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The Honorable Willie L. Brown Jr.  
Mayor, City and County of San Francisco  
Room 200, City Hall

The Honorable Board of Supervisors  
Room 244, City Hall

Re: **FY 2002-03 Six-Month Budget Status Report**

Dear Mayor Brown, Ladies and Gentlemen:

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. This report is the six-month budget status report based on sources of funds received and uses of funds expended through December 31, 2002. The purpose of the report is to apprise the City's policy makers of the current and projected budgetary status of the General Fund.

## I. OVERVIEW

**We project a \$31.01 million General Fund balance at the end of the fiscal year 2002-2003 (FY 2002-03).** This is \$93.06 million lower than the \$124.07 million of prior year fund balance used to balance the FY 2002-03 budget. The projected fund balance reflects weakness in revenues resulting from a delayed economic recovery in the Bay Area. The \$31.01 million projected General Fund balance may increase due to the Mayor's implementation of additional spending reductions, departmental savings targets and delayed hiring for the remainder of FY 2002-03. Estimated savings contained in our six-month projection are those where departments have already implemented spending plan reductions. **If all of the strategies outlined in the Mayor's Plan, dated January 21, 2003, are implemented, the projected year-end balance would increase by an estimated \$25 million to approximately \$56 million.**

The projected year-end balance is based on current revenue and spending patterns less \$2.03 million in required savings incentive account set-asides. The actual year-end balance may differ due to changes in revenues, spending rates, or the amount of supplementals ultimately approved by the Mayor and the Board. While the narrative on the following pages provides a summary of key revenue changes and departmental operations, a **great deal of uncertainty is still present** due to the State budget crisis, the threat of war and the potential for a lagging, jobless recovery in the Bay Area. If a recovery does not begin by early spring, an additional \$10 to \$20 million in revenue shortfall would result. If war were declared, we project the outcome would be a delayed recovery, plus an additional \$5 million reduction in tourism-dependent revenue. As for the State Budget, if the Governor's proposed reductions were enacted, an additional \$45 to \$55 million shortfall could occur in FY 2002-03. Altogether, these three areas of uncertainty could total an estimated \$60 to \$80 million.

**Chart A: Six-Month General Fund Budget Summary – FY 2002-03 (millions)**

	AAO Original Budget	Revised Budget	Year-End Projection	Savings / (Shortfall)
<b>SOURCES:</b>				
General Fund Beginning Balance	\$ 124.07	\$ 124.07	\$ 130.20	\$ 6.13
Prior Year Reserves	\$ 49.22	\$ 49.22	\$ 49.22	\$ -
Subtotal Sources - Prior Years	<u>\$ 173.29</u>	<u>\$ 173.29</u>	<u>\$ 179.42</u>	<u>\$ 6.13</u>
Current Revenues	\$ 2,062.23	\$ 2,066.23	\$ 2,029.28	\$ (36.96)
Transfers In, net	\$ 130.42	\$ 130.75	\$ 130.95	\$ 0.20
Subtotal Sources - Current Year	<u>\$ 2,192.65</u>	<u>\$ 2,196.98</u>	<u>\$ 2,160.23</u>	<u>\$ (36.76)</u>
Carryforwards, net		\$ 79.13	\$ 79.13	\$ -
<b>Total Sources</b>	<u><b>\$ 2,365.94</b></u>	<u><b>\$ 2,449.40</b></u>	<u><b>\$ 2,418.78</b></u>	<u><b>\$ (30.62)</b></u>
<b>USES:</b>				
Operating Expenditures, net	\$ 1,914.34	\$ 1,959.39	\$ 1,952.80	\$ 6.59
General Fund Contribution Transfers	\$ 301.64	\$ 301.64	\$ 297.03	\$ 4.61
Projects, Capital, Facilities Maintenance	\$ 92.84	\$ 131.25	\$ 125.89	\$ 5.36
Reserves	\$ 30.02	\$ 30.02	\$ 10.02	\$ 20.00
Required Set-Asides			\$ 2.03	\$ (2.03)
Pending Supplemental Appropriations			\$ -	\$ -
<b>Total Uses</b>	<u><b>\$ 2,338.84</b></u>	<u><b>\$ 2,422.30</b></u>	<u><b>\$ 2,387.77</b></u>	<u><b>\$ 34.53</b></u>
<b>GENERAL FUND ENDING BALANCE</b>	<u><b>\$ 27.10</b></u>	<u><b>\$ 27.10</b></u>	<u><b>\$ 31.01</b></u>	<u><b>\$ 3.91</b></u>

**General Fund Beginning Balance**

At the time the budget for FY 2002-03 was prepared, we anticipated starting the current fiscal year with a General Fund Beginning Balance of \$124.07 million. When the Comprehensive Annual Financial Report for the year ended June 30, 2002, was completed in December 2002, we confirmed that the ending balance from the previous fiscal year was \$130.20 million. As a result, there is an additional \$6.13 million available from FY 2001-02 that was not anticipated when the current budget was adopted. These additional funds were attributable to slightly better revenue collection and departmental savings than originally estimated.

**Current Revenues and Transfers In**

We project revenues and transfers to be \$36.76 million lower than the revised FY 2002-03 budget largely due to a lagging recovery to date. Our revenue projections are based on realized revenues through the first six months of FY 2002-03, discussions with industry and department experts, and analysis of key economic indicators and forecasts. The current projection of general tax revenues is **predicated upon a recovery during the second half of FY 2002-03 – that is, seeing a modest economic recovery beginning by March 2003 with a gradual upturn** throughout FY 2003-04. If this does not materialize, an additional revenue shortfall of \$10 to \$20 million would result.

The \$36.76 million shortfall is attributed generally to economic weakness in key tax revenues including: 1) Payroll Tax, 2) Sales Tax, 3) Hotel Room Tax, 4) Utility Users Tax, 5) Parking Tax, and 6) Public Safety Sales Tax. These tax revenues have been adversely affected by the economic slowdown, the low level of consumer confidence, and weakness in tourism and business travel to San Francisco. Property Tax, Property Transfer Tax, and Franchise Tax revenues are better than originally expected and help to partially offset the economic weakness exhibited in more cyclical or economically sensitive revenues. Section II (Chart C) provides the revenue and transfer details.

At this point in our fiscal year, *key projection uncertainty* is still present for Payroll Tax, Sales Tax and Hotel Room Tax revenues. Payroll Tax returns will not be due until the end of February 2003, and with layoffs and the difficult-to-assess impact of potentially lower New Jobs Tax Credits, a great deal of uncertainty exists. As for Sales Tax and Hotel Room Tax, both of these revenues are dependent upon an economic recovery during the second half of FY 2002-03. The projections contained in this report generally assume a gradual economic recovery beginning by March 2003. Additionally, definitive evidence of a springtime recovery will not be known with certainty for Sales Tax until September 2003, since there is always a three-month lag in receiving calendar quarter data from the State. This delay affects all California jurisdictions. Additional uncertainty also stems from the heightened possibility of war and the impending State Budget crisis.

