



Edward Harrington
Controller

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May 3, 2006

The Honorable Gavin Newsom
Mayor, City and County of San Francisco
Room 200, City Hall

The Honorable Board of Supervisors
Room 244, City Hall

Re: FY 2005-06 Nine-Month Budget Status Report

Dear Mayor Newsom, 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 Nine-Month Budget Status Report that is based on sources of funds received and uses of funds expended from July 1, 2005 through March 31, 2006. The purpose of the report is to apprise the City's policy makers of the current and projected budgetary status of the General Fund and other key operating funds.

I. OVERVIEW

We project an available fund balance of \$95.21 million for the General Fund by the end of fiscal year 2005-2006 (FY 2005-06). This surplus is primarily attributed to the additional fund balance available from the prior year, which was larger than previously assumed due to both better revenue growth and expenditure savings in FY 2004-05 as well as further continuing revenue growth in the current fiscal year and some projected expenditure savings. For comparison, the FY 2004-05 year-end available fund balance was \$137.18 million. A summary of the FY 2005-06 projection including key changes from the 6-Month Report is as follows:

6-Month Report - Available Fund Balance Projection	\$	137.31
+ Net Revenue Improvement Available to Appropriate		8.91
+ Net Expenditure Performance, Available Savings		3.02
- Fund Balance already used for Supplementals		(54.03)
9-Month Report - Available Fund Balance Projection	\$	<u>95.21</u>

The projected year-end balance is based on current revenue and spending patterns. Actual year-end balances may differ due to changes in revenues, spending rates, the amount of further supplemental appropriations, and releases of reserves ultimately approved by the Mayor and/or the Board. The narrative on the following pages provides a summary of key budgetary issues, helping to frame the key uncertainties present – notably the strength of the economic recovery and associated revenue growth. Updated revenue projections included in this report also impact projected FY 2006-07 revenue levels. We project that the FY 2006-07 revenues will be approximately \$60.0 million better than previously assumed in the Joint Report due primarily to better Payroll Tax, Interest Income and Real Property Transfer Tax performance.

Chart A: Nine-Month General Fund Budget Summary – FY 2005-06 (millions)

	AAO Original Budget	Revised Budget	Year-End Projection	Projected Incremental Available Fund Balance
SOURCES:				
Prior-Year Fund Balance	\$ 117.99	\$ 117.99	\$ 137.18	\$ 19.19
Prior-Year Reserves Budgeted in the Current Year (CY)	2.49	2.49	2.49	-
Subtotal Sources - Prior Year	\$ 120.48	\$ 120.48	\$ 139.67	\$ 19.19
Current Year Revenues	2,285.14	2,293.70	2,440.35	146.65
Current Year Transfers-In	107.57	108.38	107.64	(0.74)
Subtotal Sources - CY Revenues & Transfers-In	\$ 2,392.71	\$ 2,402.08	\$ 2,547.99	\$ 145.91
Current Year Transfers (Out), Operating	(59.90)	(59.90)	(59.90)	-
Carryforwards & Transfers, net	-	117.46	117.46	-
Subtotal Sources - CY, Carryforwards & Transfers	\$ 2,332.81	\$ 2,459.64	\$ 2,605.55	\$ 145.91
Subtotal Sources - PY, CY, Carryforwards & Transfers	\$ 2,453.29	\$ 2,580.13	\$ 2,745.22	\$ 165.09
Fund Balance - Used for Supplemental Appropriation		54.21		(54.21)
Reserves - Used for Supplemental Appropriation		3.26		(3.26)
Total Sources	\$ 2,453.29	\$ 2,637.59	\$ 2,745.22	\$ 107.62
USES:				
Operating Expenditures, net of recoveries	1,898.88	1,954.68	1,939.91	14.77
Project Expenditures	129.18	183.79	183.79	-
Capital & Facilities Maintenance	40.49	87.66	87.66	-
Subtotal - Current Year Expenditures	2,068.54	2,226.13	2,211.36	14.77
Baseline Funding Requirement Transfers Out	173.66	173.66	192.03	(18.38)
Subsidy Transfers to Hospitals & Other Transfers	156.98	170.53	154.11	16.42
Reserves	29.86	46.59	46.59	-
Total Uses - Current Year	\$ 2,429.03	\$ 2,616.90	\$ 2,604.09	\$ 12.81
Required Reserves from Current Year Resources				
Rainy Day - Economic Stabilization Reserve			28.94	(28.94)
Rainy Day - Capital & One-Time Uses Reserve			14.47	(14.47)
Budget Savings - Citywide Incentive Reserve			2.00	(2.00)
Budget Savings - Recreation & Park Reserve			0.51	(0.51)
Total Uses - Current Year & Set-Asides	\$ 2,429.03	\$ 2,616.90	\$ 2,650.01	\$ (33.11)
GENERAL FUND ENDING BALANCE	\$ 24.26	\$ 20.69	\$ 95.21	\$ 74.52

General Fund Balance & Prior Year Reserves

At the time the budget for FY 2005-06 was prepared, we anticipated starting the current fiscal year with a General Fund beginning balance of \$117.99 million and prior-year reserves of \$2.49 million. When the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005 was completed in December 2005, we confirmed that the ending balance from the previous fiscal year was \$137.18 million, along with prior-year reserve balances of \$2.49 million assumed liquidated in the current year. As a result, there is an additional \$19.19 million of prior-year sources available from FY 2004-05 that was not anticipated for FY 2005-06.

Current Revenues and Transfers In

We project revenues and transfers-in to be \$145.91 million better than the revised FY 2005-06 budget. The revenue surplus is primarily due to higher Property Tax, Real Property Transfer Tax, Payroll Tax, Interest Income and Utility Users Tax revenues. Some shortfalls in Social Service Subventions are projected with more than offsetting expenditure savings in the Human Services Agency. In addition to realized revenues through the first nine months of FY 2005-06, posted activity through May 1, 2006 has been incorporated into our revenue projections. Our projections are also based on discussions with department staffs and industry experts, as well as analyses of key economic indicators and forecasts. Chart B below provides a high-level summary of key revenue changes from budget. Chart F (on page 9) provides a more detailed revenue summary followed by descriptive narrative for each major category on the following pages.

Chart B: Revenues & Transfers In Budget Summary – FY 2005-06 (millions)

	FY 2004-05		FY 2005-06		<i>sort order</i>
	Year-End Actuals	Revised Budget	9-Month Projection	Surplus / (Shortfall) from Budget to 9- Month	
Revenues & Transfers-In, US\$ Millions					
Property Tax	\$ 710.49	\$ 696.66	\$ 764.69	\$ 68.03	↑
Real Property Transfer Tax	116.80	83.00	119.20	36.20	
Business Taxes	292.17	288.32	318.11	29.79	
Interest	12.59	11.39	31.30	19.91	
Utility Users Tax	72.57	70.92	76.75	5.83	
Hotel Room Tax	108.91	121.46	125.73	4.27	
Parking Tax	33.09	33.12	35.00	1.88	
Subtotal - Key Surpluses	1,346.62	1,304.87	1,470.79	165.92	
State Social Service Subventions (DHS)	120.03	131.40	121.88	(9.52)	
Property Sales	9.20	7.75	-	(7.75)	
Motor Vehicle In Lieu	3.68	36.66	34.61	(2.05)	
Sales Tax	94.69	102.78	102.78	-	
Health & Welfare Realignment	156.09	158.45	158.45	-	
Other Revenues	497.24	551.79	551.85	0.06	
Subtotal - Other Key Revenues	880.91	988.83	969.56	(19.27)	
Total Revenues	2,227.54	2,293.70	2,440.35	146.65	
Transfers In	140.41	108.38	107.64	(0.74)	
Total Revenues & Transfers In	\$ 2,367.95	\$ 2,402.08	\$ 2,547.99	\$ 145.91	
<i>Revenues Better from Prior Year Actual by...</i>	<i>\$ 157.18</i>	<i>\$ 66.16</i>	<i>\$ 212.81</i>		
<i>% Increase</i>	<i>7.6%</i>	<i>3.0%</i>	<i>9.6%</i>		
<i>Revenues & Transfers In Better from Prior Year...</i>	<i>\$ 176.1</i>	<i>\$ 34.1</i>	<i>\$ 180.0</i>		
<i>% Increase</i>	<i>8.0%</i>	<i>1.4%</i>	<i>7.6%</i>		

State Budget Impact: The FY 2005-06 Adopted State Budget included discretionary revenue reductions of \$25.17 million related to Property Tax Educational Revenue Augmentation Fund (ERAF) III diversion. FY 2005-06 is the second of two years that the ERAF III shift was projected to hit the General Fund. In addition to this \$25.17 million reduction, shifts from our General Fund of approximately \$260 million continue for ERAF I and II, which are assumed to be on-going in the Governor's Proposed Budget released on January 10, 2006 for the upcoming FY 2006-07.

The repayment of the Vehicle License Fee revenues diverted by the State in FY 2003-04 have been received in FY 2005-06 – creating a one-time surge in Motor Vehicle revenues noted in the table on the previous page. Additionally, 0.25% of the Local 1.00% Sales Tax continues to be shifted from the General Fund to cover debt service on the State's Economic Recovery Bonds. Both this Sales Tax shift and the permanent rollback of Vehicle License Fees are backfilled by property taxes, as assumed in the budget and projected in this report.

