<b>Total</b>	<b>\$ 68.6</b>	<b>\$ 1.4</b>	<b>\$ 70.0</b>

### Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Population Health Division, and Public Health Administration, have a combined revenue surplus of \$2.9 million. Significant revenue variances from budget include an increase of \$28.9 million due to accelerated State audits of funds allocated to counties under the state's Section 1115(a) Medicaid waiver, and an \$8.6 million surplus in Short Doyle Medi-Cal revenue, which was not affected as significantly by the pandemic as anticipated in the budget. These are largely offset by an \$11.0 million shortfall in San Francisco Health Plan City Option fees due to ongoing migration to Affordable Care Act marketplace plans, a \$20.6 million shortfall in deactivated funds from the San Francisco Health Plan, a \$1.6 million shortfall in TB clinic patient revenue, and a \$1.5 million shortfall in environmental health fees due to lower than expected productivity during the pandemic.

An expenditure deficit of \$0.4 million is mainly due to \$5.8 million spending beyond budget for personnel due to the reassignment of staffing costs from DPH operations to the COVID-19 project among divisions within the department. A projected savings of \$5.4 million in non-personnel contracts offsets most of the projected over expenditure. Personnel costs beyond budget of \$66.7 million in the Administration Division are projected to be offset by savings across the Department's divisions, including \$32.0 million in Primary Care Clinics, \$11.0 million in

the-Health Network, \$9.7 million in the Population Health, and \$7.6 million Behavioral Health. The department as a whole is currently projected to remain within budget for salary and fringe benefits.

### **Laguna Honda Hospital**

The Department projects \$3.5 million in salary and fringe benefit savings at Laguna Honda Hospital due to staffing shifted to COVID-19 response.

### **Zuckerberg San Francisco General Hospital**

The Department projects a \$63.9 million surplus at Zuckerberg San Francisco General Hospital (ZSFG), including a \$65.7 million revenue surplus, which is largely due to the release of \$51.7 million from the Public Health Management Reserve. On December 27, 2020, the president signed H.R.133 - Consolidated Appropriations Act 2021, which delayed reductions in federal Disproportionate Share Hospital (DSH) payments for uninsured patient costs to hospitals from December 31, 2020 to FY 2023-24. This pushed the revenue risk beyond the two-year timeframe for which the reserve was established to manage revenue volatility. In addition, patient revenues are \$9.1 million above budget due to higher than expected patient volumes, and a \$4.9 million surplus in state 1991 realignment sales tax revenues.

Expenditures are projected to be \$1.8 million over budget due to \$2.8 million in expenditure savings in personnel, due to costs being reassigned to the Public Health Administration Division and \$0.4 million in materials and supplies savings, offset by \$5.0 million overspending in non-personnel contracts.

## **18. Fine Arts Museums**

The Fine Arts Museums projects to end the fiscal year with \$0.1 million in salary and fringe benefit savings.

## **19. Law Library**

The Law Library projects \$0.1 million in salary and benefits savings due to staff vacancies.

## **20. Recreation and Parks Department**

The department projects a net \$10.3 million General Fund shortfall, comprised of a revenue shortfall of \$13.6, offset by \$3.4 million in salary and benefit savings. The shortfall in rent, concession, and service charge revenue is due to closure of recreational facilities and cancellation of events for public health reasons.

## **21. City Administrator**

The City Administrator projects to end the year with a net operating surplus of \$1.7 million. A projected revenue shortfall of \$2.4 million is comprised of \$1.1 million in reduced recoveries for Office of Contract Administration, Office of Labor Standards Enforcement, and Mayor's Office of Disability; \$0.7 million less revenue in county clerk and marriage fees; and \$0.6 million in reduced Entertainment Commission fee revenue. Revenue losses are offset by \$4.1 million in

expenditure savings, including \$1.8 million in personnel costs from position vacancies and \$2.3 million in debt service savings.

## **22. Assessor Recorder**

The Assessor Recorder projects a \$0.8 million revenue surplus due to an increase in recording fees related to a stronger than expected refinancing market.

## **23. Board of Supervisors**

The Board of Supervisors projects a net \$0.4 million surplus, due to \$0.1 million in increased revenue from assessment appeals, and \$0.3 million of expenditure savings in fringe benefits.

## **24. Controller**

The Controller's Office projects to end the year with a net surplus of \$0.6 million, due to salary and fringe benefit savings from vacant positions.

## **25. City Planning**

City Planning projects to end the year with a net deficit of \$6.2 million, comprised of a revenue deficit of \$9.8 million, partially offset by \$3.7 million in expenditure savings. Significant shortfalls in fee revenues are projected due to the discontinuation of in-person building permit assistance services, and a backlog of permits: \$10.0 million less than budget in building permit fees; \$2.0 million less than budget in construction building permits; and \$2.0 million less than budget in planning environmental review fees. Additional shortfalls in recoveries of \$0.6 million from the Airport and \$0.3 million from the Port are projected due to delays in environmental review projects. Partially offsetting expenditure savings include \$3.0 million in salary and fringe benefits, \$0.5 million in non-personnel services savings, and \$0.3 million savings in materials and supplies.

## **26. Ethics**

The Ethics Department projects \$0.3 million in salary and fringe benefits cost savings due to delays in filling existing vacancies.

## **27. Human Resources**

The Department of Human Resources projects net savings of \$1.2 million. A revenue shortfall of \$0.9 million is projected, due to slower than expected recoveries from other departments in client services and workforce development. Projected expenditure savings of \$2.1 million in salaries and fringe benefits and savings in a project with the San Francisco Housing Authority will offset the revenue shortfall.

## **28. Health Service System**

The Health Service System projects to end the year with \$0.1 million in salary and fringe benefit savings.

## **29. Mayor**

The Mayor's Office of Housing and Community Development projects a \$1.0 million savings from expenditures duplicated in a housing project budget.

## **30. Department of Technology**

The Department of Technology projects to end the year on budget. The department projects under recovery of interdepartmental services of \$0.8 million offset by \$0.8 million in expenditure savings, largely in salaries and fringe benefits.

## **31. Treasurer/Tax Collector**

The Treasurer/Tax Collector projects a net year-end deficit of \$0.6 million. A \$0.8 million revenue shortfall due to extensions and waivers of various licenses and fees is partially offset by \$0.3 million in non-personnel services savings.

## **32. 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 \$3.1 million due to \$1.1 million of retiree health subsidy savings, \$0.9 million in unbudgeted state mandate reimbursements, and a \$1.1 million payment in lieu of taxes received via the redevelopment successor agency (OCII). The Mayor's Office will implement a one-time 3% cost of doing business increase for General Fund-funded contracts and will also distribute funding to departments to cover the cost of the increase in the Minimum Compensation Ordinance (MCO). The total estimated value of these allocations is \$14.8 million. This report assumes \$15.0 million budgeted for minimum wage increases is allocated to departments by year end. Spending will be monitored in the coming months and remaining balances reported in the Nine-Month Report.