**Current Operating Expenditures**

Based on current spending patterns, we project operating expenditures to result in \$6.59 million in savings. Once Transfers Out, Projects, Capital, Facilities Maintenance and Reserve closeouts are factored in the projected savings is \$36.56 million. Section III (Chart D) outlines projected year-end surpluses or deficits for each department. Some departments are projected to have savings, while others are projected to overspend. The departments are summarized as follows:

<b>Department Projected To Overspend</b>	<b>(Millions)</b>
Police Department	\$ -4.38
Sheriff	-3.80
City Attorney	-1.98
Fire Department	-1.41
Trial Courts	-1.30
Juvenile Probation	-.49
Assessor / Recorder	-.19
Elections	-.15
Civil Service Commission	-.13
<b>Total Projected Overspending</b>	<b>\$ -13.83</b>

<b>Department Contributing Savings</b>	<b>(Millions)</b>
Human Services *	\$ 12.49
Public Health (DPH, SFGH, LHH) *	8.30
Controller	.60
Human Resources	.30
Adult Probation	.26
Aging & Adult Services	.19
Children, Youth & Their Families	.17
Asian Art Museum	.16
Office of Contract Administration	.13
Mayor	.13
Environment	.12
Ethics Commission	.09
Fine Arts Museum	.07
Board of Supervisors	.04
City Planning	.03
Consumer Assurance	.03
Animal Care & Control	.03
Board of Appeals	.02
<b>Total Savings</b>	<b>\$ 23.15</b>

\* Shown net of revenue changes.

**Contribution Transfers Out, Reserves & Required Set-Asides**

**Contribution Transfers Out - San Francisco General & Laguna Honda Hospitals:** Based on the current projected revenues and expenditures at the two hospitals, an estimated \$6.97 million less will be required for the Contribution Transfer to San Francisco General. However, Laguna Honda Hospital is currently projected to need an additional \$1.52 million by year-end.

**Contribution Transfers Out - Baselines:** The Charter specifies that the Children’s Services, Library Preservation, and Municipal Transportation (i.e. the Municipal Railway (MUNI) and Parking & Traffic) shall receive a minimum appropriation amount (baseline) from the General Fund. The required baselines are adjusted as discretionary revenues change throughout the budget year. Chart B on the next page outlines the Actual General Fund Appropriation, the Current Required Baseline, and the Projected Excess / (Deficit) Contribution needed given the projections outlined in this Six-Month Report.

Children’s Services is projected to have \$7.84 million in excess contributions given projected discretionary revenues. **As was the case in the prior year, a reduction in the Children’s Services baseline is not assumed in this report.** The Library and MUNI baselines reflect the need for additional contributions of \$0.15 million and \$0.68 million, respectively. To the degree the Governor’s proposed reductions are enacted or discretionary revenue projections are updated, baseline changes will be reflected in subsequent reports.

**Chart B: Baselines**

Baseline	FY 2002-03		
	Actual General Fund Appropriation	Current Required Baseline	Projected Excess/(Deficit) Contribution as of 6-Month
Children's Services	\$76,928,930	\$69,091,046	\$7,837,884
Library Preservation	\$31,129,857	\$31,283,954	(\$154,097)
Municipal Railway	\$100,792,000	\$101,472,946	(\$680,946)
Parking & Traffic	\$36,341,000	\$36,341,000	\$0
<b>Total</b>	<b>\$245,191,787</b>	<b>\$238,188,946</b>	<b>\$7,002,841</b>

**Reserves:** The FY 2002-03 Adopted Budget included a \$20.00 million State Revenue Stabilization Reserve, which was intended to bridge any realized shortfalls resulting from the State's FY 2002-03 Adopted Budget. This report reflects the closing out of this \$20.00 million reserve by year-end. The \$20.00 million reserve served to offset a total of \$5.31 million in revenue shortfall resulting from the State's Adopted Budget, yielding net savings of \$14.69 million, which is included in the year-end fund balance projection discussed in this report.

**Required Set-Asides - Savings Incentive Account:** In addition, Section 3.17 of the Administrative Code requires the greater of \$2.00 million or 10 percent of departments' year-end appropriation savings are set-aside in a **Savings Incentive Account**. Based on current projections, \$2.03 million will be needed to fund this account at year-end.

**Pending Supplemental Appropriations**

General Fund supplemental appropriation requests pending approval by the Board total \$2.19 million and are outlined in *Appendix A*. To the degree that these or other anticipated supplementals are approved, the projected year-end balance may be reduced.

**Expenditure Reserves**

Each year, the Board of Supervisors places certain budget items on reserve, requiring subsequent Board approval before these funds can be spent. *Appendix B* provides a status report on the Board reserves and their remaining balances as of January 31, 2003. For projection purposes, we have assumed that all of these reserves are released and expended. To the degree they are not released and expended by year-end, the projected year-end balance would increase.

**General Fund Ending Balance**

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$31.01 million. This represents a significant drop from our FY 2002-03 beginning fund balance of \$124.07 million, which was used as one-time funding in the development of the current year budget. As in previous years, FY 2002-03's projected year-end General Fund balance would be available as a funding source for next year's budget.