Current Operating Expenditures & Transfers Out

Based on current spending patterns, we project overall departmental expenditures and transfers-out savings of \$12.81 million by fiscal year-end. Chart C below incorporates this savings as well as required reserve set-asides. Most departments are projected to be on budget by fiscal year-end, both in their revenue and expenditure performance. However, a few are projected to have net shortfalls, and a number of others have net savings. Departments with key variances are summarized below. Chart G (on page 20) provides further budgetary detail for all departments including prior-year actuals and current year expenditure appropriations.

Chart C: Departmental Budget Summary of Sources & Uses – FY 2005-06 (millions)

Net Shortfall Departments		<i>Sort Order</i>		
US\$ millions	SOURCES	USES	NET	
	Surplus / (Short)	Under / (Over)	Savings /	
	Budget	Budget	(Shortfall)	
Fire Department	\$ (2.31)	0.00	(2.31)	
Police	1.30	(2.84)	(1.54)	
District Attorney	(0.96)	0.00	(0.96)	
Elections	0.07	(0.89)	(0.82)	
Public Works	(0.46)	(0.27)	(0.73)	
Sheriff	(0.36)	0.00	(0.36)	
Human Resources	0.00	(0.30)	(0.30)	
City Planning	(0.67)	0.42	(0.25)	
Adult Probation	(0.25)	0.02	(0.23)	
Public Defender	(0.07)	0.00	(0.07)	
Law Library	0.00	(0.03)	(0.03)	
Total Net Projected Shortfall	\$ (3.70)	(3.89)	(7.60)	
Net Surplus Departments		<i>Sort Order</i>		
	SOURCES	USES	NET	
	Surplus / (Short)	Under / (Over)	Savings /	
	Budget	Budget	(Shortfall)	
Public Health including Subsidies to Hospitals	\$ 3.76	17.25	21.01	
Human Services	(9.52)	14.71	5.19	
Recreation & Parks	0.48	0.51	0.99	
Trial Courts	0.00	0.46	0.46	
Fine Arts Museum	0.00	0.37	0.37	
Treasurer / Tax Collector	(0.25)	0.60	0.35	
Administrative Services	0.00	0.32	0.32	
Asian Art Museum	0.00	0.30	0.30	
Assessor / Recorder	0.00	0.26	0.26	
Ethics Commission	0.00	0.10	0.10	
Juvenile Probation	0.08	0.00	0.08	
Telecommunication & Info Systems	0.00	0.08	0.08	
Children, Youth & Families	0.00	0.04	0.04	
Status of Women	0.00	0.04	0.04	
Civil Service Commission	0.00	0.03	0.03	
Environment	0.00	0.02	0.02	
Total Net Projected Savings	\$ (5.46)	35.08	29.63	
Citywide & General Tax Revenues	155.07		155.07	
Baselines - Library		(3.26)	(3.26)	
Baselines - Children's Services		(2.42)	(2.42)	
Baselines - Municipal Transportation Agency		(12.70)	(12.70)	
Subtotal - Current Year Operations	\$ 145.91	12.81	158.72	
General Reserve		20.69	20.69	
Prior Year Fund Balance	19.19		19.19	
Supplemental Use of Fund Balance & Reserves	(57.47)		(57.47)	
Incremental Required Reserves - Dept. Savings		(2.51)	(2.51)	
Incremental Required Reserves - Rainy Day		(43.41)	(43.41)	
Net Surplus / (Shortfall)	\$ 107.62	(12.42)	95.21	

Contribution Transfers Out, Baselines & Other Required Reserve Set-Asides

Contribution Transfers Out - San Francisco General & Laguna Honda Hospitals: Based on the current projected revenues and expenditures, San Francisco General Hospital will have a net surplus of \$8.20 million while Laguna Honda Hospital will have a net surplus of \$8.22 million for a total of \$16.42 million. This results in a like amount of savings for the General Fund.

Contribution Transfers Out – Baselines (Revenue Impacted): 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. Higher required contributions are primarily due to better revenues in property tax, real property transfer tax, business tax and interest income revenues. Chart D outlines the General Fund Appropriation, the Current Required Baseline, and the Projected Increase / (Decrease) Contribution needed given the projections outlined in this report.

Chart D: Baselines Appropriation Current Year Requirements, (millions)

Baseline	Current Year				Total Current Year & Prior Year
	FY 2004-05	FY 2005-06		Projected	
	Prior Year Increase / (Decrease) from Year-End Reserves	Revised Budget General Fund Appropriation	9-Month Required Baseline	Increase / (Decrease) Contribution as of 9-Month Report	
Revenue Driven					
Children's Services	\$1.18	\$82.17	\$84.59	\$2.42	\$3.60
Library Preservation	\$1.00	\$33.79	\$37.05	\$3.26	\$4.26
Municipal Railway	\$2.98	\$102.74	\$111.97	\$9.24	\$12.21
Parking & Traffic	\$1.06	\$37.13	\$40.58	\$3.46	\$4.52
Subtotal MTA	\$4.04	\$139.87	\$152.56	\$12.69	\$16.73
Total	\$6.22	\$255.83	\$274.20	\$18.37	\$24.59

A number of required reserves are also mandated by the Charter and the Municipal Code. The Rainy Day and Budget Savings Incentive Reserves are summarized in the table below and discussed in further detail in the narrative immediately following the table.

Rainy Day & Budget Savings Reserves	Actual	Budgeted	Required	Projected
	June 30, 2005	(Use) in in the Current Year	Funding from Current Year	June 30, 2006
Rainy Day - Economic Stabilization Reserve	\$ 48.14	\$ -	\$ 28.94	\$ 77.08
Rainy Day - Capital & One-Time Spending Reserve	-	-	14.47	14.47
Budget Savings - Recreation & Park Reserve	3.08	(0.49)	0.51	3.10
Budget Savings - Citywide Incentive Reserve	2.63	(2.00)	2.00	2.63

Required Set-Asides – Rainy Day Reserve Requirements: Charter Section 9.113.5 requires the City to set-aside 50 percent of revenue growth in excess of five percent from the prior year into the Rainy Day (Economic Stabilization) Reserve as well as to set-aside another 25 percent of growth over five percent into a Rainy Day One-Time or Capital Spending Reserve. The remaining 25 percent can be used for any general governmental use. The required Rainy Day calculations result in \$57.87 million of revenues exceeding the policy adjusted revenue threshold of five percent. Of this \$57.87 million, \$28.94 million is the projected deposit into the Rainy Day (Economic Stabilization) Reserve and \$14.47 million is the projected deposit into the Rainy Day One-Time Spending Reserve.

Chart E: Rainy Day Reserve Requirements, (millions)

Fiscal Year	Policy Adjusted Revenues \$	Change from PY		Rainy Day Deposit Threshold \$ PY +5%	Difference b/n Deposit Threshold & Policy Adj Rev \$	Rainy Day Requirements, Deposit/(Withdrawal)				
		\$	%			Economic Stabilization		One-Time		
						CCSF	USD	Balance	Balance	
FY 2003-04	2,035.99	70.12	3.6%					\$ 55.14		
FY 2004-05	2,203.88	167.89	8.2%		\$	-	\$ (7.00)	\$ 48.14	\$ -	
Budget FY 2005-06	2,231.03	27.15	1.2%	2,314.07	(83.04)	\$	-	\$ 48.14	\$ -	
Projected FY 2005-06	2,371.95	168.07	7.6%	2,314.07	57.87	\$	28.94	\$ -	\$ 77.07	\$ 14.47

Required Set-Asides – Recreation & Park Budget Savings Incentive Reserve: Charter Section 16.107 requires that ‘overall Department expenditure savings shall be retained by the Department to be dedicated to one-time expenditures’. Expenditure savings are set-aside in the **Recreation & Parks Budget Savings Incentive Reserve**. Based on current projections, \$0.51 million will be required to add to this reserve at fiscal year-end, resulting in a projected year-end total balance of \$3.10 million.

Required Set-Asides – Citywide Budget Savings Incentive Reserve: Administrative Code Section 3.17 requires the greater of \$2.00 million or 10 percent of departments’ year-end appropriation savings to be set-aside in a **Savings Incentive Reserve**. Based on current projections, \$2.00 million will be required to add to this reserve at fiscal year-end, resulting in a projected year-end total balance of \$2.63 million.

Supplemental Appropriations

General Fund supplemental appropriation requests approved by the Board used \$57.78 million of the General Fund Reserve or Fund Balance. As for supplemental appropriations not currently approved by the Board, we have only assumed supplemental appropriations will be needed in the General Fund for Police and Elections by fiscal year-end.

Please see a summary of approved, as well as anticipated and pending supplemental appropriation requests in **Appendix A**. To the degree that supplemental appropriations (other than those we have already assumed) are approved using the General Reserve or projected fund balance resources, the projected year-end balance will 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 April 30, 2006. For projection purposes, this report assumes that all of these Board reserves are released and expended, except for the \$0.40 million in project savings at the Tax Collector, which is not assumed but will close out to fund balance at fiscal year-end. To the degree that other reserves are not released, not expended and closed to fund balance by year-end, the projected year-end balance would increase. In the event that appropriation reserves are related to work order authority supported through recovery funding from non-General Fund sources, no net General Fund savings would occur.

General Fund Ending Balance

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$95.21 million as compared to a FY 2005-06 beginning fund balance of \$137.18 million.