## Appendix 3. COVID Emergency Response Revenues & Expenditures

Table A3.1 provides updated revised budget and projections for COVID-specific projects across five central departments providing emergency response care and services during the pandemic in FY 2020-21. The five departments are Department of Public Health, Department of Homelessness and Supportive Housing, Human Services Agency, Department of Emergency Management, and Department of Public Works. Changes to the revised budget from the Three-Month Report are due to transfers from sources external to the projects including authority shifted from departmental operating budgets and new funding allocated midyear from the state and special revenue sources.

We project a General Fund balance of \$77.3 million in this continuing project in the current fiscal year, which . This balance will offset the need for new appropriations in FY 2021-22 to support the City's continuing response costs or to manage unanticipated costs in FY2020-21. This balance is largely attributable to recent changes in FEMA reimbursement rates, retroactive to the prior fiscal year.

**Table A3.1. FY 2020-21 COVID Emergency Response Revenues & Expenditures (\$ millions)**

Department - Project	Revised Budget				6-Month Projection				Projected Surplus/Shortfall		
	Expenditures	FEMA	Grants/Special Revenue	General Fund	Expenditures	FEMA	Grants/Special Revenue	General Fund	General Fund	Grants/Special Funds	All Sources
FY 2019-20 Increased FEMA Reimb.									18.7	1.8	20.5
DEM - COVID Command, Joint Info & Oth.	16.9	7.7	-	9.2	19.5	17.5	-	2.0	7.1	-	7.1
DEM/DPH - Vaccination	-	-	-	-	6.6	6.6	-	-	-	-	-
DPH - Isolation & Quarantine	18.5	8.3	-	10.2	32.4	20.8	-	11.6	(1.4)	-	(1.4)
DPH - PPE & Scarce Resources	74.6	-	-	74.6	47.0	8.0	-	39.0	35.6	-	35.6
DPH - Testing	59.7	28.0	-	31.8	76.0	50.7	-	25.3	6.4	-	6.4
DPH - CARES Provider Relief Fund	44.9	44.9	-	-	44.9	64.8	-	(19.9)	19.9	-	19.9
DPH - All Other	117.9	41.9	7.0	69.0	128.5	65.4	7.0	56.1	12.9	-	12.9
DPW - Expanded Pit Stops & Oth.	17.5	8.0	-	9.5	14.2	4.6	-	9.6	(0.1)	-	(0.1)
HOM - SIP Hotels	200.8	113.9	83.4	3.5	238.1	196.9	41.2	-	3.5	42.2	45.7
HOM - RVs, Shelter & Safe Sleeping	52.7	20.3	28.0	4.4	37.2	6.1	28.0	3.1	1.3	-	1.3
HOM - Medical Support, Staffing, Oth.	9.5	7.3	0.4	1.8	4.1	1.9	0.4	1.7	0.0	-	0.0
HSA - Feeding	58.8	15.3	3.6	39.9	76.9	28.8	2.2	45.9	(6.0)	-	(6.0)
<b>Subtotal</b>									<b>97.9</b>	<b>44.1</b>	<b>142.0</b>
<i>Reserve for FEMA Claim Disallowance</i>						(40.7)			(20.6)	(19.7)	(40.3)
<b>Available for Continuing COVID Response</b>									(77.3)	(24.4)	(101.7)
<b>Total</b>	<b>671.9</b>	<b>295.7</b>	<b>122.4</b>	<b>253.8</b>	<b>725.3</b>	<b>431.2</b>	<b>78.8</b>	<b>174.5</b>	-	-	-

Projections reflect changes to Federal Emergency Management Agency (FEMA) reimbursement levels announced by the Biden Administration and summarized in a memo from FEMA issued February 3<sup>rd</sup>, 2021, which declared all costs previously determined eligible for FEMA reimbursement will increase from a 75% federal reimbursement rate to a 100% federal reimbursement rate for the period January 2020 through September 30<sup>th</sup>, 2021. As FY 2020-21 expenditures have yet to be submitted to FEMA for review and approval, a claim disallowance factor of 10% is included for reimbursement-based projects (this excludes the CARES Provider Relief Fund allocation). This assumption is expected to be refined as claims are submitted and

the review process commences for the current fiscal year. The City's emergency response includes serving clients that do not meet current FEMA eligibility criteria and providing services that are outside of the current FEMA criteria. FEMA reimbursement projections assume these expenditures remain ineligible for federal support and are borne by local sources.

Detail about each major department providing COVID response services and major known revenue and expenditure changes since the Three-Month Report are described below:

## **1. Department of Public Health (DPH)**

DPH funds support programs including hospital response, COVID testing, personal protective equipment for City staff and non-profit partners, contact tracing, and isolation and quarantine hotels, among other efforts.

**Vaccination** DPH is partnering with the Department of Emergency Management (DEM) in leading the City's vaccination distribution efforts in new high-volume settings, community-based sites, and existing City-run clinics. Current cost estimates are preliminary and expected to change over the coming weeks and months as operations are further developed. FEMA reimbursement is assumed to cover all eligible costs.

**Personal Protective Equipment (PPE)** Due to the significant inventory of PPE acquired or encumbered in FY 2019-20 along with projected FEMA reimbursement for PPE used in FY 2020-21, the revised budget of \$74.6 million is expected to be underspent by \$34.7 million.

**Impact of Winter Surge** Projections reflect the impact of the winter surge in COVID-19 case rates, particularly on increased demand for the Isolation & Quarantine (I&Q) hotel program as well as increased staffing expenditures in the hospital response programs. These increased costs over budget are offset by increased projected federal reimbursement.

## **2. Department of Homelessness and Supportive Housing (HOM)**

HOM is providing continued emergency response for people experiencing homelessness during the pandemic. This includes the Shelter in Place (SIP) hotel program which provides non-congregate shelter targeting those who meet the FEMA criteria for vulnerability, an RV site, a congregate shelter site and Safe Sleeping programs.

**Shelter in Place (SIP) Hotel Program.** Since the release of the Three-Month Report, the department and policy makers have made changes to planned demobilization of the emergency program. In December of 2020, the Board of Supervisors passed, and the Mayor signed, an emergency ordinance regulating the exit of clients from the hotels and requiring the backfill of 6 out of every 10 rooms vacated by an exiting client. The requirements of this ordinance, along with increased demand for isolation and quarantine (I&Q) capacity from DPH, have resulted in projected increased hotel retention for the remainder of the fiscal year. Expenditure projections assume the current portfolio of rooms continues, less two hotels converted into the I&Q program and one converted into permanent affordable housing. This program benefits from the recent increase in federal reimbursement rates for eligible costs, however, it provides enhanced services that are not eligible for FEMA reimbursement and

serves clients that do not meet current FEMA guidelines. As a result, local funding continues to be needed in support of the current program. Programmatic support includes a midyear allocation from the state's Project Roomkey program of \$10.1 million and \$12.7 million from the Proposition C Our City, Our Homes Fund Absent additional appropriation action, the projected balance in the current fiscal year will be available to offset continuing costs of the program in FY 2021-22.