## II. Sources of Funds, Revenues & Transfers In, Chart C

GENERAL FUND (millions)	FY 2001-02	FISCAL YEAR 2002-03					
	Year-end Actuals	Revised Budget	6-Month Projection	Increase / (Decrease) from Revised	% Change from Prior Year Actuals	% Change from Revised Budget	
<b>PROPERTY TAXES</b>	\$ 510.00	513.27	521.27	\$ 8.00	2.2%	1.6%	(1)
<b>BUSINESS TAXES:</b>							
Business Registration Tax	6.71	6.61	9.61	3.00	43.3%	45.4%	(2)
Payroll Tax	267.42	275.50	269.99	(5.51)	1.0%	-2.0%	(3)
<b>Total Business Taxes</b>	<b>274.13</b>	<b>282.11</b>	<b>279.60</b>	<b>(2.51)</b>	<b>2.0%</b>	<b>-0.9%</b>	
<b>OTHER LOCAL TAXES:</b>							
Sales Tax	111.29	130.53	120.00	(10.53)	7.8%	-8.1%	(4)
Hotel Room Tax	72.29	97.07	84.14	(12.93)	16.4%	-13.3%	(5)
Utility Users Tax	70.78	78.21	71.00	(7.21)	0.3%	-9.2%	(6)
Parking Tax	30.48	34.35	31.10	(3.25)	2.0%	-9.5%	(7)
Real Property Transfer Tax	47.27	45.15	52.00	6.85	10.0%	15.2%	(8)
Admission Tax	2.25	2.65	2.65	-	17.7%	0.0%	
<b>Total Other Local Taxes</b>	<b>334.36</b>	<b>387.96</b>	<b>360.89</b>	<b>(27.07)</b>	<b>7.9%</b>	<b>-7.0%</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>							
Licenses & Permits	7.58	5.65	5.60	(0.05)	-26.1%	-0.9%	(9)
Franchise Tax	11.97	11.33	12.50	1.17	4.4%	10.3%	(10)
<b>Total Licenses, Permits &amp; Franchises</b>	<b>19.55</b>	<b>16.98</b>	<b>18.10</b>	<b>1.12</b>	<b>-7.4%</b>	<b>6.6%</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>8.59</b>	<b>4.50</b>	<b>7.21</b>	<b>2.72</b>	<b>-16.0%</b>	<b>60.4%</b>	(11)
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>29.99</b>	<b>17.25</b>	<b>18.85</b>	<b>1.60</b>	<b>-37.2%</b>	<b>9.3%</b>	(12)
<b>RENTS &amp; CONCESSIONS</b>							
Garages - Rec/Park	7.10	6.30	5.78	(0.53)	-18.7%	-8.3%	(13)
Rents and Concessions - Rec/Park	9.18	8.51	8.59	0.09	-6.5%	1.0%	(14)
Other Rents and Concessions	1.35	3.03	3.03	-	124.7%	0.0%	
<b>Total Rents and Concessions</b>	<b>17.64</b>	<b>17.83</b>	<b>17.39</b>	<b>(0.44)</b>	<b>-1.4%</b>	<b>-2.5%</b>	
<b>INTERGOVERNMENTAL REVENUES</b>							
<b>Federal Subventions</b>							
Social Service Subventions	147.66	143.58	143.58	-	-2.8%	0.0%	
Other Grants & Subventions	2.79	1.93	1.93	-	-30.8%	0.0%	
<b>Total Federal Subventions</b>	<b>150.44</b>	<b>145.51</b>	<b>145.51</b>	<b>-</b>	<b>-3.3%</b>	<b>0.0%</b>	
<b>State Subventions</b>							
Social Service Subventions	124.65	139.43	133.87	(5.57)	7.4%	-4.0%	(15)
Health & Welfare Realignment	127.50	127.69	127.69	-	0.1%	0.0%	
Health/Mental Health Subventions	64.24	68.86	68.86	-	7.2%	0.0%	
Public Safety Sales Tax	70.96	71.86	62.43	(9.44)	-12.0%	-13.1%	(16)
Motor Vehicle In-Lieu - County	57.79	59.57	59.57	-	3.1%	0.0%	
Motor Vehicle In-Lieu - City	44.96	46.07	46.07	-	2.5%	0.0%	
Other Grants & Subventions	20.85	28.47	27.92	(0.56)	33.9%	-2.0%	(17)
<b>Total State Subventions</b>	<b>510.95</b>	<b>541.97</b>	<b>526.40</b>	<b>(15.56)</b>	<b>3.0%</b>	<b>-2.9%</b>	
<b>CHARGES FOR SERVICES:</b>							
General Government Service Charges	18.46	20.90	21.06	0.16	14.1%	0.8%	(18)
Public Safety Service Charges	15.44	16.00	12.05	(3.95)	-21.9%	-24.7%	(19)
Recreation Charges - Rec/Park	9.44	5.81	4.91	(0.90)	-48.1%	-15.5%	(20)
MediCal, MediCare and health service charges	43.55	42.40	42.40	-	-2.6%	0.0%	
Other Service Charges	4.85	6.39	6.39	-	31.9%	0.0%	
<b>Total Charges for Services</b>	<b>91.74</b>	<b>91.50</b>	<b>86.81</b>	<b>(4.69)</b>	<b>-5.4%</b>	<b>-5.1%</b>	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>11.05</b>	<b>9.70</b>	<b>10.60</b>	<b>0.90</b>	<b>-4.0%</b>	<b>9.3%</b>	(21)
<b>OTHER REVENUES</b>	<b>1.52</b>	<b>37.66</b>	<b>36.64</b>	<b>(1.02)</b>	<b>2314.8%</b>	<b>-2.7%</b>	(22)
<b>TOTAL REVENUES</b>	<b>1,959.95</b>	<b>2,066.23</b>	<b>2,029.28</b>	<b>(36.96)</b>	<b>3.5%</b>	<b>-1.8%</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>							
Airport	19.11	25.58	24.78	(0.80)	29.7%	-3.1%	(23)
Hetch Hetchy	-	-	-	-	n/a	n/a	
Other Transfers	85.96	105.17	106.17	1.00	23.5%	1.0%	(24)
<b>Total Transfers-In</b>	<b>105.07</b>	<b>130.75</b>	<b>130.95</b>	<b>0.20</b>	<b>24.6%</b>	<b>0.2%</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>2,065.02</b>	<b>2,196.98</b>	<b>2,160.23</b>	<b>(36.76)</b>	<b>4.6%</b>	<b>-1.7%</b>	

**Notes to Sources of Funds Schedule:**

- (1) **Property Tax** revenues are projected to be \$8.00 million over budget. While San Francisco’s assessed valuation grew 7.4 percent in FY 2002-03 from FY 2001-02, this growth is being offset primarily by the surge in appeals, weaker supplemental activity compared to prior years and lower projected collections pertaining to tax penalties and interest. This projection incorporates the surge of assessment appeals, where owners representing some 20 percent of total assessed valuation are currently appealing for lower assessed valuation. These appeal levels have not been seen since the economic downturn in the early 1990s. Supplemental sales activity is also down from the \$36 million in FY 2000-01 and \$28 million in FY 2001-02 to an estimated level of \$20 million for FY 2002-03 budget. The projected increase would result in increased allocations to the three dedicated funds:

<b>Children’s Fund</b>	<b>+ \$0.28 million</b>
<b>Library Preservation Fund</b>	<b>+ \$0.23 million</b>
<b>Open Space Fund</b>	<b>+ \$0.23 million</b>

**Assessment Backlog:** Some additional opportunity for revenue enhancement exists by tackling the assessment backlog. The Assessor reports that the department currently has a significant processing backlog, mostly related to deed processing and new construction. Backlogs have significant potential revenue implications as the 13,000 deeds in queue have been estimated by the Assessor to have up to \$2.5 billion in incremental roll value. Additionally, 7,500 construction permits may also yield up to \$1.9 billion in incremental roll value. The table below summarizes the significance of the backlog and assumes a 50 percent adjustment factor since not all items in the backlog will yield an actual incremental assessment. The table shows that if the backlog were processed, including assessment, billing and collection in FY 2002-03, the value to various funds would be over \$14 million, which includes a \$12.6 million increase

<b>Backlog Type</b>	<b>Count</b>	<b>Assessor's Initial Estimate of Incremental Roll Value (millions)</b>	<b>Factor Adjustment</b>	<b>Adjusted Estimate of Incremental Roll Value (millions)</b>
Deed Processing	13,000	\$ 2,500	50%	\$ 1,250
New Construction	7,500	\$ 1,900	50%	\$ 950
<b>Total</b>	<b>20,500</b>	<b>\$ 4,400</b>		<b>\$ 2,200</b>

↓

<b>Incremental Property Tax Revenue (millions)</b>	
General Fund	\$ 12.6
Children's Fund	\$ 0.7
Library Fund	\$ 0.6
Open Space Fund	\$ 0.6
<b>Total - Above Funds</b>	<b>\$ 14.4</b>

to the General Fund.