II. Sources of Funds, Revenues & Transfers In (millions), Chart F

GENERAL FUND (US\$ millions)	FY 2004-05	FISCAL YEAR 2005-06 (Current Year, CY)				Surplus / (Shortfall) from Revised	
	Prior Year (PY) Actuals	Original Budget	Revised Budget	9 -Month Projection			
PROPERTY TAXES	\$ 710.49	\$ 696.66	\$ 696.66	\$ 764.69	\$ 68.03	(1)	
BUSINESS TAXES:							
Business Registration Tax	\$ 7.36	\$ 7.13	\$ 7.13	\$ 7.59	\$ 0.46	(2)	
Payroll Tax	\$ 284.81	\$ 281.19	\$ 281.19	\$ 310.52	\$ 29.33	(3)	
Total Business Taxes	\$ 292.17	\$ 288.32	\$ 288.32	\$ 318.11	\$ 29.79		
OTHER LOCAL TAXES:							
Sales Tax	\$ 94.69	\$ 102.78	\$ 102.78	\$ 102.78	\$ -	(4)	
Hotel Room Tax	\$ 108.91	\$ 121.46	\$ 121.46	\$ 125.73	\$ 4.27	(5)	
Utility Users Tax	\$ 72.57	\$ 70.92	\$ 70.92	\$ 76.75	\$ 5.83	(6)	
Parking Tax	\$ 33.09	\$ 33.12	\$ 33.12	\$ 35.00	\$ 1.88	(7)	
Real Property Transfer Tax	\$ 116.80	\$ 83.00	\$ 83.00	\$ 119.20	\$ 36.20	(8)	
Stadium Admission Tax	\$ 2.18	\$ 2.43	\$ 2.43	\$ 2.85	\$ 0.42	(9)	
Total Other Local Taxes	\$ 428.24	\$ 413.71	\$ 413.71	\$ 462.31	\$ 48.60		
LICENSES, PERMITS & FRANCHISES							
Licenses & Permits	\$ 6.64	\$ 6.70	\$ 6.70	\$ 6.64	\$ (0.06)	(10)	
Franchise Tax	\$ 12.79	\$ 12.42	\$ 12.42	\$ 13.17	\$ 0.75	(11)	
Total Licenses, Permits & Franchises	\$ 19.43	\$ 19.13	\$ 19.13	\$ 19.82	\$ 0.69		
FINES, FORFEITURES & PENALTIES	\$ 9.54	\$ 11.48	\$ 11.48	\$ 10.30	\$ (1.18)	(12)	
INTEREST & INVESTMENT INCOME	\$ 12.59	\$ 11.31	\$ 11.39	\$ 31.30	\$ 19.91	(13)	
RENTS & CONCESSIONS							
Garages - Rec/Park	\$ 8.06	\$ 7.93	\$ 7.93	\$ 8.53	\$ 0.60	(14)	
Rents and Concessions - Rec/Park	\$ 10.94	\$ 9.98	\$ 9.98	\$ 9.18	\$ (0.79)	(15)	
Other Rents and Concessions	\$ 1.47	\$ 1.68	\$ 1.68	\$ 2.06	\$ 0.38	(15)	
Total Rents and Concessions	\$ 20.47	\$ 19.58	\$ 19.58	\$ 19.77	\$ 0.18		
INTERGOVERNMENTAL REVENUES							
Federal Government							
Social Service Subventions	\$ 164.87	\$ 197.23	\$ 190.61	\$ 190.69	\$ 0.07	(16)	
Other Grants & Subventions	\$ 0.87	\$ 9.11	\$ 9.11	\$ 9.76	\$ 0.65	(17)	
Total Federal Subventions	\$ 165.74	\$ 206.34	\$ 199.73	\$ 200.45	\$ 0.72		
State Government							
Social Service Subventions	\$ 120.03	\$ 117.93	\$ 131.40	\$ 121.88	\$ (9.52)	(18)	
Health & Welfare Realignment	\$ 156.09	\$ 158.45	\$ 158.45	\$ 158.45	\$ -	(19)	
Health/Mental Health Subventions	\$ 75.11	\$ 71.95	\$ 72.48	\$ 72.48	\$ -	(20)	
Public Safety Sales Tax	\$ 65.67	\$ 70.00	\$ 70.00	\$ 70.50	\$ 0.50	(21)	
Motor Vehicle In-Lieu	\$ 3.68	\$ 36.66	\$ 36.66	\$ 34.61	\$ (2.05)	(22)	
Other Grants & Subventions	\$ 17.90	\$ 19.40	\$ 19.49	\$ 26.53	\$ 7.04	(23)	
Total State Subventions	\$ 438.48	\$ 474.39	\$ 488.48	\$ 484.45	\$ (4.03)		
CHARGES FOR SERVICES:							
General Government Service Charges	\$ 23.87	\$ 27.05	\$ 27.11	\$ 25.96	\$ (1.15)	(24)	
Public Safety Service Charges	\$ 17.84	\$ 21.61	\$ 21.61	\$ 22.70	\$ 1.09	(25)	
Recreation Charges - Rec/Park	\$ 6.25	\$ 5.80	\$ 5.80	\$ 6.50	\$ 0.70	(26)	
MediCal,MediCare & Health Service Charges	\$ 44.17	\$ 47.99	\$ 47.27	\$ 43.79	\$ (3.48)	(27)	
Other Service Charges	\$ 7.91	\$ 8.78	\$ 9.90	\$ 9.90	\$ -		
Total Charges for Services	\$ 100.05	\$ 111.22	\$ 111.69	\$ 108.85	\$ (2.84)		
RECOVERY OF GEN. GOV'T. COSTS	\$ 16.08	\$ 19.77	\$ 19.77	\$ 14.19	\$ (5.58)	(28)	
OTHER REVENUES	\$ 14.28	\$ 13.24	\$ 13.77	\$ 6.12	\$ (7.65)	(29)	
TOTAL REVENUES	\$ 2,227.54	\$ 2,285.14	\$ 2,293.70	\$ 2,440.35	\$ 146.65		
TRANSFERS INTO GENERAL FUND:							
Airport	\$ 19.68	\$ 21.94	\$ 21.94	\$ 21.20	\$ (0.74)	(30)	
Other Transfers	\$ 120.73	\$ 85.63	\$ 86.44	\$ 86.44	\$ -		
Total Transfers-In	\$ 140.41	\$ 107.57	\$ 108.38	\$ 107.64	\$ (0.74)		
TOTAL GENERAL FUND RESOURCES	\$ 2,367.95	\$ 2,392.71	\$ 2,402.08	\$ 2,547.99	\$ 145.91		

Notes to Sources of Funds Schedule:

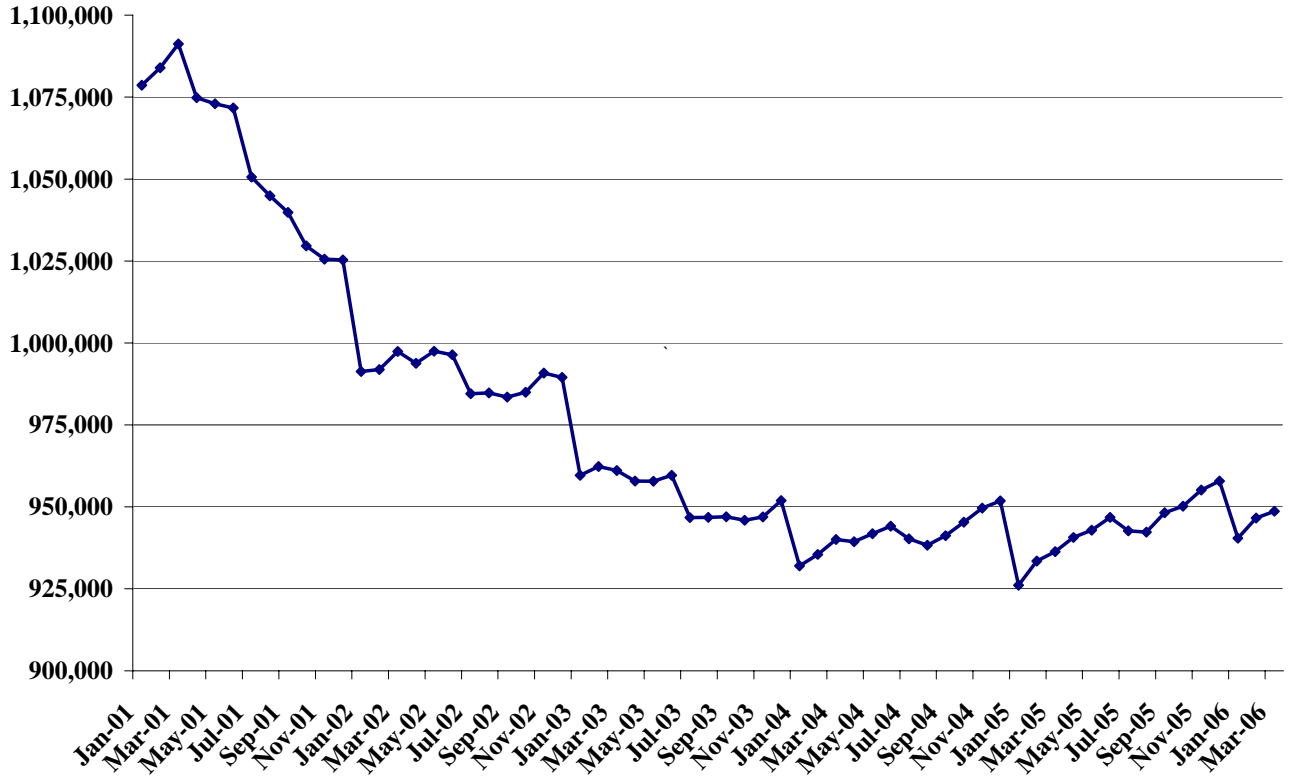
- (1) **Property Tax** revenues are projected to be \$68.03 million better than budget. This is primarily due to four key factors: 1) +\$26.35 million from improving assessment appeals experience to date, 2) +\$14.20 million from State revenue backfill allocations related to vehicle license fees and sales tax shifts, 3) +\$12.25 million from escape assessment billings, and 4) +\$7.47 million higher supplemental assessments. San Francisco’s net assessed valuation grew 6.64 percent in FY 2005-06 from FY 2004-05, whereas approximately 5.75 percent was assumed in the budget. The projection also reflects ERAF III shifts of \$25.17 million, which is the same as assumed in the budget. The projected impact is summarized for the General Fund and selected Special Revenue Funds below.

