FY 2020-21

Nine-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of March 31, 2021, incorporating more current information up to the date of publication as available.

May 13, 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.

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Executive Summary

- **We project a $157.3 million General Fund ending balance in the current fiscal year. This is above the ending balance previously reported in the Six-Month Report, which was subsequently appropriated by the Mayor and Board of Supervisors** to support a host of programs to mitigate the effects of the pandemic.

- **Local revenue trends are consistent with our previous projections, with two positive exceptions that account for the majority of the projected ending balance.** First, state regulatory actions are driving large improvements in excess ERAF revenue, offset by mixed performance of local tax revenues. State guidance on the calculation of excess ERAF increased revenue by $83.4 million over Six-Month Report projections. Second, real property transfer taxes are projected to exceed budgeted levels due to a greater number of large commercial sales than previously anticipated. Weakness in hotel, sales and business taxes are offset by overall improvement in projected department revenues and expenditures.

- **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 $165.9 million below revised budget and $35.7 million below Six-Month Report projections, given the delay in resumption of office work. 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 $20.6 million for the fiscal year, $105.6 million below budget and $7.2 million below prior projections, given year to date receipts. Sales tax revenues are $51.5 million below budget, or $8.0 million less than prior projections.

- **Projected spending and revenues supporting the City's COVID emergency response have declined since our last projection.** Projected emergency response spending in the current year of $632.6 million are supported by federal, state, and dedicated local revenues of $409.6 million, for net General Fund costs of $169.9 million. The projected ending General Fund project balance, which is available to support response costs in the upcoming fiscal year, has declined by $24.3 million from our last projection.

- **American Recovery Plan Act (ARPA) Coronavirus Local Fiscal Relief Funds are not included in these projections.** ARPA included $350 billion in aid to state and local governments. San Francisco's direct allocation, initially estimated by the United States Treasury at $636.0 million but confirmed to be $624.8 million, will be received in two equal tranches, one in the current year and one in the budget year. The Five Year Financial Plan assumes the first half of the funds will be spent in FY 2021-22 and second half in FY 2022-23.

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

		Variance from Revised Budget	Variance from Previous Projection
	FY 2019-20 Ending Fund Balance	388.8	-
	Appropriation in the FY 2020-21 Budget	(370.4)	-
A.	**FY 2020-21 Starting Fund Balance**	**18.4**	**-**
	Citywide Revenue	(14.6)	117.9
	Mid-Year Supplemental Business Tax Adjustment		28.2
	Baseline Contributions	33.2	(18.1)
	Departmental Operations	120.3	29.4
	Approved Supplemental Appropriations	0.2	0.2
	Projected Use of General Reserve	(0.2)	(0.2)
B.	**Current Year Revenues and Expenditures**	**138.9**	**157.3**
C.	**Withdrawals from / (Deposits) to Reserves**	**-**	**-**
D.	**FY 2020-21 Projected Ending Balance**	**157.3**	**157.3**

Variances between columns above due to details regarding savings appropriated in the mid-year budet revisions finally approved by the Board and Mayor in April 2021.

FY 2020-21 Nine-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 $18.4 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 $117.9 million above Six-Month Report projections, largely due to better than anticipated property tax, increased real property transfer tax rates due to the passage of Proposition I in November 2020 and increased activity in real property in the tax tiers for which the rate was increased. These increases continue to be offset by additional 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	Original Budget	3-Mo	6-Mo	Revised Budget	9-Mo	Vs Budget	Vs 6-Mo
Property Taxes	2,071.9	2,019.6	2,067.6	2,215.2	2,161.9	2,311.6	149.7	96.4
Property Tax	1,833.6	1,832.6	1,860.0	1,922.0	1,974.9	1,935.0	(39.9)	13.0
Excess ERAF	238.3	187.0	207.6	293.2	187.0	376.6	189.6	83.4
Business Taxes	822.2	826.4	727.5	668.1	798.2	632.4	(165.9)	(35.7)
Sales Tax - Local 1%	180.2	183.7	171.3	140.2	183.7	132.2	(51.5)	(8.0)
Hotel Room Tax	252.2	126.2	82.8	27.9	126.2	20.6	(105.6)	(7.2)
Utility User & Access Line Taxes	143.9	130.0	126.8	124.4	130.0	122.5	(7.5)	(2.0)
Parking Tax	69.5	59.4	41.5	41.5	59.4	43.0	(16.4)	1.5
Real Property Transfer Tax	334.5	138.0	138.0	253.8	138.0	326.3	188.3	72.5
Sugar Sweetened Beverage Tax	13.2	14.0	10.5	10.5	14.0	10.5	(3.5)	-
Stadium Admissions Tax	2.8	2.5	-	-	2.5	0.2	(2.3)	0.2
Cannabis Tax	-	4.3	4.9	-	4.3	-	(4.3)	-
Franchise Taxes	16.0	15.6	14.1	14.1	15.6	14.7	(1.0)	0.6
Interest Income	78.8	23.5	21.9	32.4	23.5	34.7	11.2	2.3
Public Safety Realignment	41.1	36.0	33.2	38.8	36.0	38.8	2.8	-
Public Safety Sales Tax	103.9	97.1	103.6	103.9	97.1	107.6	10.5	3.6
Airport Transfer In	33.5	25.1	15.2	12.3	25.1	13.2	(11.9)	0.9
Commercial Rent Tax Transfer In	-	70.0	70.0	70.0	70.0	62.7	(7.3)	(7.3)
Total Citywide Revenues	4,163.6	3,771.4	3,628.9	3,753.0	3,885.5	3,870.9	(14.6)	117.9

Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. The General Fund portion of the baseline contribution increased by $18.1 million versus the Six-Month projection. Highlights:

- MTA baselines are projected to be $13.0 million above Six-Month, due to modest growth in Aggregate Discretionary Revenue (ADR) and delays in the opening of the Central Subway.
- The Library baseline and property tax set-aside is projected to be $0.9 million above Six-Month, after a $6.4 million return to the General Fund.
- The total Public Education Enrichment Fund annual contribution to SFUSD and OECE is projected to increase by $3.9 million from Six-Month.
- 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	Original Budget	3-Mo	6-Mo	Revised Budget	9-Mo	Vs Revised Budget	Vs 6-Mo
General Fund Aggregate Discretionary Revenue (ADR)	*$ 3,942.7*	*$ 3,486.8*	*$ 3,351.5*	*$ 3,456.5*	*$ 3,600.9*	*$ 3,584.9*	*$ (16.0)*	*$ 128.4*
Municipal Transportation Agency (MTA)								
MTA - Municipal Railway Baseline: 6.686% ADR	263.6	233.1	224.1	231.1	240.7	239.7	(1.1)	8.6
MTA - Central Subway	-	7.6	-	-	7.6	-	(7.6)	-
MTA - Parking & Traffic Baseline: 2.507% ADR	98.8	87.4	84.0	86.7	90.3	89.9	(0.4)	3.2
MTA - Population Adjustment	49.7	55.4	55.6	55.6	55.6	55.6	-	-
MTA - 80% Parking Tax In-Lieu	55.6	47.5	33.2	33.2	47.5	34.4	(13.1)	1.2
Subtotal Municipal Transportation Agency	$ 467.7	$ 431.0	$ 396.9	$ 406.5	$ 441.7	$ 419.5	$ (22.2)	$ 13.0
Library Preservation Fund								
Library - Baseline: 2.286% ADR, net of General Fund Return	90.1	79.7	76.6	75.2	82.3	75.5	(6.8)	0.3
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3	67.4	68.7	71.4	67.4	72.0	4.6	0.6
Subtotal Library	155.4	147.1	145.3	146.6	149.7	147.5	(2.2)	0.9
Children's Services								
Children's Services Baseline - Requirement: 4.830% ADR	*203.1*	*168.4*	*161.9*	*166.9*	*173.9*	*173.1*	*(0.8)*	*6.2*
Children's Services Baseline - Eligible Items Budgeted	266.6	207.2	207.2	207.2	*207.2*	*207.2*	-	-
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*24.4*	*20.2*	*19.4*	*20.1*	*20.9*	*20.8*	*(0.1)*	*0.7*
Transitional Aged Youth Baseline - Eligible Items Budgeted	31.4	32.4	32.4	32.4	*32.4*	*32.4*	-	-
Public Education Services Baseline: 0.290% ADR (50% GF)	11.4	10.1	9.7	10.0	*10.4*	*10.4*	*(0.0)*	*0.4*
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5	107.8	109.9	114.2	*107.8*	*115.1*	*7.3*	*0.9*
Public Education Enrichment Fund: 3.057% ADR	*120.5*	*106.6*	*102.5*	*105.7*	*110.1*	*109.6*	*(0.5)*	*3.9*
1/3 Annual Contribution to Preschool for All	40.2	35.5	34.2	35.2	*36.7*	*36.5*	*(0.2)*	*1.3*
2/3 Annual Contribution to SF Unified School District	80.3	71.1	68.3	70.4	*73.4*	*73.1*	*(0.3)*	*2.6*
Subtotal Childrens Services	534.4	464.1	461.7	469.4	467.9	474.7	6.8	5.2
Recreation and Parks								
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	65.3	67.4	68.7	71.4	*67.4*	*72.0*	*4.6*	*0.6*
Recreation & Parks Baseline - Requirement	*76.2*	*76.2*	*76.2*	*76.2*	*76.2*	*76.2*	-	-
Recreation & Parks Baseline - Budgeted	82.1	84.0	84.0	84.0	*84.0*	*84.0*	-	-
Subtotal Recreation and Parks	147.4	151.4	152.7	155.4	151.4	156.0	4.6	0.6
Other Financial Baselines								
Housing Trust Fund Requirement	*36.8*	*39.6*	*39.6*	*39.6*	*39.6*	*39.6*	-	-
Housing Trust Fund Budget	57.1	39.6	39.6	39.6	*39.6*	*39.6*	-	-
Dignity Fund	50.1	50.1	50.1	50.1	*50.1*	*50.1*	-	-
Street Tree Maintenance Fund	20.3	18.0	17.3	17.8	*18.6*	*18.5*	*(0.1)*	*0.7*
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.5	3.8	3.8	3.8	*3.8*	*3.8*	-	-
City Services Auditor: 0.2% of Citywide Budget	20.1	22.9	22.9	22.9	*22.9*	*22.9*	*(0.0)*	-
Mission Bay Transportation Improvement Fund	7.6	7.4	3.2	3.2	*6.8*	*3.2*	*(3.7)*	-
Subtotal Other Financial Baselines	158.6	141.7	136.8	137.3	141.8	138.0	(3.8)	0.7
						* General Fund Impact	$ (33.2)	$ 18.1

Departmental Operations

The Controller's Office projects a net departmental operating surplus of $120.3 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.