- (2) **Business Registration** revenues are projected to be \$3.00 million greater than budget due to the shift of business registration from calendar year to fiscal year.

- (3) **Payroll Tax** revenues are projected to be \$5.51 million under budget. However, since Business Tax Year 2002 tax returns are not due until the end of February 2003, uncertainty still exists for this revenue. San Francisco witnessed increased unemployment and a contraction in the number of jobs throughout 2002. Initial projections suggest that there are likely 30,000 to 40,000 fewer jobs in San Francisco in 2002 as compared to 2001, a 5 to 8 percent drop compared to 2001. Fewer jobs, along with limited wage growth, will put downward pressure on this revenue. Some of this downward pressure may be partially offset by a lower level of New Jobs Tax Credits. The program expired on December 31, 2002. Further details will be provided in the Nine-Month Report.
- (4) **Sales Tax** revenues are projected to be \$10.53 million under budget. Continued weakness and a lagging recovery have put downward pressure on this revenue. Nationally, retailers reported a meager one percent rise in December same-store sales, making the holiday season one of the weakest in years.<sup>1</sup> Statewide sales numbers were helped out by strength in Southern California in particular, with the general consumer goods and auto sales categories leading the way. As shown in the table below, sales activity over the last several quarters, illustrates that San Francisco has been performing worse than the 9-County Bay Area region and the statewide average. The rate of decline has been slowing for San Francisco, and statewide sales activity actually was positive for the most recent quarter. For 3<sup>rd</sup> Quarter 2002, the most recent quarter with available data, San Francisco's sales tax revenues were off 5.0 percent for July through September (i.e. the 3<sup>rd</sup> calendar quarter of 2002) as compared to that same quarter in 2001.

<b>Calendar Quarter</b>	<b>San Francisco</b>	<b>9 County Bay Area</b>	<b>California</b>
<b>3<sup>rd</sup> Quarter 2002</b>	-5.0%	-3.1%	+3.1%
<b>2<sup>nd</sup> Quarter 2002</b>	-9.7%	-8.4%	-1.3%
<b>1<sup>st</sup> Quarter 2002</b>	-17.8%	-12.7%	-3.7%
<b>4<sup>th</sup> Quarter 2001</b>	-17.0%	-13.5%	-2.0%
<b>3<sup>rd</sup> Quarter 2001</b>	-20.3%	-11.5%	-1.2%
<b>2<sup>nd</sup> Quarter 2001</b>	-8.7%	-5.0%	+0.0%

Our current sales tax revenue projection assumes that October through December 2002 will be flat from the prior year, and that 4.0 to 4.5 percent growth will return in the second half of FY 2002-03. If this upturn does not materialize, further revenue shortfalls would be projected for sales tax. San Francisco's sales tax revenue continues to be more dependent on tourism and business travel than most other cities in California. Any significant recovery in this revenue will only occur if tourism and travel recovers.

<b>Calendar Quarter</b>	<b>FY 2000-01</b>	<b>FY 2001-02</b>	<b>Projected FY 2002-03</b>	<b>Projected Growth from Prior Year</b>
<b>2nd Quarter</b>	\$ 32.4	\$ 29.3	\$ 30.6	4.5%
<b>1st Quarter</b>	\$ 31.6	\$ 26.9	\$ 28.0	4.0%
<b>4th Quarter</b>	\$ 38.5	\$ 31.9	\$ 31.9	0.0%
<b>3rd Quarter</b>	\$ 36.0	\$ 28.8	\$ 29.6	Adjusted
<b>Total</b>	<b>\$ 138.5</b>	<b>\$ 116.9</b>	<b>\$ 120.0</b>	



- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$12.93 million under budget, reflecting only the General Fund unallocated portion of this tax. The remaining portion of the hotel room tax revenue shortfall (that is the dedicated funding) is assumed absorbed by the respective departments. Overall, hotel room tax revenues are projected to be approximately 7.5 percent above prior year levels; however, an even stronger recovery was assumed in the budget. While some signs of occupancy gains are being seen, aggressive daily room rate discounting is putting downward pressure on total revenues. The 7.5 percent overall increase is attributed to higher occupancies of 9.0 to 10.0 percent, offset by reductions of 1.5 to 2.5 percent on average daily room rates. Our projection is based on realized revenue collections to date, interviews with hotel industry professionals, and assumes some economic strengthening in the first half of 2003. Our current forecast assumes average occupancy rates of 67-69 percent and average daily room rates (ADRs) of \$148 to \$149 (that is, off 2 to 3 percent from the prior fiscal year). If these rates are not realized, additional downward revision will be required for this revenue. Key historical data and projection assumptions are highlighted below.

**SAN FRANCISCO'S HOTEL INDUSTRY DATA - FISCAL YEAR SUMMARY**

	Occupancy Rate	Occupancy % Change	ADR	ADR % Change	Room Supply Growth	Total Growth
Est. FY 2002-03	68.8%	9.1%	\$ 148.42	-2.3%	0.9%	7.5% ←
FY 2001-02	63.1%	-18.2%	\$ 151.96	-13.8%	2.4%	-27.7%
FY 2000-01	77.1%	-4.7%	\$ 176.19	11.7%	1.2%	7.7%
FY 1999-00	80.9%	1.4%	\$ 157.77	6.9%	4.0%	12.7%
FY 1998-99	79.9%		\$ 147.53			

- (6) **Utility User Tax** revenues are projected to be under budget by \$7.21 million. The lagging recovery has resulted in less business consumption of energy and telecommunications services. Telephones have been hardest hit, both landline and cellular. Additionally lower usage of electricity has been only partially offset by higher natural gas prices.
- (7) **Parking Tax** revenues are projected to be \$3.25 million under budget due to lower usage related to the lagging recovery. The **Department of Aging & Adult Services** receives one-third of parking tax revenues accruing to the General Fund. This report assumes that the **General Fund will backfill that department's shortfall of \$1.08 million.**
- (8) **Real Property Transfer Tax** revenues are projected to be \$6.85 million over budget. This revenue is one of the more volatile and is highly impacted by economic cycles and interest rates. Low mortgage rates have helped this revenue, as has the relative attractiveness of real estate as an asset class (i.e. compared to say the stock market or the bond market). The likelihood of rising interest rates later in 2003 and 2004 may also be providing additional incentive for real estate transactions to occur sooner than later.
- (9) **Licenses and Permit** revenues are projected to be \$0.05 million under budget because of the delay in Public Works' newsrack installations.