Projected Property Tax Revenues by Fund

	FY 2005-06		
	Original Budget	9-Month	Surplus / (Shortfall) \$ millions
General Fund	\$ 696.66	\$ 764.69	\$ 68.03
Children's Fund	\$ 30.38	\$ 33.35	\$ 2.97
Library Fund	\$ 25.40	\$ 27.89	\$ 2.49
Open Space Fund	\$ 25.40	\$ 27.89	\$ 2.49

- (2) **Business Registration** revenues are projected to be \$0.46 million better than budget based on business formations and renewal collections to date.
- (3) **Payroll Tax** revenues are projected to be \$29.33 million better than budget. Actual collections through March suggest higher total wage growth of approximately 7.2 percent, compared to the 3.7 percent growth in total wages assumed in the budget. Additionally, prior-year actuals exceeded the prior year-end projection, which meant that the current year budget assumptions had a higher starting base from which to grow. The following chart shows the employment levels for the San Francisco Primary Metropolitan Statistical Area (i.e. the PMSA which includes San Francisco, Marin and San Mateo counties) and is the most focused geographical area for which current data is available. The moderate labor growth that was assumed in the budget appears to have materialized. Our projection assumes collections growth of 2.0 percent through the remainder of the fiscal year, consistent with pre-payment provisions in the Municipal Code.

Total Employment for the San Francisco PMSA (Marin, San Francisco, San Mateo)



Source: California Economic Development Department

Job Growth Is Up Over Last 12+ Months
 San Francisco PMSA (Marin, San Francisco, San Mateo)

	<u>Average Annual Growth</u>		<u>Growth from Prior Year</u>
		March 2006	1.31%
CY 2005	0.80%	March 2005	-0.57%
CY 2004	-1.26%	March 2004	-2.01%
CY 2003	-3.73%	March 2003	-3.64%
CY 2002	-6.33%	March 2002	-8.60%

Business Taxes Revenues \$ millions

Fiscal Year	Total	Annual Growth	
		\$ Change	% Change
FY 2000-01	\$ 277.09	\$ 9.90	3.7%
FY 2001-02	\$ 274.13	\$ (2.97)	(1.1%)
FY 2002-03	\$ 276.13	\$ 2.00	0.7%
FY 2003-04	\$ 264.35	\$ (11.78)	(4.3%)
FY 2004-05	\$ 292.17	\$ 27.82	10.5%
Budget FY 2005-06	\$ 288.32	\$ (3.85)	(1.3%)
Projection FY 2005-06	\$ 318.11	\$ 25.94	8.9%

- (4) **Sales Tax** revenues are projected to be at budget. The 9-month projection of \$102.78 million factors in 1) 3.8 percent underlying growth in retail activity for the second half of the fiscal year and 2) prior quarter allocation adjustments posting in current year. As illustrated in the table below, San Francisco sales tax collections are up significantly in recent history.

For the most recent quarter, the 4th Quarter 2005, the City had cash receipts growth of 7.6 percent, which corresponded to an estimated 3.8 percent of real underlying sales activity once adjustments were factored in for prior quarter allocation adjustments. San Francisco's sales tax revenue continues to be more dependent on tourism than most other cities in California, any sustained increase in this revenue will be dependent on both tourism and jobs growth.

Sales Tax Cash Collections Strengthening

Fiscal Year	Calendar Quarter	San Francisco	9 County Bay Area	California
FY 2005-06	4th Quarter 2005	+7.6%	+5.1%	+6.1%
	3rd Quarter 2005	+18.9%	+17.0%	+16.0%
FY 2004-05	2nd Quarter 2005	+6.4%	+6.7%	+9.3%
	1st Quarter 2005	+5.1%	+2.5%	+4.9%
	4th Quarter 2004	+6.3%	+7.7%	+11.4%
	3rd Quarter 2004	+0.8%	+1.7%	+4.9%
FY 2003-04	2nd Quarter 2004	+8.4%	+6.6%	+7.7%
	1st Quarter 2004	+8.2%	+8.0%	+10.2%
	4th Quarter 2003	+2.7%	+2.8%	+4.2%
	3rd Quarter 2003	-1.6%	-1.4%	+2.5%
FY 2002-03	2nd Quarter 2003	-3.3%	-2.3%	+5.0%
	1st Quarter 2003	-2.0%	-3.0%	+4.6%
	4th Quarter 2002	-1.7%	-4.4%	+0.8%
	3rd Quarter 2002	-5.0%	-3.1%	+3.1%
FY 2001-02	2nd Quarter 2002	-9.7%	-8.4%	-1.3%
	1st Quarter 2002	-17.8%	-12.7%	-3.7%
	4th Quarter 2001	-17.0%	-13.5%	-2.0%
	3rd Quarter 2001	-20.3%	-11.5%	-1.2%
FY 2000-01	2nd Quarter 2001	-8.7%	-5.0%	0.0%

Source: CA Board of Equalization, HdL

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$4.27 million better than budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$174.38 million, or 10.4 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continued strengthening through the fiscal year. The tables on page 15 summarize Occupancy and Average Daily Room Rates (ADRs) by month.

Our projection is based on realized revenue collections-to-date, interviews with hotel industry experts, and assumes continued economic strengthening and increasing average daily room rates for FY 2005-06. Our current forecast assumes average annual occupancy rates of 77.9 percent (4.6 percent growth from the prior year) and average annual daily room rates (ADRs) of \$156.36 (5.6 percent growth from the prior year). Hotel room tax revenues fluctuate primarily based on these two variables along with changes in the number of available rooms.

Hotel Tax Revenue - All Funds (\$ millions)

			<u>Annual Growth</u>	
	Fiscal Year	Total	\$ Change (\$ million)	% Change
Prior Peak	→ FY 2000-01	\$ 188.38	\$ 6.28	3.4%
	FY 2001-02	\$ 132.23	\$ (56.15)	(29.8%)
	FY 2002-03	\$ 128.59	\$ (3.63)	(2.7%)
	FY 2003-04	\$ 148.23	\$ 19.64	15.3%
	FY 2004-05	\$ 157.94	\$ 9.71	6.6%
	Budget FY 2005-06	\$ 170.11	\$ 12.17	7.7%
	Projection FY 2005-06	\$ 174.38	\$ 16.44	10.4%

HOTEL OCCUPANCY RATES

MONTH	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
July	88.0%	87.5%	75.4%	68.7%	77.0%	81.1%	84.3%
August	81.3%	90.2%	80.8%	74.7%	83.5%	81.5%	88.9%
September	86.9%	88.5%	58.3%	68.1%	75.0%	81.6%	87.9%
October	82.7%	87.9%	61.1%	73.7%	76.1%	84.5%	83.7%
November	74.1%	72.7%	53.9%	60.9%	69.8%	63.1%	71.4%
December	62.1%	64.4%	50.0%	55.6%	56.9%	63.1%	64.5%
January	67.0%	63.5%	50.3%	51.3%	54.5%	59.9%	62.3%
February	79.7%	70.4%	56.9%	57.9%	63.6%	67.5%	67.0%
March	88.6%	72.9%	60.7%	59.4%	73.6%	74.0%	75.3%
April	84.7%	70.7%	67.8%	62.8%	73.2%	75.8%	77.9%
May	84.4%	76.9%	65.7%	68.7%	78.9%	79.0%	83.5%
June	91.7%	80.0%	74.5%	72.9%	80.8%	82.4%	87.9%
AVG. OCC. RATE	80.9%	77.1%	63.0%	64.6%	71.9%	74.5%	77.9%
% Rate Chg from PY	1.1%	-3.8%	-14.2%	1.6%	7.3%	2.6%	3.4%
% Change from PY	1.4%	-4.7%	-18.4%	2.6%	11.4%	3.5%	4.6%

Overall Strengthening in SF Market During FY 2004-05

Continued Strengthening in Occupancy

Estimated

Fiscal Year Peak

Approaching 2000 Peak

NOTE: Actuals based on a PKF industry sample representing 70-80% of all rooms and revenue.