Net Shortfall Departments	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Recreation and Park	(9.5)	6.1	(3.4)
Fire Department	(7.4)	-	(7.4)
Port	(1.9)	1.3	(0.6)
Public Works	(4.1)	1.0	(3.1)
Police	(0.3)	-	(0.3)
Human Resources	(4.5)	2.9	(1.7)
Treasurer/Tax Collector	(1.3)	0.3	(1.0)
Subtotal Departments with Net Shortfall	**(29.0)**	**11.6**	**(17.5)**
Net Surplus Departments			
Public Health	83.6	0.2	83.8
Human Services Agency	1.0	32.8	33.8
General City Responsibility	2.0	-	2.0
Homelessness & Supportive Housing	-	6.8	6.8
Juvenile Probation	-	0.5	0.5
City Administrator	(2.3)	4.0	1.7
Sheriff	0.3	1.0	1.3
Emergency Management	-	0.2	0.2
Superior Court	-	1.9	1.9
Mayor	-	1.6	1.6
Assessor/Recorder	0.9	-	0.9
Controller	-	0.9	0.9
Police Accountability	(0.1)	0.5	0.4
Board of Supervisors	-	0.4	0.4
Human Rights Commission	-	0.3	0.3
Ethics Commission	-	0.5	0.5
Public Defender	-	0.7	0.7
City Attorney	(3.9)	4.1	0.2
Civil Service Commission	-	0.1	0.1
Other Departments	(14.2)	13.9	(0.3)
Subtotal Departments with Net Surplus	**67.3**	**70.3**	**137.6**
TOTAL	38.3	81.9	120.3

Supplemental Appropriations

In April, the last of three ordinances appropriating $125.0 million in property tax revenue (net of baseline allocations) for a host of pandemic relief purposes was finally approved. Uses include:

- $28.2 million for business registration fee waivers
- $24.8 million for small business relief
- $24.1 million to support arts and entertainment organizations
- $20.1 million for rent relief and housing stability
- $17.7 million for youth learning initiatives
- $1.6 million for overdose prevention
- $2.0 million for a family relief fund
- $6.5 million for an urgent needs reserve

In addition, the Board has approved two reserve uses:

- A supplemental appropriation of $0.2 million of General Reserve funds to waive certain Accessory Dwelling Unit (ADU) permit fees at the Department of Building Inspection.
- An appropriation of $1.9 million from the COVID Response and Economic Loss Reserve for Chinatown small business assistance. The Controller will return funds to this reserve given that federal funds have subsequently been identified as available for reimbursement.

Two ordinances appropriating funds from the COVID Response and Economic Loss Reserve have been introduced but not approved as of the issuance of this report:

- A supplemental of $12.5 million to provide free Muni for July through September 2021.
- A supplemental of $27.5 million for rent relief and social housing.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

On February 5, 2021, the Mayor approved the use of $1.9 million of COVID Response and Economic Loss Reserve to support the Human Services Agency to assist small businesses in Chinatown. However, over the course of the year, the City has identified other sources, including additional Community Development Block Grant funding and General Fund savings to support this program. Thus, the use of the COVID Reserve is no longer shown on Appendix 4 Reserves Table.

D. PROJECTED ENDING FUND BALANCE OF $157.3 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2020-21 of $157.3 million, after accounting for the use of the $125.2 million of surplus reported at the Six-Month Report.

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 5 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

NINE-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 6 presents actual overtime expenditures through the first nine months of the year. Administrative Code Section 3.17 requires select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

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 $225.9 million above Six-Month projections, of which $117.9 million is due to improvement in citywide revenue as discussed in this Appendix 1, and the remainder is due to changes in departmental General Fund revenues, notably $99.8 million in FEMA reimbursement revenue appropriated for COVID response costs following the Six-Month Report.

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

	FY 2019-20	FY 2020-21							
GENERAL FUND ($ Millions)	Year End Actual	Original Budget	Revised Budget	3-Month	6-Month	9-Month	Var Vs Rev Budget	Var Vs 6M	Note
PROPERTY TAXES	$ 2,071.9	$ 2,019.6	$ 2,162.0	$ 2,067.6	$ 2,215.2	$ 2,311.6	$ 149.7	$ 96.4	1
BUSINESS TAXES									
Business Registration Tax	10.5	80.5	52.3	74.0	74.0	41.8	(10.5)	(32.2)	
Payroll Tax	253.2	220.7	220.7	176.5	91.3	91.3	(129.4)	-	
Gross Receipts Tax	544.0	512.2	512.2	466.4	492.2	488.7	(23.5)	(3.5)	
Admin Office Tax	14.6	13.0	13.0	10.6	10.6	10.6	(2.4)	-	
Total Business Taxes	822.2	826.4	798.2	727.5	668.1	632.4	(165.9)	(35.7)	2
OTHER LOCAL TAXES							-		
Sales Tax	180.2	183.7	183.7	171.3	140.2	132.2	(51.5)	(8.0)	3
Hotel Room Tax	252.2	126.2	126.2	82.8	27.9	20.6	(105.6)	(7.2)	4
Utility Users Tax	94.2	81.1	81.1	76.5	74.2	74.2	(6.9)	-	5
Parking Tax	69.5	59.4	59.4	41.5	41.5	43.0	(16.4)	1.5	6
Real Property Transfer Tax	334.5	138.0	138.0	152.4	253.8	326.3	188.3	72.5	7
Sugar Sweetened Beverage Tax	13.2	14.0	14.0	10.5	10.5	10.5	(3.5)	-	
Stadium Admission Tax	2.8	2.5	2.5	0.0	0.0	0.2	(2.3)	0.2	
Access Line Tax	49.7	48.9	48.9	50.3	50.3	48.3	(0.6)	(2.0)	
Cannabis Tax	0.0	4.3	4.3	4.9	0.0	0.0	(4.3)	-	8
Total Other Local Taxes	996.3	658.0	658.0	590.2	598.3	655.3	(2.7)	57.0	
LICENSES, PERMITS & FRANCHISES									
Licenses & Permits	9.1	7.5	7.5	7.5	4.3	1.9	(5.6)	(2.3)	
Franchise Fee	16.0	15.6	15.6	14.1	14.1	14.7	(1.0)	0.6	
Total Licenses, Permits & Franchises	25.1	23.2	23.2	21.6	18.4	16.6	(6.6)	(1.8)	
FINES, FORFEITURES & PENALTIES	3.6	2.3	2.3	2.3	2.3	2.3	-	0.0	
INTEREST & INVESTMENT INCOME	78.8	23.5	23.5	21.9	32.4	34.7	11.2	2.3	9
RENTS & CONCESSIONS	9.7	10.9	10.9	10.9	7.7	10.9	-	3.2	

GENERAL FUND ($ Millions)	FY 2019-20 Year End Actual	FY 2020-21 Original Budget	Revised Budget	3-Month	6-Month	9-Month	Var Vs Rev Budget	Var Vs 6M	Note
INTERGOVERNMENTAL REVENUES									
Federal Government	424.1	616.7	746.4	616.7	646.6	746.4	-	99.9	10
State Government									
Health & Welfare Realignment - Sales Tax	177.9	154.4	154.4	153.5	172.7	172.7	18.3	-	
Health & Welfare Realignment - VLF	41.6	35.7	35.7	35.5	38.3	38.3	2.7	-	
Public Safety Sales Tax	103.9	97.1	97.1	103.6	103.9	107.6	10.5	3.6	
Public Safety Realignment (AB109)	41.1	36.0	36.1	33.2	38.8	38.8	2.7	-	
All Other	445.4	437.9	451.7	437.9	442.2	437.0	(14.6)	(5.2)	
Total State Grants and Subventions	809.9	761.1	774.9	763.8	796.0	794.5	19.5	(1.5)	11
Other Regional Government									
Redevelopment Agency	2.4	2.9	12.6	2.9	11.3	10.7	(1.9)	(0.6)	
CHARGES FOR SERVICES	220.8	235.5	235.6	235.5	206.3	216.2	(19.3)	10.0	
RECOVERY OF GEN. GOV'T. COSTS	12.9	21.8	21.8	21.8	21.8	21.8	-	-	
OTHER REVENUES	49.1	25.3	49.8	26.4	41.2	44.2	(5.6)	3.0	
TOTAL REVENUES	5,526.8	5,227.2	5,519.3	5,109.1	5,265.5	5,497.7	(21.5)	232.2	
TRANSFERS INTO GENERAL FUND:									
Airport Transfer In	33.5	25.1	25.1	15.2	12.3	13.2	(11.9)	0.9	12
Commercial Rent Tax Transfer In	70.0	70.0	70.0	70.0	70.0	62.7	(7.3)	(7.3)	13
Other Transfers	87.1	352.0	353.4	352.0	353.4	353.4	-	0.0	
Total Transfers In	190.6	447.1	448.6	437.2	435.7	429.3	(19.2)	(6.3)	
TOTAL GENERAL FUND RESOURCES	$ 5,717.5	$ 5,674.3	$ 5,967.8	$ 5,546.3	$ 5,701.2	$ 5,927.1	$ (40.8)	$ 225.9	

1. Property Tax

The Six-Month Report projected property tax revenue of $195.6 million above budget, of which $89.4 million was in changes to primary allocations of property tax and $106.2 million was in changes to excess ERAF. Primary allocations of property tax increased $45.0 million due to the reduction in expected property tax refunds in the current year, caused by the expiration of proposed state legislation to modify calamity reassessment criteria to include pandemics, the temporary suspension of Assessment Appeals Board hearings, and actual appeal filing data following the September 15, 2020 filing deadline. Second, supplemental and escape assessments, triggered by new construction and changes in ownership, were enrolled by the Assessor at higher rates than assumed in the budget, increasing projections by $24.5 million. Finally, the California Department of Finance (DOF) discontinued its practice of allowing redevelopment successor agencies to bank property tax increment for future reimbursement to developers mid-year and is now only approving distributions for amounts actually billed by developers, resulting in approximately $20.0 million of revenue remaining in the General Fund.

These same factors increased General Fund excess ERAF revenue by $50.2 million, in two ways. First, they increased the amount of General Fund revenues deposited into the Educational Revenue Augmentation Fund (ERAF), as the deposits are a fixed percentage of General Fund revenue. Second, they increased direct property tax allocations to the San Francisco Unified School District, San Francisco County Office of Education, and City College. As more of these entities' revenue limits are achieved through direct allocations, their distributions from ERAF are reduced, leaving more excess ERAF to be returned to the General Fund. Finally, State Controller's Office (SCO) guidance issued in February on the level of ERAF required to be distributed to charter schools increased revenue by approximately $56.0 million.

Review of these same factors push projected property tax revenues $96.4 million above Six-Month Report levels in these projections. First, as more of the fiscal year elapses we have increased certainty about appeals decisions and related refunds, increasing projected revenues by $11.6 million. While supplemental and escape revenue estimates are unchanged, DOF determinations have reduced the allocation of tax increment to the redevelopment successor agency (OCII) an additional $1.4 million. The remainder of the improvement from Six-Month, or $83.4 million, is in excess ERAF, where the most significant change is SCO guidance on the treatment of redevelopment tax increment given San Francisco's unique past allocation practices as a combined city, county, and redevelopment agency, affecting both FY 2019-20 and FY 2020-21 ERAF returned to the General Fund.