Congregate Shelter and Safe Sleeping Program. Consistent with the guidance reflected in the Three-Month Report, congregate shelter and Safe Sleeping are not currently expected to receive FEMA reimbursement. A midyear allocation of \$5.0 million from the Proposition C Our City, Our Homes program in addition to the \$5.9 million assumed in the adopted budget for congregate shelter is reflected in the revised budget for Safe Sleeping, allowing the program to continue through year end despite the elimination of federal revenue.

### **3. Human Services Agency (HSA)**

HSA is operating expanded food security programs during the COVID emergency including the Great Plates program, which provides three restaurant-delivered meals a day to participants; in-person and delivered groceries through food pantries and the Latinx-neighborhood pantry program; and meals to those isolating and quarantining. Increased costs for the Great Plates program are partially offset by projected contract savings in other food efforts. The Great Plates program is currently subject to monthly extensions by FEMA. Projections assume the continuation of the program through its current extension to March 8, 2021, and then a ramp down through the remainder of the fiscal year. If the program were to continue through the end of the fiscal year in its current structure, FEMA reimbursement, and participation levels, the increased cost to the City would be an estimated \$7.1 million. Projections also reflect the use of \$1.9 million of COVID Reserve to support restaurant and food service businesses in Chinatown, pursuant to the ordinance passed by the Board of Supervisors and approved by the Mayor on February 5, 2021.

### **4. Department of Public Works (DPW)**

The department's COVID budget includes funding to temporarily expand the Pit Stop program by extending hours at existing sites and adding new locations, and also project funds used to support the department in responding to the emergency. Given revised guidance from FEMA which requires service populations to meet increased COVID risk criteria, the majority of Pit Stop expansion costs are not expected to be eligible for federal reimbursement. Projections for general emergency response efforts are based on available information. The Controller's Office will continue working with the department to update projections.

### **5. Department of Emergency Management (DEM)**

The (DEM) COVID budget supports the staffing and operations of the COVID Central Command headquartered in the Moscone Center and ancillary programming including the Joint Information Center. Higher than anticipated FEMA eligibility of costs offset increased projected expenditures and drive the projected surplus of \$6.3 million for the department.

## Appendix 4. 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 anticipated deposits and withdrawals

**Table A4-1. Reserve Balances (\$ millions)**

	FY19-20	FY 2020-21			FY 2021-22			Note
	Ending Balance	Deposits	Withdrawals	Projected Ending Balance	Deposits	Withdrawals	Projected Ending Balance	
<b>General Reserve*</b>	<b>78.5</b>	-	-	<b>78.5</b>	-	-	<b>78.5</b>	1
Rainy Day Economic Stabilization City Reserve	229.1	-	(114.5)	114.5	-	(57.3)	57.3	2
Budget Stabilization Reserve	307.8	-	(42.0)	265.8	-	(130.6)	135.2	3
<b>Subtotal Economic Stabilization Reserves</b>	<b>536.8</b>	-	<b>(156.5)</b>	<b>380.3</b>	-	<b>(187.9)</b>	<b>192.4</b>	
<b>Percent of General Fund Revenues</b>	<b>10.0%</b>			<b>7.2%</b>			<b>3.8%</b>	
COVID Response and Economic Loss Reserve	507.4	-	(1.9)	505.5	-	-	505.5	4
Budget Stabilization Reserve - One Time Reserve	54.8	-	-	54.8	-	-	54.8	3
Business Tax Stabilization Reserve	-	149.0	-	149.0	-	(149.0)	-	5
Public Health Management Reserve	111.1	-	(51.7)	59.5	-	-	59.5	6
Rainy Day Economic Stabilization SFUSD Reserve	34.5	-	(33.5)	1.0	-	-	1.0	2
Recreation & Parks Savings Incentive Reserve	0.8	-	-	0.8	-	-	0.8	
Free City College	2.0	-	-	2.0	-	-	2.0	
Mission Bay Transportation Improvement Fund - Overlapping Minimum Reserve	1.0	-	-	1.0	-	-	1.0	
<b>Subtotal</b>	<b>711.7</b>	<b>149.0</b>	<b>(87.1)</b>	<b>773.6</b>	-	<b>(149.0)</b>	<b>624.6</b>	
<b>Annual Operating Reserves</b>								
Litigation Reserve	49.2	11.0	(60.2)	-	11.0	(11.0)	-	
Salary and Benefits Reserve	25.4	23.5	(48.8)	-	23.5	(23.5)	-	8
<b>Total, All Reserves</b>	<b>1,323.1</b>	<b>183.5</b>	<b>(352.6)</b>	<b>1,154.0</b>	<b>34.5</b>	<b>(371.4)</b>	<b>817.1</b>	

\* A deposit of \$0.9 million was budgeted in FY 2021-22 to the General Reserve. Based on the latest revenue projection, this deposit is no longer required.

### 1. General Reserve

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. Due to the public health emergency and its economic impacts, FY 2020-21 and FY 2021-22, the General Reserve balance is required to be no less than 1.5% of budgeted regular General Fund revenues.

The FY 2019-20 ending balance of the General Reserve is \$78.5 million, and the FY 2020-21 approved budget includes no deposits or withdrawals. Any proposed uses of the reserve during the current year will increase the required FY 2021-22 deposit by a like amount. Two ordinances have been proposed that would use the General Reserve: \$0.2 million to waive building inspection fees for certain accessory dwelling unit projects, and \$11.4 million for rent relief and social housing.

## **2. Rainy Day Economic Stabilization Reserve**

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess 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.

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.

The FY 2019-20 ending balance of the City Rainy Day Economic Stabilization Reserve is \$229.1 million and of the School Rainy Day Reserve is \$34.5 million. In FY 2020-21, there is a budgeted withdrawal of \$114.5 million in the City Rainy Day Reserve (the maximum allowable amount) and an SFUSD-approved withdrawal of \$33.5 million in the School Rainy Day Reserve.

## **3. 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 the fund balance appropriated as a source in the subsequent year's budget.

The FY 2019-20 ending balance of the Budget Stabilization Reserve is \$307.8 million and the Budget Stabilization One Time Reserve is \$54.8 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses.

A withdrawal of \$42.0 million from the Budget Stabilization Reserve is budgeted in the current fiscal year. However, due to an unexpectedly strong ending position in FY 2019-20, which increased the maximum allowable size of the Budget Stabilization Reserve, the maximum allowable withdrawal from this reserve increased to \$46.5 million in FY2020-21. This report assumes the budgeted level of withdrawal. No withdrawal from the Budget Stabilization One Time Reserve is projected at this time.