AVERAGE DAILY ROOM RATES (ADRs)

MONTH	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
July	\$ 154.98	\$ 175.56	\$ 156.14	\$ 140.65	\$ 136.72	\$ 140.34	\$ 149.50
August	\$ 150.06	\$ 165.89	\$ 159.01	\$ 134.34	\$ 133.63	\$ 141.62	\$ 150.79
September	\$ 158.09	\$ 180.33	\$ 157.35	\$ 140.18	\$ 141.04	\$ 147.04	\$ 167.50
October	\$ 153.22	\$ 191.46	\$ 166.56	\$ 156.21	\$ 158.28	\$ 161.13	\$ 172.97
November	\$ 148.02	\$ 169.40	\$ 151.08	\$ 140.01	\$ 141.82	\$ 143.93	\$ 155.74
December	\$ 146.22	\$ 162.24	\$ 136.65	\$ 129.56	\$ 129.33	\$ 135.65	\$ 144.87
January	\$ 153.17	\$ 174.24	\$ 146.41	\$ 140.60	\$ 133.75	\$ 146.81	\$ 159.41
February	\$ 156.25	\$ 181.78	\$ 146.09	\$ 143.65	\$ 138.73	\$ 147.62	\$ 154.97
March	\$ 164.96	\$ 179.18	\$ 143.95	\$ 138.06	\$ 154.22	\$ 148.89	\$ 155.40
April	\$ 164.39	\$ 168.79	\$ 156.06	\$ 140.30	\$ 142.54	\$ 157.31	\$ 152.27
May	\$ 168.41	\$ 191.63	\$ 152.38	\$ 149.66	\$ 149.40	\$ 153.63	\$ 159.61
June	\$ 175.50	\$ 173.72	\$ 160.85	\$ 135.91	\$ 148.02	\$ 153.67	\$ 153.29
AVERAGE ADR	\$ 157.77	\$ 176.19	\$ 152.71	\$ 140.76	\$ 142.29	\$ 148.14	\$ 156.36
\$ Change from PY	\$ 10.25	\$ 18.41	\$ (23.47)	\$ (11.95)	\$ 1.53	\$ 5.85	\$ 8.22
% Change from PY	6.9%	11.7%	-13.3%	-7.8%	1.1%	4.1%	5.6%

Year-over-Year ADR Prices Continued to Increase

Continued Strengthening in ADRs

Estimated

Fiscal Year Peak

NOTE: Actuals based on a PKF industry sample representing 70-80% of all rooms and revenue.

- (6) **Utility Users Tax** revenues are projected to be \$5.83 million better than budget. This is due to higher natural gas commodity prices than assumed in the budget, which resulted in additional tax revenue from commercial customers.
- (7) **Parking Tax** revenues are projected to be \$1.88 million better than budget.
- (8) **Real Property Transfer Tax** revenues are projected to be \$36.20 million better than budget, which would make FY 2005-06 the record year for transfer tax collections. Actual collections as of May 1 were \$105.10 million; however, on a cautionary note the number of transactions has actually fallen in every month for the past 12 months by approximately 7 percent. High tax collections, in spite of declining transaction volumes overall, have only been possible because of the unprecedented level of commercial building sales over the last 24 months.

These elevated revenue levels are not sustainable indefinitely for what is one of the General Fund's historically most volatile revenue sources. Volatility here stems from the level of investor interest (especially in the commercial sector), economic cycles and interest rates. Low mortgage and capitalization rates have helped this revenue in recent history; however, again on a cautionary note rates are on the rise. Based on our review of the Recorder's transaction data for the past several years (summarized below), the recent good news in this revenue is primarily attributable to transaction in the \$1 million and greater market segment.

Fiscal Year	Real Property Transfer Tax Revenue (\$ millions)			Timing Differences	Total Revenue*
	@ 0.50%	@ 0.68%	@ 0.75%		
	<\$250,000	>\$250,000	>\$1,000,000		
FY 1997-98	\$ 2.77	\$ 19.34	\$ 22.89	\$ (0.99)	\$ 44.01
FY 1998-99	\$ 2.05	\$ 23.20	\$ 31.87	\$ (0.99)	\$ 56.13
FY 1999-00	\$ 1.18	\$ 25.51	\$ 41.57	\$ 1.62	\$ 69.88
FY 2000-01	\$ 0.46	\$ 22.87	\$ 38.96	\$ 0.05	\$ 62.34
FY 2001-02	\$ 0.41	\$ 25.38	\$ 21.21	\$ 0.28	\$ 47.27
FY 2002-03	\$ 0.48	\$ 29.31	\$ 21.37	\$ 0.31	\$ 51.48
FY 2003-04	\$ 0.74	\$ 37.78	\$ 41.05	\$ (0.72)	\$ 78.85
FY 2004-05	\$ 0.65	\$ 37.16	\$ 78.89	\$ 0.10	\$ 116.80
FY 2005-06 Budget	\$ 0.62	\$ 34.75	\$ 47.63	\$ (0.00)	\$ 83.00
FY 2005-06 Projected	\$ 0.69	\$ 37.47	\$ 81.04	\$ 0.00	\$ 119.20

* Adjusted for timing differences between Recorder's System and revenue recognition requirements.

- (9) **Stadium Admission Tax** revenues are projected to be \$0.42 million better than budget due to the Department of Recreation & Park reflecting pre-season sales of 49^{ERS} tickets into the fiscal year when the games occur.
- (10) **Licenses and Permit** revenues are projected to be on \$0.06 million under budget due to fee revenue weakness at the Department of Public Works:

- -\$0.03 million in Newsracks,
 - -\$0.02 million in Café Tables, and
 - -\$0.01 million in Sidewalk Display.
- (11) **Franchise Tax** revenues are projected to be \$0.75 million better than budget. Higher natural gas commodity prices discussed above in the Utility Users Tax section also impact this revenue.
- (12) **Fines, Forfeitures and Penalty** revenue is projected to be \$1.18 million under budget due to revenue weakness of:
- -\$1.10 million in District Attorney Consumer Protection Fines, and
 - -\$0.08 million in Department of Public Works Penalties.
- (13) **Interest Income** is projected to be \$19.91 million better than budget because of increasing interest earnings and higher average cash balances. The Fed continues to raise short-term interest rates. This measured increase in short-term rates has resulted in higher interest revenues for the City. The Fed has raised the discount rate 15 times since 2004 to the current 4.75 percent rates, compared to the 2004 low of 1.00 percent. Our portfolio yields continue to climb. Higher rates are good news for our interest revenues, but eventually can also put downward pressure on other revenues such as the real property transfer tax. Higher short-term rates often translate into increasing longer-term rates over time, which in turn result in more costly mortgage debt service.
- (14) **Recreation & Parks Garage** revenues are projected to be \$0.60 million better than budget due to:
- +\$0.40 million Jessie Square Garage revenue not assumed in original budget, and
 - +\$0.20 million net from all other garage operations (primarily strength at Union Square).
- (15) **Rents and Concessions** revenues, including Recreation & Parks, are projected to be \$0.41 million under budget primarily because of lower projected concession revenues at Golden Gate Park and Monster Park.
- (16) **Federal Social Service Subventions** revenues are projected to be \$0.07 million better than budget due to additional Juvenile Title IV reimbursement revenues.
- (17) **Federal Other Grants & Subventions** revenues are projected to be \$0.65 million better than budget due to higher than anticipated collections of South West Border Prosecution Initiative funding.
- (18) **State Social Service Subventions** revenues are projected to be \$9.52 million under budget. A summary of all Human Services operations is included in the expenditure section below, Note #7 on page 22.
- (19) **Health & Welfare Realignment** revenue is projected to be on budget.
- (20) **Health & Mental Health Subventions** revenues are projected to be on budget.

- (21) **Public Safety Sales Tax** revenue is projected to be \$0.50 million better than budget due to lower than previously assumed prior-year actuals.
- (22) **Motor Vehicle in Lieu (MVL-VLF)** revenues are projected to be \$2.05 million under budget due to lower city direct allocations from the State than previously assumed. This is more than offset by the additional backfill discussed in the Property Tax section above.
- (23) **Other Grants and Subventions** revenues are projected to be \$7.04 million better than budget due to SB90 reimbursements related to State mandates, as the State has resumed payments to local governments this year.
- (24) **Service Charges – General Government** revenues are projected to be \$1.15 million under budget due to:
- -\$0.57 million City Planning Variance & Conditional Use Fees, etc,
 - -\$0.25 million Adult Probation Cost Fees,
 - -\$0.25 million Tax Collector Delinquent Business Tax Collection Fee,
 - -\$0.08 million District Attorney Bad Check revenue,
 - -\$0.07 million Public Defender Fee revenue, and
 - +\$0.07 million Election's Department County Candidate Filing Fee.
- (25) **Service Charges - Public Safety** revenue is projected to be \$1.09 million better than budget due to weakness in Sheriff, Public Works, and District Attorney revenues, offset by better revenue in Fire Department, and Police Department:
- - \$0.68 million in Sheriff Boarding of Prisoners,
 - - \$0.63 million in Public Works Asphalt Plant,
 - - \$0.31 million in Public Works Encroachment Assessment Fee,
 - - \$0.15 million in Police DUI Emergency Response Fee,
 - - \$0.10 million in District Attorney Community Court Fee,
 - - \$0.07 million in Public Works Permit Phone Booth,
 - - \$0.02 million in Public Works miscellaneous fees,
 - +\$0.71 million in Public Works Street Space and Right-Of-Way Assessment,
 - +\$0.89 million in Fire Building Inspection, False Alarm, etc., and
 - +\$1.45 million in Police Alarm Permit, Street Space.
- (26) **Recreation Charges – Rec/Park** revenues are projected to be \$0.70 million better than budget due to Naming Rights revenue not assumed in current budget.
- (27) **Service Charges – MediCal, Medicare, & Health Services** revenue is projected to be \$3.48 million under budget due to \$3.20 million in lower EMS Ambulance revenues at Fire as well as \$0.28 million in lower Primary Care revenues at Public Health. A summary of all Public Health operations is included in the expenditure section below, Note #11 on pages 23.