<sup>1</sup> Wall Street Journal, January 10, 2003.

- (10) **Franchise Tax** revenues are projected to be \$1.17 million greater than budget. This is due to higher natural gas commodity prices as well as additional cable services being subject to the tax and a migration toward more expensive digital cable pricing.
- (11) **Fines, Forfeitures and Penalties** are projected to be over budget by \$2.72 million due to: \$2.75 million for Old Republic settlement, less \$0.03 million for lower collections of Campaign Disclosure & Consultant Fines.
- (12) **Interest & Investment Income** revenues are projected to be \$1.60 million over budget. This is due to a one-time payment of interest that had accrued on debt service reserves.
- (13) **Garage Revenues at Recreation and Park Department** facilities are projected to be \$0.53 million under budget, mainly due to reductions to vehicle traffic at the Union Square Garage.
- (14) **Rents & Concessions – Rec/Park** revenues are projected to be \$0.09 million better than budget due to rentals and concessions being slightly stronger than originally budgeted.
- (15) **Social Service Subvention** revenues are projected to be \$5.57 million less than budget due to reduced caseloads at the **Department of Human Services**. See also expenditure savings below, Note #7, Department of Human Services on page 15.
- (16) **Public Safety Sales Tax (Proposition 172)** revenues are projected to be \$9.44 million under budget. Like the Local Sales Tax (see Note #4 above), sales tax activity has been weak locally and regionally. This revenue is also tied to the proportion of local sales to that of the state as a whole. All things considered, statewide growth in Southern California, in particular, was simply not large enough to offset our jurisdiction's large proportionate decline. While last year's revenue benefited under this complex allocation formula, our lagging recovery made this year's impact more pronounced.
- (17) **Other Grants & Subvention** revenue is projected to be \$0.56 million under budget due to the following:
  - - \$3.39 million in current year SB 90 State Mandated Reimbursements due to the final FY 2002-03 State Budget's deferral of reimbursements (this will be offset by our budgeted State Revenue Stabilization Reserve),
  - +\$3.49 million in prior year SB 90 State Mandated Reimbursements (previously subject to audit, but now available to recognize as revenue), and
  - -\$0.66 million in miscellaneous Public Health revenues.
- (18) **Service Charges – General Government** revenues are projected to be \$0.16 million greater than budget due to the following:
  - - \$0.24 million less in Public Guardian Administration Fees,
  - - \$0.20 million less in Police Service 10B Overhead Charges,
  - +\$0.10 million more in County Clerk Fees, and
  - +\$0.50 million more in Recorder Fees.

- (19) **Service Charges - Public Safety** revenue is projected to be under budget by \$3.95 million due to the following:
- - \$3.00 million less in Street Space & Right of Way Fees,
  - - \$1.00 million less due to the False Alarm program implementation delay,
  - - \$0.05 million less due to increased waivers at the Medical Examiner, and
  - +\$0.10 million more in Permit Phone Booth Fees.
- (20) **Service Charges – Rec / Park** revenue is projected to be under budget by \$0.90 million due to the lack of projected naming right revenue for Candlestick Park.
- (21) **Recoveries** are projected \$0.90 million over budget. This reflects charging overhead recoveries on Transportation Authority funded capital projects during the current fiscal year.
- (22) **Other Revenues** are projected to be \$1.02 million under budget. This is comprised of two items: 1) \$1.92 million less due to miscellaneous **State Revenue Reductions** (not otherwise noted above) as a result to the State’s FY 2002-03 Final Adopted Budget, and 2) \$0.90 million more in Expired Check Cancellations revenue. The \$1.92 million along with the \$3.39 million shown in Other Grants & Subventions (Note #17) above will be bridged using the \$20.00 million State Revenue Stabilization Reserve included in the FY 2002-03 Adopted Budget.
- (23) **Transfers In – Airport**. The General Fund share of **concession revenue** at San Francisco International Airport is projected to be \$0.80 million under budget due to a lagging recovery in the travel industry and related weakness in passenger concession revenues.
- (24) **Transfers In – Other Transfers**. Other Transfers In are projected to increase \$1.00 million as a result of the **911 Fee** increases implemented mid-fiscal year.

**III. Uses of Funds, Chart D**

	<u>FY 2001-02</u>	<u>FY 2002-03</u>			Savings / (Shortfall)	
	Actuals	Original Budget	Revised Budget*	6-Month Projection		
<b>GENERAL FUND</b>						
<b>PUBLIC PROTECTION</b>						
Adult Probation	8,858	9,356	9,367	9,102	265	(1)
Consumer Assurance	1,573	1,546	1,552	1,526	26	(1)
Animal Care and Control	2,986	3,172	3,215	3,190	25	(1)
Medical Examiner	4,315	4,095	4,215	4,215	0	
Trial Courts	32,529	33,005	33,223	34,523	(1,300)	(2)
District Attorney-Prosecution	19,854	22,343	22,399	22,399	0	
Emergency Communications	19,253	25,965	29,545	29,545	0	
Fire Department	189,432	204,122	205,413	206,822	(1,408)	(3)
Juvenile Probation	25,746	25,948	26,359	26,851	(492)	(4)
Public Defender	12,806	13,071	13,086	13,086	0	
Police Department	245,819	256,724	258,334	262,713	(4,379)	(5)
Sheriff	91,142	95,344	95,809	99,609	(3,800)	(6)
Total Public Protection	<u>654,312</u>	<u>694,691</u>	<u>702,517</u>	<u>713,580</u>	<u>(11,063)</u>	
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Clean Water	246	210	270	270	0	
Public Works	18,916	18,091	19,018	19,018	0	
Business and Economic Development	2,248	2,373	3,528	3,528	0	
PUC Light, Heat and Power	2,454	0	238	238	0	
Board of Appeals	403	443	445	428	17	(1)
Telecommunications & Info. Services	1,462	1,557	1,573	1,573	0	
Total Public Works, etc.	<u>25,729</u>	<u>22,675</u>	<u>25,071</u>	<u>25,054</u>	<u>17</u>	
<b>HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT</b>						
Aging and Adult Services	18,887	21,626	21,853	21,662	192	(1)
Children, Youth & Their Families	7,085	5,951	9,499	9,329	170	(1)
Human Services	421,938	466,878	472,978	454,918	18,060	(7)
Environment	550	568	820	701	119	(1)
Human Rights Commission	1,943	1,808	1,825	1,825	0	
Comm. on the Status of Women	2,237	2,441	2,568	2,568	0	
Total Human Welfare, etc.	<u>452,640</u>	<u>499,271</u>	<u>509,544</u>	<u>491,003</u>	<u>18,541</u>	
<b>COMMUNITY HEALTH</b>						
Public Health	379,024	441,799	461,824	461,824	0	(8)
Total Community Health	<u>379,024</u>	<u>441,799</u>	<u>461,824</u>	<u>461,824</u>	<u>0</u>	

\* Revised Budget includes approved supplemental appropriations and carryforwards of prior year encumbrances.