Ordinances finally approved by April appropriated $142.4 million of property tax revenue ($125.0 million net of baselines) for a host of pandemic relief purposes, and current projections are $149.7 million (6.9%) above this revised budget.

The Controller's Office will monitor state budget-related legislation introduced in the coming weeks for potential proposals intended to reduce county excess ERAF draws in both past and future periods, which would create uncertainty about future excess ERAF revenue.

2. Business Tax

Business tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes, and administrative office taxes. Due to the passage of Proposition F, the business tax overhaul on the November 2020 ballot, the payroll tax will be eliminated in tax year 2021 and offset by increases in gross receipts tax rates.

General Fund business taxes are projected to be $632.4 million in FY 2020-21, or $194.1 million (23.5%) below original budget and $189.8 million (23.1%) below prior year actual revenues. Projected business tax revenue is $35.7 million (5.3%) below the projection in the Six-Month Report due to policy changes related to the waiver or delay of business registration renewal fees.

There have been several policy changes on business registration renewal fees that led to the decline in projected revenues in this report compared to the Six-Month Report. FY 2020-21 registration fees originally due June 1, 2020 were delayed until April 30, 2021. Due to business closures and reduced economic activity, we assume collections below what was expected in 2020. Registration fees for FY 2021-22, originally due May 31, 2021, are now due June 30, 2021 for businesses with more than $25 million in gross receipts and November 1, 2021 for businesses with less than $25 million in gross receipts. Additionally, registration fees and payroll taxes were waived for entertainment and nightlife venues with less than $20 million in gross receipts and for restaurants with less than $750,000 in gross receipts.

For tax year 2021, the Treasurer-Tax Collector removed penalties on businesses that do not remit quarterly business tax prepayments by the due date. Without a penalty for late payment, some 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 uncertainty about collections in the current fiscal year. We estimate FY 2020-21 revenue will be reduced by $40 million as businesses delay payments to the next 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, such as 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 City reimposed shelter-in-place restrictions and companies have extended their telecommute policies, we have adjusted 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 will not be resolved until the end of the fiscal year.

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. Projections assume underlying economic contraction of 5% in tax year 2020.

3. Local Sales Tax

Local sales tax revenues are projected to be $132.2 million, which is $51.5 million (28.0%) below original budget and $48.0 million (26.6%) below prior year. Projections are $8.0 million (5.7%) below Six-Month Report due to correction of a recording error of an audit-related refund of $3.0 million and the recent restructuring a very large online retailer, which results in shifting sales tax previously apportioned to the City to counties with distribution centers. The estimated partial year impact of this business restructuring change exceeds $5.0 million. The decline from the original budget and the prior year actual is primarily due to the ongoing economic effects of the pandemic, which has disproportionately impacted San Francisco given its reliance on spending by travelers and in-commuters. Sales tax from the restaurant and hospitality industry, as well as fuel and services stations are weak, even with the re-opening of the economy.

4. Hotel Room Tax

Hotel taxes for all funds are projected to be $28.2 million, $128.5 million (82.0%) below budget, $253.5 million (90.0%) below prior year, and $8.1 million (22.3%) below Six-Month Report projections. General Fund hotel tax revenues are projected to be $20.6 million, $105.6 million (83.6%) below budget and $231.5 million (91.8%) below prior year revenues due to restrictions on non-essential travel. They are also $7.2 million (25.9%) below Six-Month projections, driven by impact of the COVID case surge in the winter, which further depressed hotel tax revenues.

Hotel tax is highly correlated with the hotel industry indicator revenue per available room (RevPAR), which is the combined effect of occupancy and average daily room rates. RevPAR for the first nine months of FY 2020-21 decreased to $37.6, an 81.7% drop from pre-pandemic

RevPAR of $205.4 for the same period of the prior year. However, due to hotel closures, the inventory of available hotel rooms declined significantly compared to pre-pandemic levels. Adjusted to pre-pandemic inventory levels, total room inventory (TRI) RevPAR for the first nine months of FY 2020-21 decreased to $22.5, an $89.0% drop from pre-pandemic RevPAR. Although loosened travel restrictions have led to a slow increase in RevPAR, leisure and business travel are not projected to recover to pre-pandemic levels until 2025.

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 $3.0 million, or $22.9 million (88.4%) below budget and $25.8 million (89.5%) below prior year actual revenues. An appropriation of $18.1 million has been approved to backfill a portion of this shortfall, reducing it to $4.8 million (18.4%) below budget and $7.7 million (26.6%) below prior year actual revenues as shown in Table A1.1 below. In addition, two contingency reserves of $1.0 million and $5.0 million have been established to mitigate the impact of unexpected future losses in hotel tax revenue.

Table A1.1 Hotel Tax for the Arts , FY 2020-21 Budget versus Projected Allocations ($ millions)

	Budget	9-Month	Supplemental	9-Month & Supplemental	Variance
Grants for the Arts	13.2	1.5	11.2	12.8	(0.4)
Arts Impact Endowment	2.0	0.2	0.8	1.0	(1.0)
Cultural Centers	3.1	0.4	0.6	1.0	(2.1)
Cultural Equity Endowment	5.2	0.6	4.4	5.0	(0.2)
Cultural Districts	2.4	0.3	1.1	1.4	(1.0)
Total	**25.9**	**3.0**	**18.1**	**21.1**	**(4.8)**

5. Utility Users Tax

Utility user tax (UUT) 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 and unchanged from Six-Month. Due to business capacity reductions and intermittent closures related 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 $43.0 million, which is $16.4 million (27.5%) below original budget, $26.5 million (38.1%) below prior year actual, and $1.5 million (3.6%) above the projection in the Six-Month Report. The increase from the Six-Month Report is due to stronger than expected year-to-date collections, as more people are taking trips outside the home but doing so by car rather than by transit. Collections remain depressed compared to pre-pandemic levels due to the City's shelter-in-place orders and fewer commuters, tourists and visitors. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

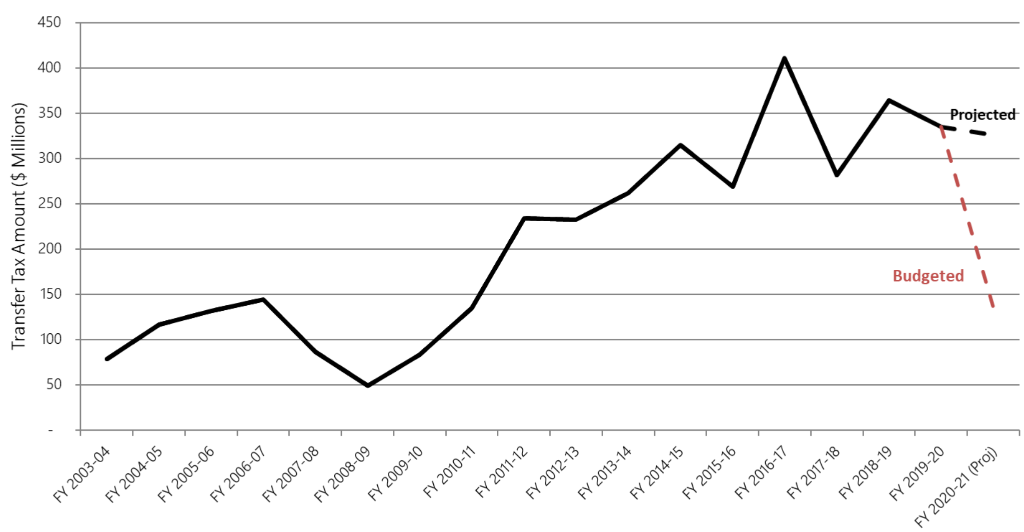
7. Real Property Transfer Tax

Real property transfer tax revenue in FY 2020-21 is projected to be $326.3 million, which is $188.3 million (136.4%) above original budget, $8.2 million (2.5%) below prior year actual revenues, and $72.5 million (28.6%) above the Six-Month estimate. The increase from the Six-Month Report is due to higher than anticipated levels of commercial real estate activity in the first nine months of the year and the passage of Proposition I in November 2020, which increased tax rates for transactions over $10.0 million. Proposition I, which took effect in January 2021, is projected to increase revenue by $58.5 million in FY 2020-21, or approximately $46.8 million after baselines. This is $32.4 million more, or $26.7 million after baselines, than the Proposition I value projected in the Six-Month Report.

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 $34.7 million, $11.2 million (47.5%) above budget and $44.2 million (56.1%) below prior year actual revenues. This is an increase of $2.3 million (7.0%) from the Six-Month projection, which was adjusted based on year-to-date performance of the Treasurer's investment pool. Projections reflect the Federal Reserve's policy of keeping interest rates within a target range of 0% to 0.25%.

10. Federal Subventions

Federal grants and subventions are projected to total $746.4 million. The $99.9 million variance from Six-Month Projections is due to the appropriation of FEMA reimbursement revenue for emergency response costs following the Six-Month Report, as disclosed to the Board of Supervisors in a memo dated April 1, 2021.

11. State Subventions

State grants and subventions are projected to total $794.5 million, $19.5 million (3.5%) above revised budget and $15.4 million (0.2%) below prior year actual revenues. The $1.5 million (0.2%) reduction from Six-Month projections is driven by strength in Public Safety Sales Tax and other grants and subventions, offset by declines in social service subventions. 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, including Health & Welfare Realignment, Public Safety Realignment, and Public Safety Sales Tax.

12. Airport Transfer In

The Airport transfers 15% of its annual concession revenue to the City's General Fund. This annual service payment is projected to be $13.2 million, which is $11.9 million (47.5%) below budget and $20.3 million (60.6%) below prior year actuals, and an $0.9 million (7%) improvement from the Six-Month projection, due to modest increases in passenger levels at San Francisco International Airport (SFO). This revenue is dependent upon lease agreements with concessionaires and passenger traffic. In April 2020, enplanements at SFO decreased by 97% from the prior year. As of March 2021, enplanements have improved but are still 78.9% below prior year overall. Confidence in the safety of resuming travel and the City's re-opening timeline are anticipated to drive the airport transfer.

13. Commercial Rent Tax Transfer In

In June 2018, voters adopted a commercial rent tax to support early childcare and education. Pursuant to the proposition, 15% percent of commercial rent tax revenue is transferred to the General Fund. Due to a projected decrease in commercial rent tax from budget, the associated transfer-in to the General Fund is reduced from $70.0 million to $62.7 million, a $7.3 million (10.4%) decrease from budget and prior projection.

Appendix 2. General Fund Department Projections

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

Note: Figures may not sum due to rounding.