- (28) **Recoveries** are projected to be \$5.58 million under budget due to \$0.68 million prior-year accrual of cost allocation plan payments from the City College not being collected to date along with \$4.90 million in projected non-departmental under recovery by year-end.
- (29) **Other Revenues** are projected to be \$7.65 million under budget due to \$7.75 million in unrealized property sales by fiscal year-end, offset slightly by a net increase of \$0.10 million in other miscellaneous revenues.
- (30) **Transfers In – Airport.** The General Fund 15 percent share of concession revenues at San Francisco International Airport is projected to be \$0.74 million under budget, primarily due to weakness in parking, car rental, and concession revenues as a result of lower air traffic than was assumed in the budget.

San Francisco International Airport Enplanements (in millions)

Fiscal Year	Total	% Change	Domestic	% Change	International	% Change
FY 1999-00	20.16		16.37		3.79	
FY 2000-01	19.44	-3.6%	15.32	-6.4%	4.12	8.8%
FY 2001-02	15.53	-20.1%	11.92	-22.2%	3.61	-12.4%
FY 2002-03	14.62	-5.9%	11.25	-5.6%	3.37	-6.8%
FY 2003-04	15.40	5.3%	11.71	4.0%	3.69	9.6%
FY 2004-05	16.25	5.5%	12.32	5.2%	3.93	6.5%
Projection FY 2005-06	16.48	1.4%	12.35	0.2%	4.12	4.8%

III. Uses of Funds, Chart G, (millions)

GENERAL FUND (US\$ millions)	FY 2004-05		FY 2005-06		Surplus/ (Shortfall)	
	Actuals	Original Budget	Revised Budget	Projected Year-End		
PUBLIC PROTECTION						
Adult Probation	\$ 9.35	\$ 9.81	\$ 9.88	\$ 9.87	\$ 0.02	1
Trial Courts	34.28	32.34	32.52	32.06	0.46	2
District Attorney	23.44	25.50	26.33	26.33	-	
Emergency Communications Department	32.93	4.23	5.72	5.72	-	
Fire Department	189.91	203.70	208.92	208.92	-	3
Juvenile Probation	30.07	33.01	34.86	34.86	-	
Public Defender	17.10	18.03	18.27	18.27	-	
Police	262.56	271.49	281.03	283.87	(2.84)	4
Sheriff	120.31	131.26	132.86	132.86	-	
	719.96	729.36	750.40	752.76	(2.36)	
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	24.40	33.78	60.82	61.09	(0.27)	5
Economic & Workforce Development	1.38	4.54	6.97	6.97	-	
Municipal Transportation Agency	0.04	-	0.09	0.09	-	
Board of Appeals	0.45	0.54	0.54	0.54	-	
Public Utilities Commission	0.14	0.20	0.25	0.25	-	
	26.40	39.05	68.68	68.95	(0.27)	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	11.34	13.31	16.48	16.44	0.04	6
Human Services	486.82	535.54	560.84	546.13	14.71	7
Environment	1.53	0.57	4.88	4.86	0.02	8
Human Rights Commission	1.19	1.07	1.24	1.24	-	9
County Office of Education	0.07	0.07	0.07	0.07	-	
Status of Women	2.02	2.36	3.31	3.27	0.04	10
	502.97	552.93	586.82	572.01	14.81	
COMMUNITY HEALTH						
Public Health	413.11	431.40	462.18	461.35	0.83	11
CULTURE & RECREATION						
Asian Art Museum	5.66	6.30	6.56	6.26	0.30	12
Arts Commission	5.70	5.92	8.30	8.30	-	
Fine Arts Museum	5.00	8.83	8.85	8.49	0.37	13
Law Library	0.48	0.40	0.40	0.43	(0.03)	14
Recreation & Parks	55.10	72.04	72.94	72.43	0.51	15
Academy of Sciences	1.67	1.70	1.70	1.70	-	
	73.60	95.21	98.76	97.61	1.15	
GENERAL ADMINISTRATION & FINANCE						
Administrative Services	32.15	38.83	38.52	38.20	0.32	16
Assessor / Recorder	8.43	10.01	10.73	10.47	0.26	17
Board of Supervisors	8.43	9.41	10.40	10.40	-	
City Attorney	4.99	6.91	8.16	8.16	-	18
Controller	18.75	21.43	23.98	23.98	-	
City Planning	14.17	17.08	19.21	18.79	0.42	19
Civil Service Commission	0.55	0.55	0.60	0.57	0.03	20
Ethics Commission	1.78	1.38	1.41	1.30	0.10	21
Human Resources	16.18	12.76	14.36	14.66	(0.30)	22
Health Service System	-	0.10	0.10	0.10	-	
Mayor	7.19	6.28	28.49	28.49	-	
Elections	10.32	11.08	11.12	12.01	(0.89)	23
Retirement System	0.19	0.44	1.16	1.16	-	
Telecommunications & Information Services	1.21	7.31	7.77	7.69	0.08	24
Treasurer / Tax Collector	17.88	22.15	21.39	20.79	0.60	25
	142.23	165.72	197.39	196.78	0.62	
GENERAL CITY RESPONSIBILITIES						
	62.37	54.88	61.90	61.90	-	
TOTAL GENERAL FUND EXPENDITURES						
	1,940.64	2,068.54	2,226.13	2,211.36	14.77	
Baseline Funding to Children's Services		-	-	2.42	(2.42)	26
Baseline Funding to Library Preservation Fund	31.86	33.79	33.79	37.05	(3.26)	27
Baseline Funding to Parking & Traffic Fund	36.07	37.13	37.13	40.59	(3.46)	28
Baseline Transfer to Municipal Railway Fund	101.32	102.74	102.74	111.98	(9.24)	29
Subsidy Transfer to SF General Hospital Fund	78.25	102.60	103.03	94.83	8.20	30
Subsidy Transfer to Laguna Honda Hospital Fund	36.85	46.77	47.04	38.82	8.22	31
Transfer to All Other Special Revenue Funds	5.28	7.61	20.47	20.47	-	
Baselines & Selected Subsidy Transfers Out	289.62	330.63	344.19	346.15	(1.96)	
Reserves	-	29.86	46.59	46.59	-	
TOTAL GENERAL FUND USES (AAO)	\$ 2,230.26	\$ 2,429.03	\$ 2,616.90	\$ 2,604.09	\$ 12.81	

Notes to Uses of Funds Schedule:

Most departments are managing their operations closely to budget. Though, a number of departments warrant further discussion – either because of operational issues or budgetary challenges. Department highlights are summarized below by Major Service Area. All projections highlighted in the table on the previous page are based on current spending patterns and identified savings plans when noted.

Public Protection Departments

- (1) **Adult Probation** is projected to end the year with a \$0.02 million surplus as a result of delays in hiring.
- (2) The **Trial Courts** is projected to end the year with a \$0.46 million surplus, reflecting the State Administrative Office of the Courts and the California State Association of Counties agreed upon reduction for the AB 233 Maintenance Of Effort (MOE) payment for the county. There is an offsetting revenue reduction to the General Fund, resulting in no net savings overall for the General Fund.
- (3) The **Fire Department** is projected to end the year on budget. Permanent miscellaneous salary savings (related principally to hiring delays of previously assumed civilian EMS staff) and workers compensation cost savings are projected to be largely offset by higher uniform salary, overtime, Labor Code 4850 and natural gas costs. The projection includes the hiring of a new class of H 3 Firefighters in March for the EMS reconfiguration. This projection also assumes 75 total retirements compared to the 110 assumed in the budget.

The Fire Department is working on a \$0.73 million reimbursement related to the 30 staff that assisted in the Hurricane Katrina relief efforts. This reimbursement is assumed in this projection. Fire Department revenues are projected to be less than budget by \$2.31 million as discussed previously in the revenue section.

- (4) The **Police Department** is projected to end the year with a \$2.84 million deficit related to projected overtime overspending. **A supplemental appropriation of \$2.84 million, in part covered by additional departmental revenue of \$1.30 million, is anticipated by fiscal year-end.**

Public Works, Transportation & Neighborhood Development Departments

- (5) The **Department of Public Works** is projected to end the year with a \$0.27 million deficit. This deficit is due to a projected \$0.40 million shortfall in the Gas Tax fund that we have assumed backfilled by the General Fund less partially offsetting savings of \$0.13 million of savings in street use expenditures. To the degree Gas Tax project funding is reduced, this shortfall can be mitigated (discussed further in Appendix C on page 33).

Asphalt Plant: The asphalt plant's net projected shortfall is \$0.19 million and continues to be of concern to the department given that costs for the City-run facility are approximately 25 to 30 percent more expensive than buying asphalt in the private market.