**III. Uses of Funds, Chart D (continued)**

	<u>FY 2001-02</u>	<u>FY 2002-03</u>			Savings / (Shortfall)	
	Actuals	Original Budget	Revised Budget*	6-Month Projection		
<b>GENERAL FUND</b>						
<b>CULTURE AND RECREATION</b>						
Asian Art Museum	3,253	5,883	5,883	5,724	159	(1)
Art Commission	1,006	1,012	1,019	1,019	0	
Convention Facilities	5,329	5,266	5,722	5,722	0	
Fine Arts Museum	4,737	4,951	4,964	4,898	66	(1)
Law Library	471	525	525	525	0	
Recreation and Park	58,409	53,994	55,533	55,533	0	
Academy of Sciences	2,094	1,927	1,927	1,927	0	
County Educational Office	64	68	68	68	0	
Total Culture, etc.	<u>75,363</u>	<u>73,626</u>	<u>75,639</u>	<u>75,414</u>	<u>225</u>	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
Administration Services	3,728	3,483	3,599	3,599	0	
Assessor/Recorder	9,305	8,813	8,820	9,006	(186)	(9)
Board of Supervisors	9,035	8,554	8,696	8,656	40	(1)
City Attorney	12,703	6,904	7,018	9,002	(1,984)	(10)
Controller	18,192	19,173	21,547	20,947	600	(1)
City Planning	11,553	11,803	12,085	12,055	30	(1)
Civil Service	615	703	752	883	(131)	(11)
Ethics Commission	751	777	799	704	95	(1)
Human Resources	15,730	14,785	15,503	15,203	300	(12)
Mayor	23,773	23,519	25,173	25,047	126	(1)
Office of Contract Administration	2,619	2,844	2,998	2,871	127	(1)
Elections	13,872	7,516	7,516	7,666	(150)	(13)
Treasurer/Tax Collector	16,357	17,595	18,132	18,132	0	
General City Responsibility	45,795	55,808	52,157	52,157	0	(14)
Total General Admin.	<u>184,031</u>	<u>182,276</u>	<u>184,794</u>	<u>185,927</u>	<u>(1,133)</u>	
<b>TOTAL GENERAL FUND EXPS.</b>	<u>1,771,099</u>	<u>1,914,338</u>	<u>1,959,389</u>	<u>1,952,802</u>	<u>6,587</u>	
<b>TRANSFERS OUT OF GENERAL FUND:</b>						
Contribution to MUNI	94,305	100,792	100,792	101,473	(681)	(15)
Contribution to SFGH	72,345	94,815	94,815	87,846	6,969	(16)
Contribution to LHH	27,047	36,015	36,015	37,536	(1,521)	(17)
Contribution to Library	28,798	29,101	29,101	29,255	(154)	(18)
Contribution to Parking and Traffic	66,599	36,341	36,341	36,341	0	
Other Transfers	27,044	4,580	4,580	4,580	0	
TOTAL TRANSFERS OUT	<u>316,137</u>	<u>301,643</u>	<u>301,643</u>	<u>297,031</u>	<u>4,613</u>	
Projects, Capital & Facilities Maintenance	102,639	92,837	131,251	125,891	5,360	(19)
Reserves		30,017	30,017	10,017	20,000	(20)
TOTAL PROJECTS & RESERVES	<u>102,639</u>	<u>122,854</u>	<u>161,268</u>	<u>135,909</u>	<u>25,360</u>	
<b>TOTAL GENERAL FUND USES</b>	<u>2,506,011</u>	<u>2,338,835</u>	<u>2,422,301</u>	<u>2,385,742</u>	<u>36,559</u>	

\* Revised Budget includes approved supplemental appropriations and carryforwards of prior year encumbrances.

**Notes to Uses of Funds Schedule:**

- (1) Based on current spending patterns, these departments are projected to end the year under budget primarily because of salary and fringe benefit savings.
- (2) The **Trial Courts** is projected to end the year \$1.30 million over budget due to over expenditure for defense counsel for indigents. A supplemental appropriation request is expected.
- (3) The **Fire Department** is projected to end the year \$1.41 million over budget. The contributing factors include:
  - + \$ 0.90 million in higher workers' compensation charges, and
  - + \$ 0.51 million in higher DTIS charges.

The Mayor's Office is planning to offset the deficit with additional reduction in capital and operating accounts by the end of the year.

- (4) **Juvenile Probation** is projected to end the year \$492,000 over budget based on current spending rates. The contributing factors include:
  - + \$419,000 in salary and benefit over expenditures primarily in overtime, and
  - + \$73,000 in higher workers' compensation charges.

The Mayor's Office is planning to hold operating expenditures to bring the Department's budget into balance by the end of the year.

- (5) The **Police Department** is projected to end the year \$4.40 million over budget based on the current spending rates. The contributing factors include:
  - + \$3.50 million due to a delay in the number of retirements resulting from individuals taking advantage of MOU provisions, and
  - + \$0.90 million in higher workers' compensation charges.

The Mayor's Office has a plan that has been approved by the Police Department to reduce equipment purchases and defer conversion of the records management system to bring the Department's budget into balance by the end of the year.

(6) The **Sheriff** is projected to end the year \$3.80 million over budget based on the current spending rates. The contributing factors include:

- + \$1.20 million in salaries due to lower realized attrition than originally budgeted, and
- + \$2.60 million due to additional food costs associated with a larger jail population than originally assumed in the budget.

A supplemental appropriation is anticipated.

(7) **The Department of Human Services** is projected to end the year with \$18.06 million in savings. However, as noted above in Sources of Funds (Note #15 Social Services Subventions, page 10), the Department's revenues are also projected to be off \$5.57 million. The net result is that the Department is providing \$12.49 million in savings to the General Fund.

(8) **The Department of Public Health** is projected to end the year on budget in the General Fund. However, across all funds, including SF General and Laguna Honda Hospitals, the department will end the year with a net surplus of \$8.30 million.