GENERAL FUND ($ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	*Notes*
PUBLIC PROTECTION						
Adult Probation	42.0	42.0	-	-	-	
Superior Court	33.5	31.6	-	1.9	1.9	*1*
District Attorney	61.1	61.1	-	-	-	
Emergency Management	63.3	63.1	-	0.2	0.2	*2*
Fire Department	396.1	396.1	(7.4)	-	(7.4)	*3*
Juvenile Probation	34.6	34.2	-	0.5	0.5	*4*
Public Defender	42.6	42.0	-	0.7	0.7	*5*
Police	586.5	586.5	(0.3)	-	(0.3)	*6*
Sheriff	241.7	240.7	0.3	1.0	1.3	*7*
Police Accountability	10.7	10.2	(0.1)	0.5	0.4	*8*
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	82.6	81.9	(4.1)	1.0	(3.1)	*9*
Economic & Workforce Development	95.8	89.0	(6.7)	6.7	-	*10*
Port	9.0	7.7	(1.9)	1.3	(0.6)	*11*
Board of Appeals	1.2	1.0	(0.2)	0.2	-	*12*
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	27.6	27.6	-	-	-	
Human Services Agency	979.7	946.3	1.0	32.8	33.8	*13*
Human Rights Commission	9.7	9.5	-	0.3	0.3	*14*
Homelessness and Supportive Housing	216.4	209.6	-	6.8	6.8	*15*
Status of Women	10.9	10.8	-	-	-	
COMMUNITY HEALTH						
Public Health	1,302.9	1,302.7	83.6	0.2	83.8	*16*
CULTURE & RECREATION						
Asian Art Museum	10.1	10.1	-	-	-	
Arts Commission	8.9	8.9	-	-	-	
Fine Arts Museum	18.0	17.9	-	-	-	
Law Library	2.0	1.9	-	-	-	
Recreation and Park Department	102.1	96.0	(9.5)	6.1	(3.4)	*17*
Academy of Sciences	5.8	5.8	-	-	-	
War Memorial	6.8	6.8	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	129.1	125.1	(2.3)	4.0	1.7	*18*
Assessor/Recorder	27.1	27.1	0.9	-	0.9	*19*
Board of Supervisors	19.0	18.6	-	0.4	0.4	*20*
City Attorney	93.8	89.7	(3.9)	4.1	0.2	*21*
Controller	86.8	85.9	-	0.9	0.9	*22*
City Planning	52.5	46.5	(6.0)	6.0	-	*23*
Civil Service Commission	1.3	1.2	-	0.1	0.1	*24*
Ethics Commission	4.8	4.4	-	0.5	0.5	*25*
Human Resources	29.4	26.5	(4.5)	2.9	(1.7)	*26*
Health Service System	12.5	12.3	(0.3)	0.3	-	*27*
Mayor	81.9	80.3	-	1.6	1.6	*28*
Elections	23.9	23.9	0.1	-	0.1	*29*
Technology	4.6	3.8	(0.8)	0.8	-	*30*
Treasurer/Tax Collector	38.7	38.4	(1.3)	0.3	(1.0)	*31*
Retirement System	2.8	2.8	-	-	-	
GENERAL CITY RESPONSIBILITY	202.9	202.9	2.0	-	2.0	*32*
TOTAL GENERAL FUND	**5,212.6**	**5,130.2**	**38.3**	**81.9**	**120.3**	

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. Superior Court

The Superior Court projects $1.9 million in expenditure savings in the Indigent Defense program due to the reduced level of jury trials as a result of COVID-19.

2. Emergency Management

The Department of Emergency Management projects to end the fiscal year with $0.2 million in net savings, due to projected savings of $0.8 million in salaries and fringe benefits, offset by deficits of $0.4 million in services provided by the Sheriff's Department and $0.2 million in services provided by the Department of Human Resources for Worker's Compensation claims.

3. Fire Department

The Fire Department projects to end the fiscal year with a $7.4 million inspection fee revenue shortfall. 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 $0.5 million. Expenditure savings of $0.1 million in personnel and $0.9 million in non-personnel services and materials and supplies, due to a below average population in Juvenile Hall, are offset by $0.6 million in spending beyond budget for worker's compensation.

5. Public Defender

The Public Defender's Office projects to end the fiscal year with a net surplus of $0.7 million due to expenditure savings of $0.4 million in salaries and fringe benefits and $0.2 million in non-personnel services due to slower timing of court trials resulting in lower than expected spending for expert witness and transcription services. The department projects additional savings of $0.1 million in worker's compensation claims costs.

6. Police

The Police Department projects a revenue deficit $0.3 million in fines and fees and expenditures on budget, resulting in a $0.3 million net operating shortfall.

7. Sheriff

The Sheriff's Department projects to end the fiscal year with an operating surplus of $1.3 million, comprised of $0.3 million in surplus revenue and $1.0 million in expenditure savings. The revenue surplus of $0.3 million is from revenue for boarding prisoners from other counties. A net expenditure surplus of $1.0 million is due to debt service savings of $1.3 million from the San Bruno Jail replacement project, offset by an expenditure deficit of $0.3 million from operations mainly from unbudgeted response costs related to COVID-19 and civil unrest.

8. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a $0.4 million surplus given $0.5 million in savings from staff vacancies slightly offset by a $0.1 million shortfall in recoveries from other departments.

9. Department of Public Works

The Department of Public Works projects to end the year with a net $3.1 million shortfall. Revenues are projected to be $4.1 million below budget including a $0.4 million permit fee revenue deficit due to fee waivers, a $2.2 million shortfall in current year Bureau of Street Use and Mapping (BSM) revenues as a result of the pandemic, and a $1.5 million reduction in net revenue in BSM due to prior year permit revenues that are not expected to be collected from permit applicants. The department projects an expenditure savings of $1.0 million from savings in personnel and City grant spending.

10. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year on budget. A projected $6.7 million shortfall in developer exaction revenue will be offset by $6.7 million in expenditure savings.

11. Port

The Port projects ending the year with a net shortfall of $0.6 million in the General Fund. Expenditure savings of $1.3 million are more than offset by a $1.9 million shortfall in revenue expected from the Office of Community Investment and Infrastructure (OCII) for the Mission Bay Ferry Landing Project.

12. Board of Appeals

The Board of Appeals projects to end the year on budget. Lower than budgeted surcharge revenues of $0.2 million are projected to be offset by expenditure savings of $0.2 million in salary and fringe benefits, non-personnel services, and materials and supplies.

13. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of $33.8 million, comprised of a $1.0 million revenue surplus and a $32.8 million expenditure savings, as shown in Table A2-2. This represents a $1.2 million decline from the savings projected in the Six-Month Report.

In aid payments, the department projects a net $8.5 million surplus, comprised of $26.2 million in expenditure savings, offset by a $17.6 million revenue deficit. The expenditure savings are primarily due to delayed implementation of wage increases and lower contract mode hours, health and dental benefit rates for In-Home Supportive Services (IHSS), and Maintenance of Effort requirement for IHSS, as well as lower than anticipated caseloads in County Adult Assistance Programs (CAAP), 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. Revenues in the IHSS, CAAP, CalWORKs and Foster Care Child Care Assistance programs are tied to expenditures -- the revenue shortfall is due to the lower than budget claimable expenditures in these programs.

For the department's operations and administration, a net $25.3 million surplus is projected, comprised of a $18.6 million revenue surplus and $6.6 million in expenditure savings. The revenue surplus is primarily due to State funding increases in General Operations and Special Projects ($15.7 million), Medi-Cal ($5.6 million), Food Stamps Eligibility, Employment and Training programs ($4.5 million), and Aging and Adult Services ($2.5 million), offset by decreases in County Adult Assistance Programs ($2.5 million), Child Welfare services ($1.6 million), CalWORKs and Workforce Development ($1.5 million) and other programs ($4.1 million). Expenditure savings are primarily due to $8.0 million underspending in Child Welfare services, based on vacancies and a shift in the allocation of staff time to other program activities, $7.5 million in savings in Medi-Cal due to redetermination, recertification, and/or reapplication (RRR) waivers during the pandemic, $6.7 million savings in CalWORKs, due to lower employment services during the pandemic and corresponding non-personnel and administrative spending, and $0.9 million underspending in other program. These expenditure savings are offset by additional spending in Food Stamps Eligibility, Employment & Training ($7.7 million), Aging and Adult Services ($5.7 million) and County Adult Assistance Programs ($3.2 million) in response to the increased and changing needs of vulnerable populations that have been more severely impacted during this pandemic.

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

	Revenue Surplus / (Deficit)	Expenditure Surplus / (Deficit)	Net Surplus / (Deficit)
Aid Payments			
In Home Supportive Services	(13.5)	16.8	3.3
Great Plates Feeding	-	(8.0)	(8.0)
County Adult Assistance Programs	(0.7)	11.6	10.9
CalWORKs	(2.3)	2.1	(0.2)
Foster Care & Foster Care Child Care Assistance	(0.9)	3.3	2.4
All Other Aid Programs	(0.3)	0.5	0.2
Subtotal, Aid Payments	**(17.6)**	26.2	**8.5**
Operations & Administration			
Aging & Adult Services	2.5	(5.7)	(3.2)
CalWORKs and Workforce Development	(1.5)	6.7	5.2
Child Welfare	(1.6)	8.0	6.5
County Adult Assistance Programs	(2.5)	(3.2)	(5.7)
Food Stamps Eligibility, Employment & Training	4.5	(7.7)	(3.2)
General Operations & Special Projects	15.7	-	15.7
Medi-Cal	5.6	7.5	13.2
All Other Programs	(4.1)	0.9	(3.2)
Subtotal, Operations & Administration	**18.6**	**6.6**	**25.3**
Total	**1.0**	**32.8**	**33.8**

14. Human Rights Commission

The Human Rights Commission projects net savings of $0.3 million, primarily in salary and mandatory fringe benefits savings due to delays in filling vacant positions.

15. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of $6.8 million due spending less than budget. Expenditure savings are projected in personnel costs, $0.1 million, and contractual services of $6.7 million as a result of shelter closures required by the public health emergency and delays in starting new services funded in the FY 2020-21 budget.

16. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of $83.8 million. Overall department revenues are projected to be $83.6 million above budget, and expenditures are projected to have $0.2 million in savings. This represents a $13.8 million improvement from projections in the Six-Month Budget Status Report.

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

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	$ 7.5	$ (21.1)	$ (13.6)
Laguna Honda Hospital	$ 8.9	$ 10.2	$ 19.0
Zuckerberg San Francisco General Hospital	$ 67.3	$ 11.1	$ 78.4
Total	**$ 83.6**	**$ 0.2**	**$ 83.8**

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 $7.5 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, an $11.5 million surplus in Short Doyle Medi-Cal revenue and a surplus of $4.5 million in state 1991 realignment sales tax revenues, which were 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 $26.5 million shortfall in other State or miscellaneous operating revenue mainly due to deactivated funds from the San Francisco Health Plan.