## **4. COVID Response and Economic Loss Reserve**

Section 32 of the administrative provisions of the FY 2020-21 and FY 2021-22 Annual Appropriations Ordinance established a COVID Response and Economic Loss Reserve by consolidating the balances of seven existing reserves into a single \$507.4 million reserve.

On January 26, 2021, the Board of Supervisors approved a supplemental appropriation of \$1.9 million from the COVID Response and Economic Loss Reserve to the Human Services Agency to assist small businesses in Chinatown. As a result, the ending balance of this reserve is projected to be \$505.5 million.

## 5. Business Tax Stabilization Reserve

The FY 2020-21 budget established a Business Tax Stabilization Reserve of \$149.0 million to equalize the benefit of one-time sources enabled by the passage of November 2020 Proposition F (Business Tax Overhaul).

## 6. Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance (AAO) authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the ACA and funding allocations for indigent health services. We project \$51.7 million of this reserve will be released in FY 2020-21 due to the provisions of H.R. 133, signed by the president on December 27, 2020, which extended the date of planned cuts to Disproportionate Share Hospitals from December 31, 2020 to FY 2023-24, which is beyond the two-year horizon for which this reserve is intended to manage revenue volatility. This release is included in the \$89.3 million revenue surplus reported for the Department of Public Health in Table A2-3 above.

## 7. Salary and Benefits Reserve

Section 10.4 of the administrative provisions of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and benefits stipulated in Board-adopted collective bargaining agreements. The reserve had a fiscal year starting balance of \$48.8 million, including \$25.3 million remaining from FY 2019-20 and \$23.5 million appropriated in the FY 2020-21 budget. The Controller's Office has transferred \$0.1 million to departments and anticipates transferring an additional \$41.4 million by year-end, as detailed in Table A4-2. Absent a substantive increase to the salary and benefits budget of the Fire Department, we project any remaining balance in the reserve will be needed to address a continuing pattern of underbudgeting in the department.

**Table A4-2. Salary and Benefits Reserve (\$ millions)**

<b>Sources</b>	
Adopted AAO Salary and Benefits Reserve	23.5
Carryforward balance from FY19-20	25.3
<b>Total Sources</b>	<b>48.8</b>
<b>Uses</b>	
<b>Transfers to Departments</b>	
Visual Display Terminal Insurance (Q1 and Q2)	0.1
<b>Total Transfer to Departments</b>	<b>0.1</b>
<b>Anticipated Allocations</b>	
Citywide premium, retirement and severance payo	1.7
Public safety, including premium, wellness, one-tir	23.9
Various training, tuition, other reimbursements	1.3
Visual Display Terminal Insurance (Q3 + Q4)	0.2
COVID related personnel costs	14.2
<b>Total Anticipated Uses in the Current Year</b>	<b>41.4</b>
<b>Anticipated Uses in the Budget year</b>	<b>7.4</b>
<b>Net Surplus / (Shortfall)</b>	<b>-</b>

# Appendix 5. Other Funds Highlights

## Table A5-1. Other Fund Highlights (\$ millions)

	Prior Year		FY 2020-21					FY 2021-22	Notes
	FY 2019-20 Year End Fund Balance	Fund Balance Used in FY 2020-21 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2021-22 Budget	
<b>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</b>									
Building Inspection Operating Fund	\$ 20.6	\$ 27.2	\$ (6.7)	\$ 3.6	\$ 3.7	\$ 7.3	\$ 0.6	\$ 14.5	1
Children and Youth Fund	5.9	3.4	2.6	6.4	(0.1)	6.3	8.9	-	2
Public Education Early Care Fund (OECE)	2.1	3.0	(0.9)	(0.3)	-	(0.3)	(1.2)	-	3
Public Education Special Fund (SFUSD)	10.8	-	10.8	(0.6)	-	(0.6)	10.2	-	4
Convention Facilities Fund	26.3	24.9	1.5	(13.1)	13.8	0.7	2.2	1.4	5
Golf Fund	6.6	-	6.6	(0.5)	0.5	0.0	6.6	-	6
Marina Fund	2.5	-	2.5	(0.5)	0.5	-	2.5	-	7
Library Preservation Fund	21.0	3.8	17.2	3.8	5.1	8.9	26.1	-	8
Local Courthouse Construction Fund	1.1	1.2	(0.1)	-	-	-	(0.1)	-	9
Open Space Fund	20.3	0.8	19.5	4.0	2.9	6.9	26.4	2.8	10
Telecomm. & Information Systems Fund	1.9	-	1.9	(4.7)	6.9	2.2	4.1	-	11
General Services Agency-Central Shops Fund	0.9	-	0.9	-	-	-	0.9	-	
General Services Agency-Reprographics Fund	1.6	0.2	1.4	-	-	-	1.4	-	
Arts Commission Street Artist Fund	0.1	-	0.1	(0.1)	0.0	(0.1)	0.1	-	12
War Memorial Fund	3.1	0.8	2.4	-	0.6	0.6	3.0	0.8	13
Election Campaign Fund	7.0	-	7.0	-	(2.9)	(2.9)	4.1	-	14
Gas Tax Fund	5.9	1.9	4.0	(1.8)	1.8	-	4.0	1.1	15
Neighborhood Beautification Fund	0.9	-	0.9	(1.0)	1.0	-	0.9	-	16
Traffic Congestion Mitigation Fund (TNC Tax)	5.3	0.0	5.3	(6.8)	1.5	(5.3)	(0.0)	-	17
Culture and Recreation Hotel Tax Fund	0.0	-	-	(22.0)	-	(22.0)	(22.0)	-	18
Children and Families Commission	16.6	3.2	13.3	(0.3)	0.3	-	13.3	-	19
Inmate Welfare Fund	2.3	1.7	0.6	-	(0.2)	(0.2)	0.4	-	20
Street Tree Maintenance Fund	0.6	-	0.6	(0.2)	1.4	1.2	1.8	3.4	21
Public Works Overhead Fund	7.6	8.8	(1.2)	(4.4)	4.6	0.2	(1.0)	8.7	22
Public Works Paid Time Off Fund	1.1	2.9	(1.8)	3.8	(3.0)	0.8	(1.0)	2.2	23
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	-	0	-	85.1	-	85.1	85.1	-	24
Babies and Families First Fund (Commercial Rents Tax)	-	0	-	(48.8)	-	(48.8)	(48.8)	-	25
Real Estate Fund	5.3	0.2	5.0	(5.5)	5.5	-	5.0	0.2	26
Museum Admissions Fund	(0.5)	0.0	(0.5)	(0.7)	0.5	(0.2)	(0.7)	0.0	27
<b>SELECT ENTERPRISE FUNDS</b>									
Airport Operating Funds	\$ 116.7	\$ 77.2	\$ 39.5	\$ (292.2)	\$ 318.4	\$ 26.2	\$ 65.7	\$ -	28
MTA Operating Funds	416.6	179.0	237.6	(242.5)	242.5	-	237.6	39.1	29
Port Operating Funds	68.3	55.1	13.2	3.7	4.0	7.7	20.9	8.5	30
PUC Hetch Hetchy Operating Funds	44.2	-	44.2	7.1	41.0	48.1	92.3	-	31
PUC Wastewater Operating Funds	211.3	12.1	199.3	(12.2)	17.6	5.4	204.7	-	32
PUC Water Operating Funds	230.4	27.8	202.6	(6.5)	16.3	9.8	212.4	22.8	33
PUC Clean Power Funds	29.0	-	29.0	(10.2)	19.2	9.0	38.0	-	34

## SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

### 1. Building Inspection Fund

The Building Inspection Fund began FY 2020-21 with a negative balance of \$6.7 million. The Department projects a net operating surplus of \$7.2 million, resulting in an operating balance of \$0.6 million. An \$3.6 million revenue surplus is projected due to expected growth in plan checking, building and electrical permit revenues. Expenditures are projected to be \$3.6 million under budget due to savings in salary and fringe benefits of \$1.0 million, non-personnel services of \$1.2 million, materials and supplies of \$0.5 million, and community based-organization services expenditures of \$0.8 million.

The approved FY 2021-22 budget was balanced assuming a \$14.5 million use of fund balance, which exceeds the FY 2020-21 projected ending balance of \$0.6 million. The department will need to reduce fund balance as source in its upcoming FY 2021-22 and FY 2022-23 budget or draw from its contingency and other post-employment benefit reserves, which are currently at the maximum permissible levels of \$41.0 million and \$32.0 million, respectively.

### 2. Children and Youth Fund

The Children's Fund has a beginning fund balance of \$2.6 million. It is projected to have a revenue surplus of \$6.4 million due primarily to projected increases in property tax, and an expenditure deficit of \$0.1 million due to projected overspending for the implementation of Community Learning Hubs, resulting in a net operating surplus of \$6.3 million, and an ending fund balance of \$8.9 million.

### 3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began the year with a negative fund balance of \$0.9 million. A net operating deficit of \$0.3 million is projected due to the decrease in General Fund Aggregate Discretionary Revenue (ADR), which decreases the General Fund transfer to this fund. As a result, the Fund is estimated to have an ending balance of -\$1.2 million. The department will need to reduce expenditures, increase revenues or have a supplemental appropriation to bring this fund into balance.

### 4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of \$10.8 million. Revenues are expected to be \$0.6 million below budget, reflecting decline in General Fund Aggregate Discretionary Revenue (ADR), which decreases the General Fund transfer to this fund, resulting in a \$10.2 million projecting ending balance.

### 5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of \$1.5 million. A net operating surplus of \$0.7 million is projected due to the cancellation of conventions in FY 2020-21 (revenue shortfalls more than offset by expenditure savings) and the loss of Moscone Expansion District surcharge revenue, which will require a \$1.1 million transfer to the Moscone Expansion District debt service fund. As a result, available balance is projected to be \$2.2 million.



## **6. Golf Fund**

The Golf Fund began with a balance of \$6.6 million. The Recreation and Parks Department projects a revenue shortfall of \$0.5 million offset by expenditure savings of \$0.5 million, leaving the ending balance of the fund unchanged.

## **7. Marina Fund**

The Recreation and Parks Department projects a revenue shortfall of \$0.5 million offset by expenditure savings of \$0.5 million, and thus no change from the beginning balance of \$2.5 million.

## **8. Library Preservation Fund**

The Library Preservation Fund began with a balance of \$17.2 million. The Library projects a net revenue surplus of \$3.8 million, due to increased General Fund support resulting from higher ADR and property tax allocations. The Department projects expenditure savings of \$5.1 million largely in salaries and fringe benefits costs and services from other departments, offset by the General Fund baseline return of \$3.8 million. The resulting net operating surplus of \$8.9 million will lead to a projected ending balance of \$26.1 million.

## **9. Local Courthouse Construction Fund**

The Local Courthouse Construction Fund began with a balance of \$0.1 million. Revenues and expenditures are expected to be on budget. This fund will be closed after the final debt service payment on courthouse construction bonds is made in April 2021, after which any remaining balance will be returned to the General Fund.

## **10. Open Space Fund**

The Open Space Fund began the fiscal year with \$19.5 million in available fund balance. The Recreation and Parks Department projects to have a revenue surplus of \$4.0 million due to projected increases in property tax allocations, and expenditure savings of \$2.9 million in salary and benefit costs. As a result, the fund is projected to have a net operating surplus of \$6.9 million and ending fund balance of \$26.4 million, of which, \$2.8 million was used the previously adopted FY 2021-22 budget.

## **11. Telecommunications & Information Services Fund**

The Telecommunication & Information Services Fund began the year with a balance of \$1.9 million. A net operating surplus of \$2.2 million is projected in the current year, comprised of a \$4.7 million shortfall in interdepartmental service recoveries, offset by \$6.9 million in savings in labor costs, non-personnel services, and spending on the WAN Network, DT Cloud Enhancement, and VOIP Upgrade projects. The fund is projected to end the year with a balance of \$4.1 million.

## **12. Arts Commission Street Artist Fund**

The Street Artist Program Fund began the fiscal year with \$0.1 million in fund balance. The Street Artist Program Fund is projected to have a \$0.1 revenue shortfall due to the restrictions on gatherings during the pandemic, ending the year with zero fund balance.

### **13. War Memorial Fund**

The War Memorial Fund began the fiscal year with \$2.4 million in fund balance, net of \$0.8 million of fund balance appropriated in the current year. The Department projects \$0.6 million in salary and fringe benefit savings in the War Memorial Operating Fund, resulting in an ending balance of \$3.0 million, of which \$0.8 million has been budgeted in the approved FY 2021-22 budget.

### **14. Election Campaign Fund**

The Election Campaign Fund began the fiscal year with \$7.0 million in fund balance and projects to end the fiscal year with a balance of \$4.1 million, given \$2.9 million in expenditure savings relating to the November 2020 election. There are no other elections are scheduled for the remainder of Fiscal Year 2021.

### **15. Gas Tax Fund**

The Gas Tax Fund began the fiscal year with \$4.0 million in fund balance, net of \$1.9 million of fund balance appropriated in the current year. The department projects to be on budget given \$1.8 million in expenditure savings in salary, fringe benefit, and overhead, which are offset by a \$1.8 million revenue deficit in state subvention revenue due to pandemic-induced reductions in gasoline tax revenue. The fund projects to end the fiscal year with \$4.6 million in fund balance, of which \$1.1 million has been appropriated in the approved FY 2021-22 budget.

### **16. Neighborhood Beautification Fund**

The Neighborhood Beautification Fund began the fiscal year with a balance of \$0.9 million. The fund is projected to have a revenue shortfall of \$1.0 million, offset by expenditure savings of the same amount, resulting in no net operating surplus or shortfall and no change in fund balance. Information about the amount that taxpayers will elect to contribute to the fund will be delayed as a result of the deadline extension to file business taxes.