PUBLIC HEALTH Thousands \$	SOURCES			USES			Department
	Revised Budget	Projected	Surplus/ (Shortfall)	Revised Budget	Projected	Savings / (Shortfall)	Savings / (Shortfall)
<b>S.F. General Hospital</b>	\$ 493,537	\$ 510,129	\$ 16,592	\$ 493,537	\$ 503,160	\$ (9,623)	\$ 6,969
<b>Laguna Honda Hospital</b>	148,491	148,812	321	148,491	150,333	(1,842)	(1,521)
<b>Primary Care</b>	48,222	48,055	(167)	48,222	48,589	(367)	(534)
<b>Health at Home</b>	5,031	5,033	2	5,031	4,735	296	298
<b>Jail Health</b>	26,288	26,288	0	26,288	28,053	(1,765)	(1,765)
<b>Population Health &amp; Prevention</b>	335,793	338,790	2,997	335,771	333,935	1,836	4,855
<b>Department Total - All Funds</b>	<u>\$1,057,362</u>	<u>\$1,077,107</u>	<u>\$ 19,745</u>	<u>\$1,057,340</u>	<u>\$1,068,805</u>	<u>\$ (11,465)</u>	<u>\$ 8,302</u>

Total expenditures are projected to exceed appropriations by \$11.47 million, whereas total revenues are projected to exceed budget by \$19.75 million, yielding a net surplus of \$8.30 million. A supplemental appropriation, funded by departmental revenues, may be required to adjust appropriations to projected spending. See also Notes #16 and #17 below regarding the Contribution Transfers to San Francisco General Hospital and Laguna Honda Hospital.

(9) The **Assessor/Recorder** is projected to end the year \$186,000 over budget based on current spending rates. The contributing factors are:

- + \$113,000 in salary and fringe benefits over spending, and
- + \$ 73,000 in higher workers' compensation charges.

The Department reports that they will delay purchase of equipment to partially offset the over expenditures. A supplemental appropriation for \$487,082 has been submitted to provide funding to offset the current deficit and to add additional appropriation authority.

(10) The **City Attorney** is projected to end the year over budget by \$1.98 million. The contributing factors are:

- + \$2.00 million in salary and fringe benefits over spending, and
- - \$0.02 million in projected savings in workers' compensation charges.

The Department plans to increase recoveries for services provided other departments. If the full recoveries are received, the Department's budget will be in balance by year-end.

(11) The **Civil Service Commission** is projected to end the year \$131,000 over budget due to litigation costs.

(12) The **Department of Human Resources** is showing projected savings of \$300,000 in operations, in addition to \$400,000 reflected in capital project savings related to the lease financing of the new Workers' Compensation Information System. The Mayor has proposed a supplemental for job transition services for displaced employees. If the supplemental is not approved, the \$300,000 in savings will be available to fund next year's budget.

(13) The **Department of Elections** is projected to be over budget by \$150,000 due to litigation costs. A supplemental appropriations request is pending in the Mayor's Office.

(14) **General City Responsibilities** is projected to be over budget by \$5.4 million due to an increase in the cost of health benefits for retirees and their dependents. The increase is due to higher enrollment and an increase in rates. The deficit is expected to be offset by a \$5.4 million in savings in the cost of the implementing the Health Care Accountability and Minimum Compensation ordinances.

(15) Pursuant to the Baseline Requirements, outlined on pages 4-5, the **Transfer Out – Contribution to MUNI** is projected to be \$0.68 million more than originally budgeted. The amount of the transfer out is dependent upon aggregate city revenues (i.e. discretionary revenues). The contribution transfer could also change significantly if the Governor's proposed reductions were enacted in FY 2002-03.

(16) The **Transfer Out – Contribution to SFGH** is projected to be \$6.97 million less than budget due to a net surplus in the San Francisco General Hospital's budget. See also Note #8 above – Department of Public Health.



- (17) The **Transfer Out – Contribution to LHH** is projected to be over budget by \$1.52 million due to a projected deficit in the Laguna Honda Hospital's budget. See also Note #8 above – Department of Public Health.
- (18) Pursuant to the Baseline Requirements, outlined on pages 4-5, the **Transfer Out – Contribution to the Library** is projected to be \$0.15 million more than originally budgeted. The amount of the transfer out is dependent upon aggregate city revenues (i.e. discretionary revenues). The contribution transfer could also change significantly if the Governor's proposed reductions were enacted in FY 2002-03.
- (19) **Capital Projects** are projected to have \$5.36 million in savings. These savings are related to \$4.96 million in capital project closeouts and \$0.40 million in equipment expenditure savings resulting in the lease financing of the new Workers' Compensation Information System. See also above Note #12, Human Resources.
- (20) Absent any mid-year spending reductions from the State, the **State Revenue Stabilization Reserve**, originally funded at \$20 million, will be closed out at year-end. This will offset the \$5.31 million in state revenue related losses discussed in the revenue section. See revenue Note #17 (Other Grants & Subventions) and Note #22 (Other Revenues).

### **Workers' Compensation Summary**

Overall, the City's workers' compensation costs are projected to be 3.9 percent greater in FY 2002-03 than the FY 2001-02 actuals. This is in contrast to 6.2 percent growth in FY 2001-02 and 1.4 percent growth in FY 2000-01. The increase is mainly due to medical cost inflation. The estimates are based on six-month actuals as well as prior year spending patterns.

With the exception of the Fire, Juvenile Probation, Police, Sheriff, Public Health's Laguna Honda Hospital, Assessor/Recorder, all other departments with workers' compensation deficits are projected, at this time, to be able to absorb these increases within their existing budget.

**Chart E: Worker's Compensation Summary**

<u>Fund/Service Area</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>		<u>6-Month Actual</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>
	<u>Actual</u>	<u>Original Budget</u>	<u>Revised Budget</u>			
<b><u>GENERAL FUND</u></b>						
<b>Public Protection</b>						
Fire Department	\$6680	\$6,367	\$6,367	\$3,605	\$7,262	(\$895)
Police Department	7,378	6,913	6,913	3,963	7,792	(879)
Sheriff	2,067	2,056	2,056	1,056	2,186	(130)
Other GF Departments	1,103	1,340	1,340	689	1,425	(85)
<b>Public Works, Transportation &amp; Commerce</b>						
Business and Economic Development	455	15	15	1	3	12
<b>Human Welfare and Neighborhood Development</b>						
Aging & Adult Services	0	65	65	77	160	(95)
Human Services	1,953	1,854	1,854	792	1,639	215
<b>Community Health</b>						
Public Health	1,520	1,781	1,794	592	1,123	658
<b>Culture &amp; Recreation</b>						
Asian Art Museum	0	35	35	3	6	29
Convention Facilities	2	30	30	0	0	30
Fine Arts Museum	115	112	112	50	104	8
Recreation & Park	1,643	1,682	1,682	1,272	2,523	(841)
<b>General Administration &amp; Finance</b>						
Assessor/Recorder	178	185	185	125	258	(73)
City Attorney	340	168	168	73	152	16
Human Resources	1,757	837	837	390	808	29
Treasurer/Tax Collector	96	146	146	82	169	(23)
Other GF Departments	88	77	77	28	59	18
<b>Subtotal General Fund (GF)</b>	<b>25,374</b>	<b>23,664</b>	<b>23,677</b>	<b>12,798</b>	<b>25,670</b>	<b>(2,006)</b>
<b><u>GENERAL FUND SUBSIDIZED</u></b>						
<b>Community Health</b>						
SF General Hospital	3,912	3,526	3,526	2,153	4,392	(866)
Laguna Honda Hospital	2,884	2,901	2,901	1,754	3,361	(460)
<b>Subtotal General Fund Subsidized</b>	<b>6,796</b>	<b>6,427</b>	<b>6,427</b>	<b>3,907</b>	<b>7,753</b>	<b>(1,325)</b>
<b>Subtotal General Fund &amp; Subsidized</b>	<b>\$32,170</b>	<b>\$30,092</b>	<b>\$30,104</b>	<b>\$16,705</b>	<b>\$33,423</b>	<b>(\$3,331)</b>

#### IV. CONCLUSION

**Funds available appear to be sufficient to carry the City through the remainder of the fiscal year and result in a projected year-end fund balance of \$31.01 million that can be applied to future years.** However, three key areas of uncertainty are still present: 1) the State Budget crisis, 2) the threat of war, and 3) the continued possibility of a lagging recovery.