An expenditure deficit of $21.1 million is mainly due to $29.3 million of the reassignment of personnel costs from DPH operations to the COVID-19 project into the Public Health Administration division to track internal redeployments of pre-existing staff from other divisions within the public health general fund as well as Zuckerberg San Francisco General and Laguna Honda Hospital. The projected $65.7 million in overspending personnel costs incurred in the

Health Administration Division is offset by personnel savings of $11.2 million in the Health Network Division, $9.7 million in the Population Health Division, $7.1 million in the Behavioral Health Division, and $7.1 million in the Primary Care Division. The remaining salary and mandatory fringe benefits shortfall in the public health funds are offset by savings at Laguna Honda Hospital and Zuckerberg San Francisco General, as described below. The department as a whole is currently projected to have a negative variance of $3.5 million for salary and mandatory fringe benefits.

Overspending in personnel costs and increased costs for services from other departments are projected to be partially offset by savings of $6.0 million in non-personnel contracts and $2.6 million in materials and supplies.

Laguna Honda Hospital

The Department projects $19.0 million surplus at Laguna Honda Hospital, comprised of a $8.9 million revenue surplus and $10.2 million in expenditure savings. A $12.6 million increase in revenues is primarily due to better than expected Medi-Cal Nursing Facility reimbursement rates as a part of a State emergency waiver request, and a temporary increase in the Federal Medical Assistance Percentage (FMAP) rate as part of the Federal Stimulus package. These surplus revenues are partially offset by a shortfall of $2.3 million in Medicare revenue, $0.8 million in other patient revenue, and $0.6 million in other operating revenue. Expenditure savings are mainly due to $8.4 million in less salary and mandatory fringe benefit savings at Laguna Honda Hospital due to staffing shifted to COVID-19 response to the public health general fund and $2.1 million savings in materials and supplies, offset by $0.3 million in spending beyond budget for non-personnel services.

Zuckerberg San Francisco General Hospital

The Department projects a $78.4 million surplus at Zuckerberg San Francisco General Hospital (ZSFG), comprised of a $67.3 million revenue surplus and $11.1 million in expenditure savings. The revenue surplus is largely due to the release of $51.7 million from the Public Health Management Reserve. Additionally, on December 27, 2020, the president signed H.R.133 - Consolidated Appropriations Act 2021, which delayed reductions in federal Medicaid Disproportionate Share Hospital (DSH) payments for Medicaid and uninsured uncompensated patient costs to hospitals from December 19, 2020 to September 30, 2023. 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 $31.6 million above budget due to higher than expected patient volumes, and a $4.9 million surplus in state 1991 realignment sales tax revenues. The surplus is offset by a $21.4 million decrease in Medicaid Managed Care revenue due to the payment transition timing of the Public Hospital Redesign and Incentives in Medi-Cal Program (PRIME) into the Quality Incentive Program (QIP).

Expenditures are projected to be $11.1 million under budget. Personnel cost savings of $17.4 million savings are projected, due to costs being reassigned to the Public Health Administration Division. Additional savings of $2.0 million in services from other departments, and $0.5 million savings in debt service payments are offset by $4.7 million overspending in non-personnel contracts and $4.1 million more than budget in materials and supplies.

17. Recreation and Parks Department

The department projects a net $3.4 million General Fund shortfall, comprised of a revenue shortfall of $9.5 million partially offset by $6.1 million in salary and fringe benefit savings. The projected shortfall in rent, concession, and service charge revenues is due to closure of recreational facilities and cancellation of events for public health reasons.

18. City Administrator

The City Administrator projects to end the year with a net operating surplus of $1.7 million. A projected revenue shortfall of $2.3 million is comprised of a $1.6 million shortfall in marriage fee revenue at the County Clerk and a $0.7 million shortfall in Entertainment Commission fee revenue due to refunds and fee waivers. Revenue losses are offset by $4.0 million in expenditure savings, including $1.7 million in personnel costs from position vacancies and $2.3 million in debt service savings.

19. Assessor Recorder

The Assessor Recorder projects a $0.9 million revenue surplus due to an increase in recording fees related to a stronger than expected refinancing market.

20. Board of Supervisors

The Board of Supervisors projects a net $0.4 million surplus, due to approximately $0.4 million in expenditure savings in salary and fringe benefits.

21. City Attorney

The City Attorney's Office projects to end the year with a net operating surplus of $0.2 million. A revenue shortfall of $3.9 million is due to projected recoveries below budget from the Department of Building Inspection and the Department of Human Resources. Expenditure savings of $4.1 million are comprised of $3.4 million in unspent budget from the prior year, $0.4 million in salary and fringe benefits savings, and a $0.1 million in non-personnel savings.

22. Controller

The Controller's Office projects to end the year with a net surplus of $0.9 million, due to salary and fringe benefit savings from vacant positions.

23. City Planning

City Planning projects to end the year on budget. A revenue shortfall of $6.0 million is due to a shortfall of $1.1 million in recoveries from other departments, including a $0.7 million less from the Airport and Port due to delays in environmental review projects. Additionally, $4.9 in reduced building permit revenue is projected. Expenditure savings of $6.0 million are projected due to $3.9 million in salaries and fringe benefits savings from vacant staff positions, $1.7 million less than budgeted expenditures for services from other departments, and $0.4 million savings in materials and supplies. Overall revenue projections have improved since the Six-Month Report because the department anticipates increased permit revenue with the resumption of in-person service at the Permit Center.

24. Civil Service Commission

The Civil Service Commission expects a surplus of $0.1 million due to savings in salary and fringe benefits from delayed hiring.

25. Ethics

The Ethics Department projects $0.5 million in salary and fringe benefits cost savings due to delays in filling position vacancies.

26. Human Resources

The Department of Human Resources projects a net deficit of $1.7 million, due to a net revenue shortfall of $4.5 million partially offset by expenditure savings of $2.9 million. The revenue shortfall is due to projected recovery deficits from other departments for client services and workforce development support. Expenditure savings include $0.3 million in salaries and fringe benefits, $1.0 million from a project with the San Francisco Housing Authority, and $1.8 million from unspent labor negotiations budget, as bargaining did not occur this year as initially expected. These savings were slightly offset by $0.3 million in projected spending above budget for services from other departments.

27. Health Service System

The Health Service System projects to end the year on budget. A revenue shortfall of $0.3 million in unused employee flexible spending accounts is offset by $0.3 million in savings in salaries and fringe benefits and nonpersonnel services.

28. Mayor

The Mayor’s Office of Housing and Community Development projects a $1.6 million surplus due to $1.0 million expenditures duplicated in a housing project budget and $0.6 million savings in grant spending resulting from delayed grant issuance during the pandemic.

29. Elections

The Department of Elections projects to end the year with a net surplus of $0.1 million, due to higher than expected reimbursements from BART, Caltrain, SFUSD, and City College for election services.

30. Department of Technology

The Department of Technology projects to end the year on budget given a $0.8 shortfall in revenue from other departments offset by $0.8 million in expenditure savings, largely in salaries and fringe benefits and unspent project budgets from prior years.

31. Treasurer/Tax Collector

The Treasurer/Tax Collector projects a net year-end deficit of $1.0 million. A $1.3 million revenue shortfall due to payment 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 $2.0 million due to $0.9 million in SB90 state reimbursements and a $1.1 million payment in lieu of taxes received via the redevelopment successor agency (OCII). A balance of $15.9 million for minimum wage increases is assumed to be spent in the upcoming budget year.

Appendix 3. COVID Emergency Response Revenues & Expenditures

Table A3.1 provides the updated revised budget and projections for COVID projects across five central departments providing emergency response services: Department of Public Health, Department of Homelessness and Supportive Housing, Human Services Agency, Department of Emergency Management, and Department of Public Works. Revisions to the budget include authority shifted from departmental operating budgets, additional funding allocated mid-year from the state and special revenue sources, and additional Federal Emergency Management Agency (FEMA)-backed expenditure authority.

We project a General Fund surplus of $106.1 million in the COVID emergency response budget, partially offset by $53.1 million for claiming eligibility and potential disallowances of the City's FEMA-eligible expenses. The remaining $53.0 million will partially offset the cost of continuing response activities in FY 2021-22, which was not anticipated in the previously approved FY 2021-22 budget.

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

	Revised Budget				9-Month Projections				Surplus/ (Deficit)		
Department - Project	**Exp**	**FEMA**	**Special Rev**	**General Fund**	**Exp**	**FEMA**	**Special Rev**	**General Fund**	**General Fund**	**Special Rev**	**Total**
FY 2019-20 Increased FEMA Reimbursement									16.5	1.8	18.3
DEM - COVID Command, Joint Info & Oth.	15.5	7.7	-	7.7	17.9	16.4	-	1.5	6.2	-	6.2
DEM/DPH - Vaccination	3.4	3.4	-	-	26.8	26.8	-	-	-	-	-
DPH - Isolation & Quarantine	19.5	8.3	-	11.2	22.3	7.4	-	14.9	(3.7)	-	(3.7)
DPH - PPE & Scarce Resources	63.6	-	-	63.6	35.7	-	22.8*	12.9	50.7	-	50.7
DPH - Testing	63.0	28.0	-	35.1	57.8	38.5	-	19.3	15.8	-	15.8
DPH - All Other	125.2	41.9	7.0	76.3	126.3	60.6	7.0	58.7	17.7	-	17.7
DPW - Expanded Pit Stops & Oth.	17.5	8.0	-	9.5	14.1	3.3	-	10.8	(1.3)	-	(1.3)
HOM - SIP Hotels	278.9	196.9	77.0	5.0	212.8	194.8	18.0	-	5.0	59.1	64.0
HOM - RVs, Shelter & Safe Sleeping	52.1	19.5	28.0	4.6	36.6	6.4	26.9	3.3	1.3	1.1	2.4
HOM - Medical Support, Staffing, Oth.	9.5	7.3	0.4	1.8	1.3	-	0.4	0.9	0.9	-	0.9
HSA - Feeding	74.5	25.8	3.9	44.8	81.1	30.9	2.5	47.7	(2.9)	-	(2.9)
Subtotal									**106.1**	**62.0**	**168.2**
Offset for Potential Claiming and Disallowances						*(53.1)*			*(53.1)*	-	*(53.1)*
Available for Continuing COVID Response									*(53.0)*	*(62.0)*	*(115.0)*
Total	**722.7**	**346.8**	**116.3**	**259.5**	**632.6**	**332.0**	**77.6**	**169.9**	**0.0**	**-**	**0.0**

* The Six-Month Report showed CARES Provider Relief Fund (PRF) as a separate programmatic line. Budgeted revenues of $44.9 million are now projected at $67.7 million given additional allocations. The budgeted amount of $44.9 million is assumed realized and is reflected in the Department of Public Health's operating budget in Appendix 2. The additional $22.8 million is reflected as an offset to the Department of Public Health's PPE costs in this table.