### **17. Traffic Congestion Mitigation Fund (Transportation Network Companies Tax)**

The Traffic Congestion Mitigation Fund began the fiscal year with a fund balance of \$5.3 million from FY 2019-20 collections that were not allocated to the San Francisco Municipal Transportation Agency (MTA) and the San Francisco County Transportation Authority (SFCTA). The fund is projected to end the fiscal year with no balance, with all revenues distributed equally to the MTA and the SFCTA. Transportation Network Tax (TNC) revenues in the current year are projected to be \$8.2 million, which is \$6.8 million below budget given significant declines in ridesharing due to the COVID-19 pandemic. The fund is projected to have expenditure savings of \$1.5 million after the distribution of funds to the SFMTA and the SFCTA for current and prior year collections, an overall net deficit of \$5.3 million in FY 2020-21, and no ending balance.

### **18. Culture and Recreation Hotel Tax Fund**

In FY 2020-21, due to the sharp decline in projected hotel tax revenue described in Appendix 1 above, the Culture and Recreation Hotel Tax Fund is expected to have a revenue shortfall of

\$22.0 million. Policymakers will either need to backfill the current year budget or departments will need to adjust their spending plans to offset the revenue shortfall.

In FY 2019-20, the first full year that hotel tax was allocated for arts programming, \$28.8 million was transferred to the Culture and Recreation Hotel Tax Fund to support programs in Grants for the Arts, Arts Impact Endowment, Cultural Centers, Cultural Equity Endowment and Cultural Districts as shown in the table below.

<b>Hotel Room Tax for Arts (FY 2019-20)</b>	<b>Revenue</b>	<b>Expenditures</b>
Grants for the Arts	14.7	16.3 *
Arts Impact Endowment	2.3	1.5
Cultural Centers	3.4	3.0
Cultural Equity Endowment	5.8	4.7
Cultural Districts	2.7	0.9
<b>Total</b>	<b>28.8</b>	<b>26.3</b>

\* Programs are funded by multiple funding sources, including hotel room tax from Prop E. Expenditures on this table reflect spending from January through June 2019 regardless of funding source.

San Francisco Business and Tax Regulations Code section 515.01 (d) requires the Controller to report on revenues and expenditures in the Hotel Room Tax Fund. Grant for the Arts (GFTA) spent \$16.3 million on grant-making operations for over 200 general operating support grants for arts-related public programs. The Arts Commission contributed \$1.5 million to support the Arts Relief Program administered by the Center for Cultural Innovation. \$3.0 million was incurred for the Cultural Centers operations, among which \$2.7 million was on operating grants to the City’s Cultural Centers. The Department of Public Works completed condition assessments on all four centers to effectively deploy funds for each building’s capital needs. The Cultural equity grant cycle awarded grants in Spring 2020, and disbursements happened in Fall 2020. For the FY 2019-20 grant cycle, the Arts Commission awarded \$4.7 million in grants to 71 individual artists and 83 arts organizations based in San Francisco.

Since the inception of the Cultural Districts program, six Cultural Districts have been awarded two years of operational funds and two recently legislated Cultural Districts have been awarded one year of operational funds. Together, \$3.22M has been awarded to the Cultural Districts to hire staff, launch their district, begin coordinating neighborhood-based activities, establish and maintain their community based advisory boards, support local businesses, engage artists, and begin writing their strategic planning reports entitled the Cultural Heritage, Housing and Economic Stabilization Strategy (CHHESS) Reports. Out of \$3.22M of grants awarded to Cultural Districts, \$840 thousand has been spent by the end of FY19-20. Additionally, Mayor's Office of Housing and Community Development entered into contracts for the amount of \$150 thousand to provide “Leadership Accelerator” trainings and to develop the “City Data Reports” for each of the Districts that will be one of the primary sections of the legislatively mandated CHHESS reports. In total, \$0.9 million was spent for the Cultural Districts program.

## **19. Children and Families Commission**

The Children and Families Commission began with a balance of \$13.3 million. The department projects a \$0.3 million revenue shortfall due to the State shortening the grant period, offset by \$0.3 million expenditure savings in the City Grants Program and personnel.

## **20. Sheriff – Inmate Welfare Fund**

The Sheriff's Inmate Welfare Fund began the fiscal year with fund balance of \$0.6 million, net of \$1.7 million of fund balance appropriated in the current year. The Sheriff projects a net operating deficit of \$0.2 million in the current year from salary and benefits, nonpersonnel services, materials and supplies, and facilities maintenance resulting in a projected ending fund balance of \$0.4 million. The department will reduce staff hours for inmate welfare programs to ensure that expenditures remain within budget. The approved FY 2021-22 budget includes a \$1.3 million transfer from the General Fund as a source.

## **21. Public Works – Street Tree Maintenance Fund**

The Street Tree Maintenance Fund began the fiscal year with a fund balance of \$0.6 million. The Department projects a net operating surplus of \$1.2 million, comprised of a \$0.2 million shortfall in baseline transfers offset by expenditure savings of \$1.4 million, resulting in an ending balance of \$1.8 million. The previously approved FY 2021-22 budget used \$3.4 million of fund balance. The Controller's Office will work with the department during budget preparation to ensure the coming budget submission for the fund is balanced.

## **22. Public Works – Overhead Fund**

The Overhead Fund began the fiscal year with an abnormal fund balance of -\$1.2 million. The Department projects an operating surplus of \$0.2 million, from personnel cost savings of \$4.6 million offset by an overhead recovery deficit of \$4.4 million, resulting in an abnormal ending balance of -\$1.0 million. The approved FY 2021-22 budget spent \$8.7 million of fund balance. The Controller's Office will work with the department during budget preparation to ensure the coming budget submission for the fund is balanced.

## **23. Public Works – Paid Time-Off Fund**

The Paid Time-Off Fund began the fiscal year with an abnormal fund balance of -\$1.8 million. The Department projects an operating surplus of \$0.8 million, from overhead recoveries higher than budgeted by \$3.8 million offset by an expenditure deficit of \$3.0 million in salary and fringe benefits from time off taken by employees, resulting in an abnormal ending balance of -\$1.0 million. The approved FY 2021-22 budget spent \$2.2 million of fund balance. The Controller's Office will work with the department during budget preparation to ensure the coming budget submission for the fund is balanced.

## **24. Our City, Our Home Fund (Homelessness Gross Receipts and Homelessness Administrative Office Taxes)**

The Our City, Our Home Fund began the fiscal year with no fund balance. The fund is projected to end the fiscal year with a balance of \$85.1 million. In prior years, Homelessness Gross Receipts Taxes of \$441.7 million and Homelessness Administrative Office Taxes of \$20.6 million

were collected but not recognized or distributed, due to litigation. In fall 2020, the California Supreme Court affirmed the City's ability to collect and spend these taxes. In FY 2020-21, Homelessness Gross Receipts Taxes of \$198.5 million and Homelessness Administrative Office Taxes of \$15.1 million are projected to be collected. That totals \$675.9 million (or \$85.1 million, 14.4%, over budget) of projected Homelessness Gross Receipts and Homelessness Administrative Office Tax revenues revenue to be recognized in FY 2020-21.