To the degree the Mayor's Plan results in an additional \$25 million of savings, the projected year-end balance would increase to approximately \$56 million. However, approval of pending or other anticipated supplementals could decrease the balance. We have also outlined the projected impact of key uncertainties and our assumption that the beginning of a recovery must occur by March 2003 for these revenue projections to hold true. Additionally, it is critical that departments adhere to current savings plans in order to achieve projected operating savings.

My staff and I are available to respond to any comments or questions you may have at this time. We will update all current year projections during the upcoming Joint Report, which will be released in mid-March, as well as in our Nine-Month Report, which will be released in late-April.

Sincerely,

Edward Harrington  
Controller

Attachments: Appendix A: Status of Supplemental Appropriations  
Appendix B: Status of General Fund Board Reserves

CC: Department Heads  
Ben Rosenfield, Mayor's Budget Office  
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations  
FY 2002-03  
As of January 31, 2003**

<b>Approved Supplementals</b>	<b>APPROVED CHANGES</b>	<b>PENDING / POTENTIAL CHANGES</b>
Art Commission - San Francisco Symphony	\$ (31,964)	
<b>Total Changes Approved</b>	<b>(31,964)</b>	
<b>Supplementals Pending at the Board</b>		
Department of Human Services - Larkin Street Youth Center		\$ 176,000
Asian Art Museum - Janitorial Staff		490,889
Planning - Environmental Review		305,000
Civil Service Commission - Legal Services & BOS Compensation		160,000
Human Resources - Job Transition Services		300,000
Treasurer / Tax Collector - Business Tax & Penalties Collections		119,652
<b>Supplementals Pending in the Mayor's Office</b>		
Elections - Legal Services		\$ 150,000
Assessor/Recorder - Backlog and Current Year Deficit		487,082
<b>Total Supplementals Pending - General Fund Only</b>		<b>\$ 2,188,623</b>
<b>Additional Anticipated Supplementals</b>		
Trial Courts - Indigent Defense		\$ 1,300,000
Sheriff - Higher Jail Census & Salaries		3,800,000
<b>Total Additional Anticipated Supplementals - General Fund Only</b>		<b>\$ 5,100,000</b>

**APPENDIX A: Status of Supplemental Appropriations (continued)**  
**FY 2002-03**  
**As of January 31, 2003**

<b>NON-GENERAL FUND SUPPLEMENTALS</b>	<b>APPROVED CHANGES</b>	<b>PENDING / POTENTIAL CHANGES</b>
<b>Approved Supplementals</b>		
PUC - Consolidation of Administrative Offices	\$ 2,490,343	
<b>Supplementals Pending at the Board</b>		
Airport - Construction Investigation & Litigation		\$ 2,500,000
Mayor - Lease Revenue Bonds		5,229,072
Asian Art Museum - Improvements to Asian Art Museum		2,251,170
<b>Supplementals Pending in the Mayor's Office</b>		
Hetch Hetchy - Equipment and Services for Holm Powerhouse		\$ 700,000
Clean Water - Contractual Services, Material and Supplies		1,560,189
Public Health - Smokeless Tobacco Settlement Programs		313,465
Airport - Free Luggage Cart Program		2,427,711
PUC - Program Management Services		7,000,000
DPT - Capital Projects		35,506,484
<b>Total Supplementals Pending - Non-General Fund Only</b>		<b>\$ 57,488,091</b>

**APPENDIX B: Status of General Fund Board Reserves  
As of January 31, 2003**

<b>RESERVE</b>	<b>BEGINNING BALANCE</b>	<b>CHANGES AS OF 1/31/03</b>	<b>REMAINING BALANCE</b>
<b>Board of Supervisors</b>			
Official Advertising (50%)	\$ 318,200	\$ (288,200)	\$ 30,000
<b>Children, Youth and Their Families</b>			
Citywide Programs for Children and Youth	700,000	(700,000)	0
<b>Department of Public Health</b>			
Laguna Honda Laundry	1,252,913		1,252,913
Laguna Honda Nurses	491,380		491,380
<b>Human Services</b>			
In Home Supportive Services wage, benefit and program improvement increases	1,710,640		1,710,640
<b>Fire Department</b>			
Reorganization of Training Functions (6 months salary and fringes for 5 FTE)	322,277	(161,139)	161,139
<b>Human Resources</b>			
Collective Bargaining Project	253,875		253,875
<b>Elections</b>			
Elections Run-Off	1,322,849	(1,168,598)	154,251
<b>Maintenance of Vehicles (40%)</b>			
Administrative Services	2,400		2,400
Adult Probation	2,917		2,917
Adult and Aging Services	4,422		4,422
Admin Services - Consumer Assurance	5,828		5,828
Admin Services - Animal Care and Control	12,848		12,848
Assessor/Recorder	1,000		1,000
City Attorney	11,084		11,084
Admin Services - Medical Examiner	2,800		2,800
City Planning	2,400		2,400
District Attorney	14,531		14,531
Department of Public Health	157,677		157,677
Human Services	44,416		44,416
Emergency Communications	708		708
Fire Department	1,198,873		1,198,873
Human Rights Commission	1,000		1,000
Human Resources	200		200
Juvenile Probation	20,208		20,208
Mayor	640		640
Public Defender	4,600		4,600

<b>RESERVE</b>	<b>BEGINNING BALANCE</b>	<b>CHANGES AS OF 1/31/03</b>	<b>REMAINING BALANCE</b>
<b>Maintenance of Vehicles (40%)</b>			
Police	1,051,077		1,051,077
Recreation and Parks	322,365		322,365
Elections	3,000		3,000
Sheriff	117,972		117,972
Treasurer/Tax Collector	1,432		1,432
			0
<b>Vehicle Purchase (50%)</b>			
Human Services	65,000		65,000
<b>TOTAL</b>	<u><u>\$ 9,421,532</u></u>	<u><u>\$ (2,317,937)</u></u>	<u><u>\$ 7,103,596</u></u>

Other reserves included in expenditure summary (Chart D).