Consistent with the Six-Month Report, FEMA revenue projections reflect changes to reimbursement levels announced by the Biden Administration and summarized in a memo from FEMA issued February 3, 2021, which increased the federal reimbursement rate for costs previously determined eligible from 75% to 100% for the period January 2020 through September 30, 2021. The City has submitted the first claim for FY 2020-21 expenditures covering the period of July 1, 2020 through September 18, 2020.

The offset for potential claiming eligibility and disallowances is assumed at 13% of total projected FEMA revenues, up from 10% assumed in the Six-Month Report, due to lower-than-expected initial claim certifications for FY 2019-20 and preliminary feedback from FEMA regarding early submitted claims. The City's emergency response includes serving clients that do not meet FEMA eligibility criteria and providing services outside the scope of those currently covered by FEMA, therefore, FEMA revenue projections reflect the assumption that those expenditures remain ineligible for reimbursement and are borne by local sources. In addition, the City is in the process of confirming that costs related to unoccupied surge capacity in isolation and quarantine facilities and program ramp up costs of SIP facilities will be reimbursed.

We project that the City will have incurred FEMA-eligible costs totaling $462.4 1 million by the end of this fiscal year, including $77.3 million incurred in the prior fiscal year. Of this total, the City has submitted claims of $154.9 million to date, of which FEMA has approved and obligated $23.7 million as of today. The balance of $438.7 million remains subject to both timing and approval risks.

Details about COVID response services and major known revenue and expenditure changes since the Six-Month Report are described below:

1. Department of Public Health (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 others.

- **Vaccination**. DPH is partnering with the Department of Emergency Management (DEM) in leading the City's vaccination distribution efforts in high-volume settings, community-based sites, and City-run clinics. The increased costs versus prior projections are due to expanded access to vaccination, which includes contract costs for community vaccination sites, mobile teams, and temporary hires for vaccination outside of high-volume sites.
- **Testing.** Reduced expenditure projections are due a decreased in demand for testing as well as an increased anticipated offset from insurance billing.
- **Personal Protective Equipment (PPE)** Projections have been updated to better reflect expected use of prior year funds for PPE. The department projects $22.8 million of CARES Act PRF funding to be claimable to this project.
- **Delays in Hiring and Reduced Impact of Surge.** Prior projections across multiple project areas anticipated the costs of additional temporary and contracted staff that did not come to pass. Instead, functions were supported by existing staff in disaster service worker deployments. Additionally, refinements informed by actual expenditures during the winter surge have resulted in lower projected expenditures due to the surge compared to the Six-Month Report.

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.** As reported in the 6-Month Report, 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 six out of every ten rooms vacated by an existing client in December 2020. This ordinance was amended and went into effect March 12,

2021. The revised legislation requires the City to make available 2,200 rooms to clients through May 11, 2021. The current expenditure projections reflect the implementation of the revised ordinance through the end of the fiscal year. While this program benefits from the increased federal reimbursement rate for eligible costs, the program provides enhanced services beyond expenditures that are FEMA reimbursable 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 mid-year allocation from the state's Project Roomkey program of $10.1M and $18.1M from the Proposition C Our City, Our Homes fund. This program is anticipated to continue into FY 2021-22 and unexpended funds from the FY 2020-21 budget are assumed to partially offset those new costs.

- **Congregate Shelter and Safe Sleeping Program**. As noted in the Three-Month and Six-Month Reports, congregate shelter and Safe Sleeping are not expected to receive FEMA support. A mid-year allocation of $5.0 million from the Proposition C Our City, Our Homes fund, in addition to the $5.9 million originally budgeted 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. Cost projections for the Moscone congregate shelter program now include anticipated demobilization at the end of the fiscal year.

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 neighborhood-based food distribution programs; 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. Unlike other feeding programs, the Great Plates program is currently subject to monthly extensions by FEMA. Projections assume the continuation of the program through the end of the fiscal year, although its current extension is only through May 7, 2021. Projections also reflect the appropriation of $1.9 million to support restaurant and food service businesses in Chinatown by the Board of Supervisors, which was approved by the Mayor on February 5, 2021. Those funds are expected to be fully expended.

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. Revised guidance from FEMA requires service populations to meet increased COVID risk criteria, therefore, the majority of Pit Stop expansion costs are not expected to be eligible for federal reimbursement. Additionally, projections include the anticipated costs and related FEMA reimbursement for Public Works staff supporting COVID response and recovery projects.

5. Department of Emergency Management (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. Costs associated with high-volume vaccination centers, including the one based at Moscone, are reflected in the DEM/DPH – Vaccination line in table A3.1. Higher than anticipated FEMA eligibility of costs offsets increased projected expenditures and drive the program's $6.2 million projected surplus.

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 A4-1 and discussed in detail below. Table A4-1 also includes anticipated deposits and withdrawals.

Table A4-1. Reserve Balances ($ millions)

	FY19-20	FY 2020-21			FY 2021-22			
	Ending Balance	Deposits	Withdrawals	Projected Ending Balance	Deposits	Withdrawals	Projected Ending Balance	Note
General Reserve	78.5	-	(0.2)	78.3	6.8	-	85.2	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
Subtotal Economic Stabilization Reserves	536.8	-	(156.5)	380.3	-	(187.9)	192.4	
Percent of General Fund Revenues	10.0%			6.9%			3.3%	
COVID Response and Economic Loss Reserve	507.4	-	-	507.4	-	-	507.4	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 Reserve	2.0	-	-	2.0	-	-	2.0	
Mission Bay Transportation Improvement Fund - Overlapping Event Reserve	1.0	-	-	1.0	-	-	1.0	
Urgent Needs Reserve	-	6.5	-	6.5	-	-	6.5	
Hotel Tax Loss Contingency Reserve	-	6.0	-	6.0	-	-	6.0	
Subtotal	711.7	161.5	(85.2)	788.0	-	(149.0)	639.0	
Annual Operating Reserves								
Litigation Reserve	49.2	11.0	(60.2)	-	11.0	(11.0)	-	
Salary and Benefits Reserve	25.4	23.5	(48.8)	-	35.5	(35.5)	-	7
Annual Operating Reserves	74.6	34.5	(109.0)	-	46.5	(46.5)	-	
Total, All Reserves	1,323.1	196.0	(350.7)	1,168.4	46.5	(383.4)	831.5	

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, in 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 was $78.5 million. In FY 2020-21, $0.2 million of General Reserve has been approved for use by the Board of Supervisors to waive building inspection fees for certain accessory dwelling unit projects.

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. The Charter 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% is now deposited to the City Reserve and 25% to the School Reserve.

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

2. 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 was $307.8 million and the Budget Stabilization One Time Reserve was $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 FY 2020-21. This report assumes the budgeted level of withdrawal. No withdrawal from the Budget Stabilization One Time Reserve is projected.

3. 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 February 5, 2021, the Mayor approved the use of $1.9 of COVID Response and Economic Loss Reserve to support the Human Services Agency to assist small businesses in Chinatown. However, over the course of the year, the City has identified other sources, including additional Community Development Block Grant funding and General Fund savings to support this program. Additionally, an ordinance appropriating $12.5 million of the reserve to the Municipal

Transportation Agency to fund free transit for July through September 2021 has been introduced at the Board of Supervisors but is still pending, as has an ordinance appropriating $27.5 million of the reserve for rent relief and social housing. Neither reserve use is shown on Table A4-1.

4. 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). The previously approved FY 2021-22 budget spent this balance.

5. 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. This release is included in the revenue surplus reported for the Department of Public Health in Table A2-3 above.

6. Salary and Benefits Reserve

Section 10.4 of the administrative provisions of the AAO authorizes the Controller to transfer funds from this reserve to adjust appropriations for employee salaries and mandatory fringe 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 $0.3 million to departments and anticipates transferring an additional $48.5 million by year-end, as detailed in Table A4-2. Given the significant increase in reserve allocations to the Fire Department in recent years, we project any remaining balance in the reserve will be needed to address the department’s needs in the budget year.

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

Sources	
Adopted AAO Salary and Benefits Reserve	**23.5**
Carryforward balance from FY19-20	25.3
Total Sources	**48.8**
Uses	
Transfers to Departments	
Visual Display Terminal Insurance (Q1 and Q2)	0.1
Police Department - recruitment	0.3
Transfer to Departments	**0.3**
Anticipated Allocations	
Fire Department	28.9
Police Department	5.2
Sheriff	12.4
District Attorney	0.9
Training, Tuition & Reimbursements	1.1
Anticipated Allocations	48.5
Total Projected Uses in the Current Year	**48.8**
Anticipated Uses in the Budget year	-
Net Surplus/(Shortfall)	-

Appendix 5. Other Funds Highlights

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

	Prior Year		FY 2020-21					FY 2021-22	
	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	*Notes*
SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS									
Building Inspection Operating Fund	$ 20.6	$ 27.2	**$ (6.7)**	$ 5.1	$ 6.0	$ 11.1	**$ 4.4**	$ 14.5	*1*
Children and Youth Fund	5.9	3.4	**2.6**	7.5	0.4	7.9	**10.4**	-	*2*
Public Education Early Care Fund (OECE)	2.1	3.0	**(0.9)**	1.0	-	1.0	**0.1**	-	*3*
Public Education Special Fund (SFUSD)	10.8	-	**10.8**	2.0	-	2.0	**12.8**	-	*4*
Convention Facilities Fund	26.3	24.9	**1.5**	(14.7)	15.5	0.8	**2.3**	1.4	*5*
Golf Fund	6.6	-	**6.6**	-	-	-	**6.6**	-	
Marina Fund	(2.5)	-	**(2.5)**	(0.4)	0.4	-	**(2.5)**		*6*
Library Preservation Fund	21.0	3.8	**17.2**	7.3	1.6	8.9	**26.1**	-	*7*
Local Courthouse Construction Fund	1.1	1.2	**(0.1)**	0.1	-	0.1	**0.0**	-	*8*
Open Space Fund	20.3	0.8	**19.5**	4.6	3.0	7.6	**27.1**	2.8	*9*
Telecomm. & Information Systems Fund	1.9	-	**1.9**	(6.3)	11.4	5.1	**7.1**	-	*10*
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**	-	*11*
War Memorial Fund	3.1	0.8	**2.4**	0.4	-	0.4	**2.8**	0.8	*12*
Election Campaign Fund	7.0	-	**7.0**	-	(2.8)	(2.8)	**4.2**	-	*13*
Gas Tax Fund	5.9	1.9	**4.0**	(1.7)	2.1	0.3	**4.3**	1.1	*14*
Neighborhood Beautification Fund	0.9	-	**0.9**	(1.0)	1.0	-	**0.9**	-	*15*
Traffic Congestion Mitigation Fund (TNC Tax)	5.3	0.0	**5.3**	(6.8)	1.5	(5.3)	**(0.0)**	-	*16*
Culture and Recreation Hotel Tax Fund	0.0	-	**-**	(4.8)	4.8	-	**-**	-	*17*
Children and Families Commission	16.6	3.2	**13.3**	(1.4)	2.9	1.5	**14.8**		*18*
Inmate Welfare Fund	2.3	1.7	**0.6**	-	(0.1)	(0.1)	**0.5**	-	*19*
Street Tree Maintenance Fund	0.6	-	**0.6**	0.5	1.5	2.0	**2.6**	3.4	*20*
Public Works Overhead Fund	7.6	8.8	**(1.2)**	1.0	6.1	7.1	**5.9**	8.7	*21*
Public Works Paid Time Off Fund	1.1	2.9	**(1.8)**	5.7	(1.5)	4.2	**2.4**	2.2	*22*
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	-	0	**-**	85.5	-	85.5	**85.5**	-	23
Babies and Families First Fund (Commercial Rents Tax)	-	0	**-**	37.7	7.3	45.0	**45.0**	-	24
Real Estate Fund	5.3	0.2	**5.0**	(5.6)	5.6	-	**5.0**	0.2	*25*
Museum Admissions Fund	(2.7)	0.0	**(2.8)**	(0.9)	0.3	(0.6)	**(3.3)**	0.0	*26*
SELECT ENTERPRISE FUNDS									
Airport Operating Funds	$ 116.7	$ 77.2	**$ 39.5**	$ (356.8)	$ 383.0	$ 26.2	**65.7**	$ -	*27*
MTA Operating Funds	332.6	147.5	**185.0**	(261.2)	261.2	-	**185.0**	39.1	*28*
Port Operating Funds	68.3	55.1	**13.2**	10.3	6.6	16.8	**30.0**	8.5	*29*
PUC Hetch Hetchy Operating Funds	44.2	-	**44.2**	(3.9)	41.3	37.4	**81.6**	-	*30*
PUC Wastewater Operating Funds	211.3	12.1	**199.3**	(23.9)	19.7	(4.2)	**195.1**	-	*31*
PUC Water Operating Funds	230.4	27.8	**202.6**	(10.6)	14.6	4.0	**206.6**	22.8	*32*
PUC Clean Power Funds	29.0	-	**29.0**	(16.3)	19.8	3.5	**32.5**	-	*33*