Human Welfare & Neighborhood Development Departments

- (6) **Children Youth and Their Families** is projected to end the year with a \$0.04 million dollar surplus as the result of delays in hiring.
- (7) The **Human Services Agency** (including both Human Services and Aging & Adult Services) is projected to end the year with \$14.71 million of expenditure savings with a partially offsetting shortfall in departmental revenues of \$9.52 million. These factors combined result in a net projected departmental savings of \$5.18 million as highlighted by program in the table below

Human Services Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 2006

As of April 30, 2006

Better/(Worse) than Budget

HUMAN SERVICES	<i>sort order</i>		NET
	SOURCES	USES	
US\$ Millions	Surplus/ (Shortfall)	Savings / (Shortfall)	Savings / (Shortfall)
CalWorks Childcare	\$ (7.04)	\$ 7.58	\$ 0.54
Medi-Cal Eligibility	(3.51)	5.16	1.65
CalWorks Aid	3.80	3.92	7.72
CAAP/PAES Aid		2.94	2.94
Adoption Assistance	(1.36)	1.71	0.35
IHSS - In Home Supportive Services	(0.52)	0.43	(0.08)
PY Adjustments/Closeouts	3.19	-	3.19
Child Welfare Services	(0.93)	(0.03)	(0.97)
Fostercare KinGAP	0.13	(0.63)	(0.50)
Foster Care	0.47	(1.03)	(0.56)
Other programs	(4.33)	(1.59)	(5.92)
CalWorks Eligibility and MH/SA	(0.33)	(1.71)	(2.05)
Food Stamp Eligibility	0.90	(1.86)	(0.96)
Workorder - Workers Comp.		0.09	0.09
Workorder - Utilities		(0.12)	(0.12)
Workorder - Telecomm.		(0.14)	(0.14)
Department Total - All Funds	\$ (9.52)	\$14.71	\$5.19

Projected CalWorks childcare savings are primarily related to decreased utilization of childcare benefits by families. Medi-Cal Eligibility is projected to have savings mainly due to lower staff and overhead costs. CalWorks Aid savings is related to caseloads not increasing as projected, in fact there has been a slight decrease. Similarly, CAAP savings is related to caseloads being slightly lower than assumed in the budget. Foster Care projections show a sharp increase in cost per case, and finally, CalWorks Eligibility is projected to have higher staff and overhead costs, along with lower revenues.

- (8) The **Department of Environment** is projected to end the year with a \$0.02 million surplus due to savings in salaries and fringe costs.
- (9) The **Human Rights Commission** is projected to end the year on budget. While personnel costs are projected to be over budget by \$0.09 million, the department is also projected to have offsetting savings in non-personnel costs.
- (10) The **Status of Women** will finish the year with \$0.04 million in savings due salary savings related to an unfilled position.

Public Health Departments

- (11) The **Department of Public Health** is projected to have a net operating surplus of \$21.01 million. This is mainly comprised of projected expenditure savings in the General Fund and lower subsidy transfer to the hospitals due to additional patient and reimbursement revenues. For the General Fund, an expenditure savings of \$0.83 million is projected along with a revenue surplus of \$3.76 million. This department is working with the Mayor’s Office to devise a plan to cover the projected shortfall at Laguna Honda Hospital related to personnel and materials and supplies cost overruns.

Health Department Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 2006

As of April 30, 2006

PUBLIC HEALTH	SOURCES			USES			NET
	Revised Budget	Projection	Surplus/ (Shortfall)	Revised Budget	Projection	Savings / (Shortfall)	Department Savings / (Shortfall)
5H S.F. General Hospital^	\$ 528.76	\$ 536.96	\$ 8.20	\$ 528.75	\$ 528.75	\$ -	\$ 8.20
5L Laguna Honda Hospital	172.66	182.16	9.50	172.66	173.94	(1.28)	8.22
<u>GENERAL FUND</u>							
1G Primary Care	43.68	43.41	(0.28)	43.68	45.44	(1.76)	(2.04)
1G Health at Home	8.55	8.55	-	8.55	7.94	0.61	0.61
1G Jail Health	23.38	23.38	-	23.38	23.47	(0.09)	(0.09)
1G Public Health	101.78	101.78	-	101.78	101.86	(0.03)	(0.03)
1G Mental Health	213.02	217.06	4.03	213.02	211.35	1.67	5.71
1G Substance Abuse	71.77	71.77	-	71.77	71.33	0.43	0.43
Subtotal - General Fund	\$ 462.18	\$ 465.94	\$ 3.76	\$ 462.18	\$ 461.40	\$ 0.83	\$ 4.59
Department Total - All Funds^	\$ 1,163.60	\$ 1,185.05	\$ 21.45	\$ 1,163.59	\$ 1,164.10	\$ (0.44)	\$ 21.01

^ Net of SB 855 IGT Transfers

Hospitals: The large projected net departmental surplus is primarily related to better revenues including: 1) \$9.50 million in higher MediCal base per diem rates at Laguna Honda Hospital, 2) a net of \$8.20 million in higher patient revenues related to Medi-Cal, Medicare waiver restructure, and third party payer reimbursements at SFGH, and 3) the State once again reimbursing local governments for SB 90 mandated costs (projected at an additional \$4.03 million). On the expenditure side, Laguna Honda Hospital is currently projected to be overspending in materials and supplies as well as overtime. They are working with the Mayor’s Office to bridge this shortfall, but may need to explore a supplemental appropriation absent identifying adequate cost savings strategies.

Non-Hospital Operations: Primary Care is projected to have both a slight revenue shortfall of \$0.28 million as well as an expenditure shortfall related to clinic staffing shortages tied to urgent care services at the Tom Waddell Clinic. Health at Home's surplus is related to staff hiring delays. Jail Health anticipates a small deficit due to increases in staff hiring. Public Health is projected to have a small deficit due to increase in work order costs (natural gas and telephone). Mental Health's anticipates a \$4.03 million surplus in revenue due to SB90 payments for mental health services to handicapped and disabled students. In addition, Mental Health projects a \$1.67 million expenditure surplus from delays in staff hiring. Whereas, Substance Abuse is projected to have a \$0.43 million surplus related to personnel cost savings.

Culture & Recreation Departments

- (12) **Asian Arts Museum** is projected to end the year with \$0.30 million in savings related to unfilled positions.
- (13) **Fine Arts Museum** is projected to end the year with \$0.37 million in savings from delays in hiring associated with the opening of the de Young Museum.
- (14) The **Law Library** is projected to end the year with a \$0.03 million shortfall due to personnel cost overruns. They are currently reviewing alternatives to bridge this shortfall.
- (15) **Recreation and Park** is projected to end the year with a \$1.76 million expenditure surplus in the General Fund offset by a \$1.25 million net shortfall in the Golf Fund for net savings of \$0.51 million. The General Fund projected surplus is mainly the result of salary and benefits savings that is partially offset by work order costs related to natural gas, workers compensation, garbage, and telephone services. This projection assumes that the Golf Fund's projected net shortfall of \$1.25 million is covered by departmental savings in the General Fund. By using a portion of its General Fund savings to cover the Golf Fund shortfall, the Department will have less budget savings reserve funding than would otherwise be the case under their Charter-mandated Recreation & Park Budget Savings Incentive Reserve (discussed previously on page 7). The Open Space and Golf Funds are discussed further in Appendix C on page 33.

General Administration & Finance Department

- (16) The **Administrative Services Department** is projected to end the year with a \$0.32 million surplus due to personnel cost savings.
- (17) The **Assessor Recorder** is projected to end the year with a \$0.26 million surplus due to \$0.16 million in salaries and fringe savings and \$0.10 million in telecommunication and workers' compensation savings.
- (18) The **City Attorney** is currently projected to have a \$3.72 million shortfall due to under recovery in budgeted department work-order billings by \$3.18 million along with projected higher personnel costs of \$0.54 million than were assumed in the budget. Under recoveries are primarily due to an unanticipated early settlement of a single large case which in turn

means that an estimated \$2.58 million in attorney-related time and costs will not be recoverable against the project but will instead be shifted onto General Fund Supported legal services. We are currently reviewing alternatives with the department to bridge this shortfall.

- (19) The **City Planning Department** is projected to have a surplus of \$0.42 million in personnel cost savings due to hiring delays. However, on a related note, the department appears to be on track to be at near full staffing by the end of FY 2005-06 given their recruitment efforts.
- (20) The **Civil Service Commission** is projected to end the year with a \$0.03 million surplus due to personnel cost savings.
- (21) The **Ethics Department** is projected to end the year with a \$0.10 million surplus due to personnel cost savings.
- (22) The **Human Resources Department** is projected to end the year with a \$0.30 million deficit related to lower work order recoveries from the Airport. The department is working on a plan to cover the projected \$0.30 deficit.
- (23) The **Department of Elections** is projected to end the year with a \$0.89 million deficit. This deficit is primarily due to \$1.09 million in projected over spending in temporary staffing costs offset by savings in non-personnel spending of \$0.10 million and an anticipated recovery of \$0.10 million from the Community College for bond election costs incurred. **A supplemental appropriation of \$0.89 was introduced to the Board of Supervisors on April 25, 2006.** On a related note, the Controller's Office is currently undertaking a staffing study, which is projected to be completed by mid-May 2006.
- (24) The **Department of Telecommunications & Information Systems** is projected to finish the year with \$0.08 million in surplus from salary savings.
- (25) The **Treasurer / Tax Collector** is projected to finish the year at \$0.60 million surplus from \$0.20 million in personnel cost savings as well as \$0.40 million in project savings as the Collections Improvement Project reserve is not planned to be released and will close out to fund balance at fiscal year-end.