## **25. Babies and Families First Fund (Early Care and Education Commercial Rent Tax)**

The Babies and Families First Fund began the fiscal year with no fund balance. Commercial rent tax is projected to be \$48.8 million below budget, resulting in a net operating shortfall of \$48.8 million. The Controller's Office will work with the Office of Early Care and Education to bring this fund into balance during the year.

## **26. Real Estate Fund**

The Real Estate Fund began the fiscal year with \$5.0 million in fund balance, net of \$0.2 million of fund balance appropriated in the current year. The department projects that the fund will finish on budget due to \$5.5 million of expenditure surpluses from debt service on the Animal Care and Control facility, tenant improvements for Controller's Office, and canceled city hall events, which are offset by revenue deficits. The fund projects to end the fiscal year with \$5.0 million in fund balance, of which \$0.2 million has been appropriated in the approved FY 2021-22 budget.

## **27. Museum Admissions Fund**

The Museum Admissions fund began the year with a negative balance of \$0.5 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of \$0.7 million from weakness in museum admissions due to COVID-19 is partially offset by expenditure savings of \$0.5 million, resulting in a projected shortfall of \$0.2 million in the Asian Art Museum, culminating in a total fund balance of -\$0.7 million by year end.

## **SELECT ENTERPRISE FUNDS**

### **28. Airport Operating Fund**

The Airport began the fiscal year with \$39.5 million in available fund balance, net of \$77.2 million of fund balance appropriated in the current year. The department projects a net operating surplus of \$26.2 million comprised of a projected revenue deficit of \$292.2 million and expenditure savings of \$318.4 million.

The revenue shortfall is primarily due to a deficit of \$154.4 million from lower than budgeted aviation revenues such as landing and gate fees, terminal rents, and aircraft parking. Non-aviation revenues are projected to be \$120.7 million under budget and primarily consist of parking revenues, groundside trip fees from taxis, limousines, and ride share vehicles, vehicle rentals, food and beverage sales, and other retail and duty-free concessions. Earned interest revenue is estimated to be \$7.5 million higher than budget, and the department projects that

use of deferred aviation revenues, PFC Revenues, and/or fund balance for re-balancing revenue shortfalls will represent a savings of \$22.0 million.

The department's net expenditure savings are driven by the application of \$254.8 million in Federal CARES Act funds. The department projects labor savings due to higher than budgeted vacancies and hiring freezes of \$15.8 million; a savings of \$13.2 million in non-personnel services due to delays in invoice processing timelines and slower contract initialization; \$3.6 million in equipment purchases due to processing and delivery delays; \$3.1 million in materials and supplies; and \$4.0 million in services provided by other departments due to invoicing delays and lower than budgeted billings.

The department is projected to end the fiscal year with a balance of \$65.7 million and has appropriated none in the FY 2021-22 budget.

## **29. Municipal Transportation Agency (MTA) Operating Funds**

The SFMTA 6-month report for FY 2020-21 projects a balanced budget by the end of the fiscal year. By comparison, the SFMTA Three-Month Report for FY 2020-21 projected a \$37.8 million deficit. The current projection includes a \$242.5 million revenue deficit which is offset by \$242.5 million in expenditure savings. The projection includes the use of \$124.9 million in federal stimulus through Federal H.R. 133, Coronavirus emergency response and relief funding approved in December 2020.

Key revenue changes between the Three-Month and Six-Month reports include an additional \$59.9 million in projected revenue losses, as parking, traffic fees and fines, City baseline and other support, and transit fares are projected to decline further primarily due to a resurgence in COVID-19 cases and renewed shelter-in-place orders.

The agency also projects \$242.5 million in expenditure savings comprised of \$50.0 million in reduced personnel costs, net of overhead allocations from a current hiring freeze and reduced overtime spending; \$20.2 million materials and supplies savings; \$18.5 million savings in reduced spending on taxes, licenses, and permits; \$6.5 million non-personnel services savings; \$5.0 million savings in judgements, claims and workers compensation costs; \$2.0 million reduced spending in equipment, maintenance, rent and building costs; and \$15.5 million savings in an SFMTA Board reserve that will remain unspent. SFMTA additionally projects receiving \$230.0 million in revenue through federal relief funds through H.R. 133 and expects to balance the FY 2020-21 budget by applying \$124.9 million of these funds in FY 2020-21. The remaining federal relief funds will be applied to the FY 2021-22 budget. Additional federal relief beyond the CARES Act and H.R. 133 is not assumed.

SFMTA operating funds are projected to end the fiscal year with a balance of \$237.6 million, of which \$39.1 million has been appropriated in the previously approved FY 2021-22 budget.

## **30. Port Operating Funds**

The Port began the fiscal year with \$13.2 million in available operating fund balance net of the \$55.1 million appropriated to support the FY 2020-21 budget. The department projects a current year net operating surplus of \$7.7 million, comprised of a revenue surplus of \$3.7 million and net expenditure savings of \$4.0 million.

The \$3.7 million revenue surplus is due to budgetary overestimation of the depth of revenue loss due to the COVID-19 pandemic. Some revenues, such as parking income, were less affected than anticipated. Expenditure savings of \$4.0 million include \$2.7 million in worker orders, primarily due to lower utility costs and lower utilization of services, \$1.0 million in annual projects due to the preservation of funds for contingency purposes such as oils spills and hazardous material clean up that are likely to go without incident.

Port operating funds are projected to end the fiscal year with a balance of \$20.9 million, of which \$8.5 million has been appropriated in the approved FY 2021-22 budget. The Port will use these funds to fund operations as well as continued investment in its capital program.

## **Public Utilities Commission**

The Public Utilities Commission (PUC) projects net operating surpluses for the Hetch Hetchy Operating Fund, Wastewater Operations Fund, Water Operating Fund, and the Clean Power Fund.

### **31. Public Utilities Commission – Hetch Hetchy Operating Fund**

The Hetch Hetchy Fund began the fiscal year with \$44.2 million in available operating fund balance. The Hetch Hetchy Fund appropriated \$0.0 million of operating fund balance to support the FY 2020-21 budget. The Fund is projected to end the year with a net operating surplus of \$48.1 million due to \$7.1 million in additional revenues beyond budget and \$41.0 million of expenditure savings. The net revenue increase is due to greater-than-budgeted wholesale electric sales of \$3.6 million due to unbudgeted sales to CleanPowerSF offset by a deficit of \$0.8 million in retail electric sales due to lower than budgeted sales volumes; deficits in gas and steam work order recoveries totaling \$1.7 million due to remote working; and a surplus of \$6.1 million in miscellaneous income largely from a \$3 million Treasure Island Development Authority loan repayment and resuming water purchases by the Lawrence Livermore National Labs. Expenditure savings of \$41.0 million are due to savings of \$0.6 million in personnel costs due to position vacancies; \$0.5 million savings in non-personnel services primarily from consulting services; and \$8.5 million in lower power purchases, and \$9.1 million in distribution costs savings. Natural gas and steam expenditures are projected to be \$1.7 million under budget. The PUC is projecting a savings of \$0.9 million in facilities maintenance projects and \$27.3 million in capital projects due to COVID sales reductions. The Department projects to have \$1.5 million in unappropriated revenues that will not be expended

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$92.3 million, of which \$0.0 million has been appropriated in the FY 2021-22 budget.