SELECT SPECIAL REVENUE & INTERNAL SERVICE 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 $11.1 million and an ending balance of $4.4 million. A $5.1 million revenue surplus is projected due to growth in plan checking, building and electrical permit revenues. Expenditures are projected to be $6.0 million under budget due to savings of $1.3 million in salary and fringe benefits, $2.8 million in non-personnel services, $0.6 million in materials and supplies, and $0.6 million in community based-organization service costs.

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 $4.4 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 had a beginning fund balance of $2.6 million. A projected revenue surplus of $7.5 million due primarily to increases in property tax allocations and expenditure savings of $0.4 million in personnel costs result in a net operating surplus of $7.9 million and an ending fund balance of $10.4 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. An operating surplus of $1.0 million is projected due to the increase in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund. As a result, the Fund is estimated to have an ending balance of $0.1 million.

4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of $10.8 million. Revenues are expected to be $2.0 million above budget, reflecting increases in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in a $12.8 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 $0.8 million is projected due better-than-expected interest earnings, savings from cost of issuance, and improved year-to-date Moscone Expansion District collections. As a result, available balance is projected to be $2.3 million.

6. Marina Fund

The Marina Fund began the year with an abnormal balance of $2.5 million. A projected revenue shortfall of $0.4 million in berth and mooring fees is offset by net expenditure savings of $0.4 million, comprised of $0.8 million spending beyond budget in salaries and fringe benefits and overhead, offset by savings in facilities maintenance projects and unspent budget from the prior year. This will result in no change to the projected abnormal balance. The Controller's Office will work with the department to review expenditures to address the shortfall in the current year, and to balance the fund in the upcoming year budget submission.

7. Library Preservation Fund

The Library Preservation Fund began with a balance of $17.2 million. The Library projects a net revenue surplus of $7.3 million, due to increased General Fund support resulting from higher ADR and property tax allocations. The Department projects expenditure savings of $8.0 million largely in salaries and fringe benefits costs and services from other departments, offset by the General Fund baseline return of $6.4 million. The resulting net operating surplus of $6.9 million will lead to a projected ending balance of $26.1 million.

8. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began with a negative balance of $0.1 million. Revenues are expected to be $0.1 million greater than budget and expenditures are expected to be on budget, resulting in an ending balance of $0. This fund will be closed at the end of the fiscal year, after the final debt service payment on courthouse construction bonds is made in April 2021, and any remaining balance will be returned to the General Fund.

9. 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 $4.6 million due to projected increases in property tax allocations, and expenditure savings of $3.0 million in salary and benefit costs. As a result, the fund is projected to have a net operating surplus of $7.6 million and ending fund balance of $27.1 million, of which, $2.8 million was used in the previously adopted FY 2021-22 budget.

10. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the year with a balance of $1.9 million. A net operating surplus of $5.1 million is projected in the current year, comprised of a net revenue shortfall of $6.3 million, offset by $11.4 million in expenditure savings. The fund is projected to end the year with a balance of $7.1 million.

The revenue shortfall is a result of $8.3 million in lower projected recoveries from services performed for other departments due to less work performed in the current year that will continue in the next budget year; and $0.2 million less revenue than budgeted for fiber leases and rental payments. This shortfall is partially offset by $2.2 million in additional revenue from unbudgeted settlement payments for telephone services. The net expenditure surplus of $11.4 million is primarily due to $1.5 million savings in salaries and mandatory fringe benefits, $1.4 million savings in overhead costs, $1.8 million in non-personnel services savings, $1.1 million savings in materials and supplies, and $5.7 million in savings due to spending below budget on large multi-year projects such as the MTA's Central Subway, Emergency Radio Replacement, and Voice Over Internet Protocol (VOIP) upgrade projects.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with $0.1 million in fund balance and is projected to have a $0.1 million revenue shortfall due to restrictions on gatherings during the pandemic, ending the year with a fund balance of $0.07 million.

12. 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 a $0.4 million revenue surplus, resulting in an ending balance of $2.8 million, of which $0.8 million has been budgeted in the approved FY 2021-22 budget.

13. Election Campaign Fund

The Election Campaign Fund began the fiscal year with $7.0 million in fund balance. The Ethics Department projects that a total of $2.8 million will have been disbursed for the November 2020 election, leaving the fund with a balance of $4.2 million. There are no other elections scheduled for the remainder of the fiscal year.

14. 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 of Public Works projects to end the fiscal year with an operating surplus of $0.3 million given $2.0 million in expenditure savings in salary, mandatory fringe benefits, and overhead, offset by a $1.7 million shortfall in state subvention revenues due to pandemic-induced reductions in gasoline tax revenue. The fund projects to end the year with $4.3 million in fund balance, of which $1.1 million has been appropriated in the approved FY 2021-22 budget.

15. 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 may be delayed as a result of the deadline extension to file business taxes.

16. 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 a zero balance, as all revenues will be distributed equally to the MTA and the SFCTA. Transportation Network Companies (TNC) tax revenues in the current year are projected to total $4.3 million, $10.7 million below budget given significant declines in ridesharing due to the COVID-19 pandemic. The fund is projected to have expenditure savings of $5.4 million after the distribution of funds to the SFMTA and the SFCTA for current and prior year collections, resulting in an overall net deficit of $5.3 million and a zero ending balance in FY 2020-21.

17. Culture and Recreation Hotel Tax Fund

In FY 2020-21, due to the sharp decline in projected hotel tax revenue described in Appendix 1, the Culture and Recreation Hotel Tax Fund is expected to have a revenue shortfall of $22.9 million. Policymakers have approved a supplemental to backfill $18.1 million of the shortfall. The $4.8 million net revenue shortfall is offset by the $4.8 million expenditure savings.

18. Children and Families Commission

The Children and Families Commission fund began with a balance of $13.3 million, net of the $3.2 million appropriated to support the FY 2020-21 budget. The department projects a $1.4 million revenue shortfall in the State's Prop 10 tobacco tax revenues due to an associated contracting delay for which revenue will be received after the contract is confirmed. Revenue shortfalls are offset by $2.9 million in expenditure savings, comprised of $1.7 million savings in grants to community based organizations, $0.7 million in salary and fringe benefit savings, $0.2 million in savings from services from other departments, and $0.1 million in savings for a delayed capital project, resulting in an overall net operating surplus of $1.5 million and a $14.8 million ending balance.

19. 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 $0.1 million in the current year from salary and benefits, nonpersonnel services, materials and supplies, and facilities maintenance, resulting in a projected ending balance of $0.5 million. The approved FY 2021-22 budget includes a $1.3 million transfer from the General Fund as a source.

20. 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 $2.0 million, comprised of a $0.5 million surplus in baseline transfers and expenditure savings of $1.5 million, resulting in an ending balance of $2.6 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.

21. Public Works – Overhead Fund

The Overhead Fund began the fiscal year with a negative balance of $1.2 million. The department projects an operating surplus of $7.1 million, due to expenditures savings of $6.1 million mainly from savings in salary and mandatory fringe benefits, and services requested from other departments, and an overhead recovery surplus of $1.0 million due to revised overhead rates, resulting in an ending balance of $5.9 million. The approved FY 2021-22 budget appropriated $8.7 million of fund balance, which is higher than the projected available balance at the end of the current year. 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 – Paid Time-Off Fund

The Paid Time-Off Fund began the fiscal year with a negative balance of $1.8 million. The department projects an operating surplus of $4.2 million from overhead recoveries higher than budgeted by $5.7 million due to revised paid-time off recovery rates, offset by an expenditure deficit of $1.5 million in salary and mandatory fringe benefits from time off taken by employees, resulting in an ending balance of $2.4 million. The approved FY 2021-22 budget appropriated $2.2 million of fund balance.

23. 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 $85.5 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 ongoing litigation. In September 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 $197.6 million and Homelessness Administrative Office Taxes of $15.1 million are projected to be collected. A total of $675.0 million ($85.5 million, or 14.5%, over budget) of projected Homelessness Gross Receipts and Homelessness Administrative Office Tax revenues revenue will be recognized in FY 2020-21.

24. 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 $37.7 million above budget and the 15% transfer to the General Fund is $7.3 million below budget, resulting in a net operating surplus of $45.0 million.

25. 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 the fund will finish on budget due to $5.6 million of expenditure savings, including $2.8 million in lower than budget debt service on the Animal Care and Control facility and savings of $1.0 million for delayed tenant improvements for Controller's Office, and canceled city hall events, which are offset by revenue deficits.

26. Museum Admissions Fund

The Museum Admissions fund began the year with a negative balance of $2.7 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of $0.9 million from weakness in museum admissions due to COVID-19 is partially offset by expenditure savings of $0.3 million, resulting in a projected shortfall of $0.4 million in the Asian Art Museum and a shortfall of $0.2 million in the Fine Arts Museums, culminating in a total negative balance of $3.3 million by year end. The approved FY 2021-22 budget appropriated $0.02 million of fund balance, which is higher than the projected available balance at the end of the current year. The Controller's Office will work with the department to review expenditures to address the shortfall in the current year, and to balance the fund in the upcoming year budget submission.

SELECT ENTERPRISE FUNDS

27. 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 $356.8 million and expenditure savings of $383.0 million.

The revenue shortfall is primarily due to a deficit of $171.2 million from decreased passenger levels and flight cancellations related to the pandemic resulting in lower than budgeted aviation revenues in categories such as landing and gate fees, terminal rents, and aircraft parking. Non-aviation revenues are projected to be $145.5 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 $10.0 million higher than budget due to higher interest rates than budgeted. The department projects a lower than budgeted need for use of deferred aviation revenues, Passenger Facility Charge (PFC) Revenues, and/or fund balance for re-balancing revenue shortfalls by $100.6 million. The Airport projects a $57.5 million unbudgeted revenue surplus from reimbursement of capitalized interest from previously issued bonds, and $0.9 million more revenues than budget from fines, penalties, and recoveries for services provided to other departments are projected to be higher than budget. These additional revenues will be partially offset by $6.8 million lower than budgeted revenues from sales of electricity, natural gas, and water, and other terminal fees.

The department's net expenditure savings are driven by the application of $254.8 million in Federal CARES Act funds. The Airport projects a savings of $60.0 million in debt service payments due to refunding and restructuring not assumed in budget, lower than projected fees and interest payments, and delays in new bond issuances. The department projects savings of $12.9 million in Annual Service Payments as described in Item 11 of Appendix 1 of this report. Additional savings of $15.8 million are projected due position vacancies and a hiring freeze, $14.2 million savings in non-personnel services due to underspending as a result of reductions in non-essential contract activities, $3.6 million savings in equipment purchases due to product delivery delays, $3.1 million savings in materials and supplies due to lower spending than budgeted and delays in order set-up and invoice processing, and $4.0 million savings in services provided by other departments.

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.

28. Municipal Transportation Agency (MTA) Operating Funds

The MTA 9-month report for FY 2020-21 projects a balanced budget by the end of the fiscal year. The current projection includes a $261.2 million revenue deficit which is offset by $261.2 million in expenditure savings.

The projected $261.2 million revenue deficit is driven by lower than expected revenues from transit fares and parking and transit fees and fines. These deficits are due to various effects of the COVID-19 pandemic, including reduced transit capacity affecting transit revenue and the Shared Spaces program reducing parking meter revenue. Some of the losses are mitigated by growth in baselines relative to budget.

The agency also projects $261.2 million in expenditure savings comprised of $53.5 million in reduced personnel costs, net of overhead allocations from a current hiring freeze, reduced overtime spending and recoveries from CARES funding; $27.8 million materials and supplies savings; $8.0 million savings in reduced spending on taxes, licenses, and permits; $13.9 million non-personnel services savings; $4.9 million savings in judgements, claims and workers compensation costs; and $16.8 million reduced spending in equipment, maintenance, rent and building costs. SFMTA additionally projects receiving $341.0 million in federal relief funds through H.R. 133 and expects to balance the FY 2020-21 budget by applying $126.9 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 $185 million, of which $39.1 million has been appropriated in the previously approved FY 2021-22 budget.

29. 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 $16.8 million, comprised of a revenue surplus of $10.3 million and net expenditure savings of $6.6 million.

The $10.3 million revenue surplus is due to less revenue loss due to the COVID-19 pandemic than expected. While tenants who depend on tourism, such as restaurants, parking lots, and retail have been hard hit, office, warehouse, and industrial tenants have proven more resilient to the pandemic than expected. Expenditure savings of $6.5 million include $2.2 million in salary and mandatory fringe benefit savings due to vacant positions and $2.2 million in decreased costs for services of other departments including lower maintenance spending, fewer permit review services and reduced demand for shoreside power and security for cruise ships. Additionally, $1.5 million in savings is projected for oil spills and hazardous material clean up that has not happened, and $0.6 million savings in non-personnel services, including $0.4 million savings in debt service due to lower debt services costs due to higher than budgeted interest earnings.

Port operating funds are projected to end the fiscal year with a balance of $30 million, of which $8.5 million has been appropriated in the approved FY 2021-22 budget. The Port will use these funds to partially offset the significant impacts of COVID-19 related revenue losses.

Public Utilities Commission

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

30. 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 no operating fund balance to support the FY 2020-21 budget. The Fund is projected to end the year with a net operating surplus of $37.4 million. Retail and wholesale electric sales are projected to be $0.5 million and $2.9 million, respectively, due to lower than budgeted sales volumes. Recoveries from other city departments for natural gas and steam are projected to be under budget by $1.2 million due to continued City employee remote work. A $2.5 million deficit in interest income is projected due to differences in budgeted and actual rates. Miscellaneous income is projected to be $3.3 million higher than budget as a result of a $3.0 million Treasure Island Development Authority loan repayment and from resumed water purchases by the Lawrence Livermore National Labs. Expenditure savings of $41.3 million are projected in the fund. Power purchases and distribution costs are expected to be $10.1 million lower than budget due to unspent funds from the prior year. Natural gas and steam expenditures are projected to be $1.2 million below budget because of continued remote work by City employees. Savings of $0.3 million are projected in overhead costs, $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 $81.6 million, of which none has been appropriated in the FY 2021-22 budget.

31. 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 deficit of $4.2 million. Revenues are projected to be lower than budget by $23.9 million as a result of a $19.7 million deficit in sewer service charges due to lower than budgeted retail wastewater billings and $4.2 million in COVID emergency discounts. Interest income is projected to be lower than budget by $3.8 million due to higher budgeted interest rates than actual yields. Other revenues are projected to be under budget by $0.4 million, primarily due to $0.2 million in collection moratoriums due to the COVID-19 pandemic. Expenditure savings of $19.7 are projected, largely due to $5.6 million personnel savings from position vacancies, $1.5 million in non-personnel services due to decreased activity throughout the city and reductions in hauling and disposal of biosolids. Additional savings of $1.0 million are projected in materials and supplies from decreased need for sewage treatment chemicals, and $0.4 million lower overhead costs. Savings in capital projects and facilities maintenance are projected to total $10.8 million due to sales reductions from COVID.

The Fund is projected to end the fiscal year with a balance of $195.1 million, of which none has been appropriated in the FY 2021-22 budget.

32. 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 $4.0 million, comprised of a revenue deficit of $10.6 million offset by $14.6 million in expenditure savings. The revenue shortfall is comprised of $17.2 million in reduced retail water sales offset by greater than budgeted wholesale water sales of $10.8 million. The department projects other miscellaneous income to be below budget by $2.7 million due reductions in water service installations and COVID collection moratoriums. Interest income is projected to be lower than budget by $2.0 million due to lower than budgeted actual interest rates. Expenditure savings of $14.6 million are due to $5.0 million in debt service savings from Water Revenue Bond refunding $0.6 million in overhead savings, and capital project and facilities maintenance savings of $9.0 million due to COVID related sales decreases.

The Fund is projected to end the fiscal year with a balance of $206.6 million, of which $22.8 million has been appropriated in the FY 2021-22 budget.

33. 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 $3.5 million. The Fund is projected to have a revenue deficit of $16.3 million, primarily due to lower electric sales than budgeted in the beginning of the fiscal year and COVID relief programs, and $0.1 million less interest revenue than budgeted. Expenditure savings of $19.8 million are projected due to personnel savings of $3.6 million due to position vacancies, $0.1 million in reduced overhead costs, $0.1 million less spending in material and supplies, and $0.5 million in lower spending for non-personnel services due to lower than budgeted contract work. The fund is projected to have $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 $32.5 million, none of which has been appropriated in the FY 2021-22 budget.

Appendix 6. Overtime Report

Department ($ Millions)	FY 2019-20 Actual	FY 2020-21 Revised Budget	FY 2020-21 July though 3/31/2021	FY 2020-21 % of Budget through 3/31/2021
Municipal Transit Agency - Total	**76.8**	**56.9**	**25.3**	**44%**
Police*				
General Fund (Excl. Work Orders)	26.1	12.4	11.5	92%
Airport	1.5	2.5	0.3	13%
General Fund Work Orders	4.4	3.3	1.0	31%
Total Annual Operating Funds	**32.0**	**18.2**	**12.8**	**70%**
Special Revenue (10B)	*15.6*		*9.7*	
Total	47.7		22.5	
Public Health*				
ZSF General	16.4	12.9	11.5	89%
Laguna Honda	10.0	10.8	8.9	82%
Other Annual Funds	4.4	1.9	5.8	305%
Total Annual Operating Funds	**30.9**	**25.6**	**26.2**	**102%**
Fire*				
General Fund	31.5	30.6	31.2	102%
Airport	5.7	5.9	4.5	76%
Total Annual Operating Funds	**37.2**	**36.5**	**35.7**	**98%**
Sheriff*				
General Fund (Excl. Work Orders)	25.2	4.4	12.2	277%
General Fund Work Orders	8.1	2.6	6.2	237%
Total Annual Operating Funds	**33.3**	**7.0**	**18.4**	**262%**
Airport*				
Annual Operating Funds	2.5	2.8	1.1	38%
Emergency Management*				
Annual Operating Funds	4.4	3.5	3.7	104%
Public Works*				
Annual Operating Funds	1.5	1.5	0.8	55%
General Fund Work Orders	0.5	1.4	0.2	18%
Total Annual Operating Funds	**2.0**	**2.9**	**1.1**	**73%**
Public Utilities*				
Annual Operating Funds	4.9	5.6	4.2	74%
Recreation and Park*				
Annual Operating Funds	2.0	1.2	1.3	110%
Human Services	2.6	3.1	1.7	0.0
Juvenile Probation	0.9	1.3	0.7	56%
Elections	0.9	0.7	0.7	101%
Admin Services	2.7	0.6	0.9	147%
Technology	0.9	0.5	0.4	78%
Controller	0.1	0.5	0.1	17%
Building Inspection	0.6	0.4	0.8	205%
Port	0.5	0.4	0.3	87%
Fine Arts Museum	0.6	0.1	0.4	279%
Public Library	0.4	0.1	0.1	84%
Adult Probation	0.1	0.1	0.0	26%
District Attorney	0.1	0.1	0.0	41%
War Memorial	0.2	0.1	0.0	30%
Academy of Sciences	0.1	0.1	0.0	58%
Public Defender	0.0	0.1	0.0	6%
City Attorney	0.2	0.0	0.2	1367%
Board of Supervisors	0.1	0.0	0.1	670%
Dept. of Homelessness and Supportive Housing	0.1	0.0	0.1	N/A
Total Overtime**	252.9	168.5	146.1	87%

* 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.