### **32. Public Utilities Commission – Wastewater Operations Fund**

The Wastewater Operations Fund began the fiscal year with \$199.3 million in available operating fund balance net of the \$12.1 million appropriated to support the FY 2020-21 budget. The Fund is projected to end the year with a net operating surplus of \$5.4 million due to a revenue deficit of \$12.2 million from sewer service changes, primarily due to lower than budgeted retail wastewater billings of \$11.8 million. Other revenues are projected to be under budget by \$0.4 million, primarily due to a COVID moratorium of \$0.2 million in collections. Expenditure savings of \$17.6 are projected, largely due to \$6.8 million in savings in personnel costs from position

vacancies, capital projects and facilities maintenance savings of \$10.8 million, due to sales reductions from COVID related declines.

The Fund is projected to end the fiscal year with a balance of \$204.7 million, of which \$0.0 million has been appropriated in the FY 2021-22 budget.

### **33. Public Utilities Commission – Water Operating Fund**

The Water Operations Fund began the fiscal year with \$202.6 million in available operating fund balance net of the \$27.8 million appropriated to support the FY 2020-21 budget. The Fund is projected to end the fiscal year with a net operating surplus of \$9.8 million, comprised of a revenue deficit of \$6.5 million, offset by \$16.3 million in expenditure savings. The revenue shortfall is comprised by \$14.2 million in reduced retail water sales, while wholesale water sales are projected to be higher than budget by \$13.2 million. The department projects other miscellaneous income to be below budget by \$5.5 million, largely due to a \$2.1 million reduction in water service installations. Expenditure savings of \$16.3 million is due to \$2.3 million in personnel costs savings from position vacancies, \$5.0 million in debt service savings from Water Revenue Bond refunding, capital project and facilities maintenance savings of \$9.0 million due to COVID related sales declines.

The Fund is projected to end the fiscal year with a balance of \$212.4 million, of which \$22.8 million has been appropriated in the FY 2021-22 budget.

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

The Clean Power Fund began the fiscal year with a balance of \$29.0 million. CleanPowerSF is projected to end the fiscal year with a net operating surplus of \$9.0 million. The Fund is projected to have a revenue deficit of \$10.2 million due to lower electric sales than budgeted in the beginning of the fiscal year. Expenditure savings of \$19.2 million is projected due to personnel savings of \$3.7 million due to position vacancies and \$15.5 of savings from budgeted reserve deposits that will not be made.

The Fund is projected to end the fiscal year with a balance of \$38.0 million, none of which has been appropriated in the FY 2021-22 budget.



# Appendix 6. Overtime Report

Department (\$ Millions)	FY 2019-20	FY 2020-21		% of Budget through 12/31/2020
	Actual	Revised Budget	July through 12/31/2020	
<b>Municipal Transit Agency - Total</b>	<b>76.8</b>	<b>56.9</b>	<b>17.0</b>	<b>30%</b>
<b>Police*</b>				
General Fund (Excl. Work Orders)	26.1	12.4	9.0	73%
Airport	1.5	2.5	0.4	15%
General Fund Work Orders	4.4	3.4	0.6	19%
<b>Total Annual Operating Funds</b>	<b>32.0</b>	<b>18.2</b>	<b>10.0</b>	<b>55%</b>
Special Revenue (10B)	15.6		6.0	
<i>Total</i>	47.7		16.1	
<b>Public Health*</b>				
ZSF General	16.4	12.9	7.5	58%
Laguna Honda	10.0	10.8	6.0	56%
Other Annual Funds	4.4	1.9	3.5	183%
<b>Total Annual Operating Funds</b>	<b>30.9</b>	<b>25.6</b>	<b>17.0</b>	<b>66%</b>
<b>Fire*</b>				
General Fund	31.5	30.6	20.6	67%
Airport	5.7	5.9	3.2	54%
<b>Total Annual Operating Funds</b>	<b>37.2</b>	<b>36.5</b>	<b>23.8</b>	<b>65%</b>
<b>Sheriff*</b>				
General Fund (Excl. Work Orders)	25.2	4.4	8.8	199%
General Fund Work Orders	8.1	2.6	4.6	175%
<b>Total Annual Operating Funds</b>	<b>33.3</b>	<b>7.0</b>	<b>13.4</b>	<b>190%</b>
<b>Airport*</b>				
Annual Operating Funds	2.5	2.8	0.8	27%
<b>Emergency Management*</b>				
Annual Operating Funds	4.4	3.5	2.7	76%
<b>Public Works*</b>				
Annual Operating Funds	1.5	1.5	0.5	30%
General Fund Work Orders	0.5	1.4	0.2	12%
<b>Public Utilities*</b>				
Annual Operating Funds	4.9	5.6	2.7	49%
<b>Recreation and Park*</b>				
Annual Operating Funds	2.0	1.2	1.0	86%
<b>Human Services</b>	2.6	3.1	1.2	38%
<b>Juvenile Probation</b>	0.9	1.3	0.4	31%
<b>Elections</b>	0.9	0.7	0.7	100%
<b>Admin Services</b>	2.7	0.6	0.6	99%
<b>Technology</b>	0.9	0.5	0.3	58%
<b>Controller</b>	0.1	0.5	0.1	12%
<b>Building Inspection</b>	0.6	0.4	0.5	137%
<b>Port</b>	0.5	0.4	0.2	57%
<b>Fine Arts Museum</b>	0.6	0.1	0.3	202%
<b>Public Library</b>	0.4	0.1	0.1	51%
<b>Adult Probation</b>	0.1	0.1	0.0	23%
<b>District Attorney</b>	0.1	0.1	0.0	22%
<b>War Memorial</b>	0.2	0.1	0.0	23%
<b>Academy of Sciences</b>	0.1	0.1	0.0	36%
<b>Public Defender</b>	0.0	0.1	0.0	4%
<b>Board of Supervisors</b>	0.1	0.0	0.1	502%
<b>Homelessness and Supportive Housing</b>	0.1	0.0	0.1	N/A
<b>Total Overtime**</b>	<b>240.4</b>	<b>170.3</b>	<b>95.1</b>	<b>56%</b>

\* 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. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

\*\* Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.

Additional Notes: (1) This report does not identify COVID-19 related overtime costs separately.