Transfers Out

- (26) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to Children's Services** is projected to be \$2.42 million more than budgeted due to higher discretionary revenue levels primarily attributable to property tax, real property transfer tax, payroll tax and interest income revenues.
- (27) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to the Library** is projected to be \$3.26 million more than budgeted due to better discretionary revenue primarily attributable to property tax, real property transfer tax, payroll tax and interest income revenues.

- (28) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to Parking & Traffic** is projected to be \$3.46 million more than budgeted due to better discretionary revenue primarily attributable to property tax, real property transfer tax, payroll tax and interest income revenues.
- (29) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to MUNI** is projected to be \$9.24 million more than budgeted due to better discretionary revenue primarily attributable to property tax, real property transfer tax, payroll tax and interest income revenues.
- (30) The **Transfer Out – Contribution to SFGH** is projected to be \$8.20 million less than budget due to a net surplus in the San Francisco General Hospital's budget principally related to higher revenues. This results in a net General Fund savings. See also Note #11 on page 23 – Department of Public Health.
- (31) The **Transfer Out – Contribution to LHH** is projected to be \$8.22 million less than budget due to a net surplus in Laguna Honda Hospital's budget due mainly to higher MediCal base per diem reimbursement rates than assumed in the budget. This results in a net General Fund savings. See also Note #11 on page 23 – Department of Public Health.

Workers Compensation

Workers' compensation reforms are continuing to contribute to the projected cost savings. Overall, the City's FY 2005-06 workers' compensation costs are projected to be lower than the FY 2004-05 actuals and also significantly better the FY 2005-06 budget by \$8.10 million – a 10.0 percent savings from budgeted levels. The savings are explained by lower numbers of reported claims as well as significant reductions in medical costs.

Recent declines are a stark contrast to the 14.2 percent growth in FY 2003-04, the 4.3 percent growth in FY 2002-03 and the 6.2 percent growth in FY 2001-02. Previous cost increases were mainly due to medical cost inflation as well as increasing benefit payments as mandated by the State. The estimates are based on nine-month actuals as well as prior-year spending patterns.

Workers Compensation (\$ Millions)

<u>Fund/Service Area</u>	FY 2004-05		FY 2005-06		% Change from PY
	Actual	Adjusted Budget	Current Projection	Surplus/ (Deficit)	
<u>GENERAL FUND</u>					
Fire Department	\$ 6.63	\$ 8.18	\$ 6.86	\$ 1.32	3.4%
Public Health	1.62	2.05	1.09	0.96	-32.6%
Police Department	7.97	10.30	9.57	0.73	20.1%
Sheriff	2.11	2.69	2.20	0.49	4.0%
Juvenile	1.19	1.50	1.08	0.42	-9.0%
Recreation & Park	2.55	3.14	3.01	0.13	18.0%
Assessor/Recorder	0.19	0.25	0.12	0.13	-36.2%
Human Services Agency (DSS & AGE)	2.42	2.35	2.25	0.09	-7.0%
Treasurer/Tax Collector	0.15	0.21	0.15	0.06	2.0%
City Attorney	0.22	0.23	0.19	0.04	-12.0%
Asian Art Museum	0.02	0.02	0.01	0.01	-39.1%
Economic & Workforce Development	0.19	0.23	0.23	0.00	21.5%
Fine Arts Museum	0.12	0.13	0.22	(0.09)	89.7%
Human Resources w/ All Other Small Depts.	7.84	3.91	6.20	(2.29)	-20.9%
Subtotal General Fund (GF)	33.21	35.19	33.18	2.02	-0.1%
<u>GENERAL FUND SUBSIDIZED</u>					
Community Health					
SF General Hospital	4.97	5.36	4.00	1.36	-19.6%
Laguna Honda Hospital	3.33	3.37	2.79	0.58	-16.1%
Subtotal General Fund Subsidized	8.30	8.73	6.79	1.94	-18.2%
Subtotal General Fund & Subsidized	41.51	43.92	39.97	3.96	-3.7%
% Change from FY 2004-05 Actuals			-3.7%		
% Change from FY 2005-06 Original Budget			-9.0%		

<u>Fund/Service Area</u>	FY 2004-05		FY 2005-06		% Change from PY
	Actual	Adjusted Budget	Current Projection	Surplus/ (Deficit)	
<u>OTHER FUNDS</u>					
MTA - MUNI and Parking & Traffic	\$ 19.93	\$ 23.10	\$ 19.80	\$ 3.30	-0.6%
Airport Commission	2.04	2.45	1.46	0.99	-28.3%
Public Works	2.95	3.26	2.80	0.46	-5.1%
Police Department (Airport)	0.39	0.49	0.34	0.15	-12.6%
War Memorial	0.36	0.44	0.32	0.12	-10.9%
Administration Services	0.16	0.20	0.09	0.12	-44.7%
Telecommunications & Info Svcs	0.33	0.42	0.33	0.09	1.2%
Child Support Services	0.11	0.21	0.12	0.09	14.3%
Public Library	0.70	1.03	0.95	0.08	35.5%
Public Utilities Commission	3.29	3.02	3.03	(0.01)	-7.9%
Retirement System	0.05	0.07	0.08	(0.01)	53.8%
Sheriff**	0.20	0.02	0.23	(0.21)	15.1%
Other Small Departments	1.30	2.05	3.07	(1.02)	136.3%
Subtotal Non-General Fund	31.80	36.76	32.62	4.14	2.6%
GRAND TOTAL **	73.31	80.69	71.83	8.10	-2.0%
% Change from FY 2004-05 Actuals			-2.0%		
% Change from FY 2005-06 Original Budget			-10.0%		

* The Municipal Railway contracts out its own Workers Compensation program with a third party administrator.

** Trial Court actuals and budget are excluded from all years.

Energy – Natural Gas

While higher natural gas prices helped on the sources or revenue-side of the budget through higher projected utility users tax and franchise tax revenues, it also results in higher heating costs for a number of City facilities. This adversely impacts departments who are larger users of natural gas, including General Fund Supported departments like Recreation and Parks and the City Museums. The expenditure projections included in this report reflect the impact for affected departments. General Fund Supported departments are projected to be \$2.15 million over budget due mainly to higher natural gas costs. This compares to \$5.83 million in additional utility users tax revenues and \$0.75 million in additional franchise tax revenues

Energy Costs – Variance from Budget (\$ Millions)

Energy Usage By Department FY 2005-06				
Projected Savings/(Shortfall)				
				<i>Sort Order</i>
<u>GENERAL FUND</u>	Power	Gas	Steam	Variance from Budget
Recreation & Parks	\$ (0.02)	\$ (0.28)	\$ -	\$ (0.31)
Fine Arts Museums	(0.17)	(0.08)	0.00	(0.25)
Other Departments	0.24	(0.09)	0.11	(0.20)
Human Services	(0.01)	(0.11)	0.00	(0.12)
War Memorial	(0.01)	(0.09)	0.00	(0.10)
Sheriff	(0.01)	(0.08)	0.00	(0.09)
Fire Department	(0.01)	(0.06)	0.00	(0.07)
Juvenile Probation	0.00	(0.05)	0.00	(0.05)
Public Health	(0.00)	(0.04)	0.00	(0.04)
Police Department	0.01	(0.03)	0.00	(0.02)
Asian Art Museum	(0.01)	0.00	0.00	(0.01)
Real Estate Department	0.00	0.02	0.00	0.02
Total General Fund	0.01	(0.89)	0.11	(1.23)
<u>GENERAL FUND SUBSIDIZED</u>				
Non General Fund				
SF General Hospital	0.00	(0.69)	0.00	(0.69)
Laguna Honda Hospital	0.00	(0.23)	0.00	(0.23)
Subtotal General Fund Subsidized	0.00	(0.92)	0.00	(0.92)
Subtotal General Fund & Subsidized	0.01	(1.81)	0.11	(2.15)
<u>OTHER FUNDS</u>				
Other Departments	0.08	(0.69)	0.01	(0.60)
Public Library	(0.01)	(0.03)	0.00	(0.03)
Municipal Railway	0.16	(0.11)	-	0.05
Subtotal Non-General Fund	0.23	(0.83)	0.01	(0.58)
GRAND TOTAL	\$ 0.24	\$ (2.64)	\$ 0.12	\$ (2.73)

Overtime Costs update

Overtime is projected to be over budget by approximately \$36.51 million. The table below includes an overtime summary by key user department. Two projection methodologies are included: 1) straight-line and 2) 'adjusted' (that latter adjusting for hiring plans, seasonality and other one-time events). As in the past, the MTA, Police, Public Health, Fire, Sheriff and the PUC account for nearly 90 percent of all overtime spending in the City.

Overtime Costs (\$ Millions)

Fund/Service Area	FY 2004-05	FY 2005-06	STRAIGHT LINE		ADJUSTED	
	Actual	Revised Budget*	Projection*	Surplus /	Projection	Surplus /
				(Shortfall)		(Shortfall)
MTA						
Municipal Railway	\$ 29.06	\$ 18.68	\$ 33.06	\$ (14.38)	\$ 32.19	\$ (13.51)
Parking & Traffic	0.71	0.81	0.98	(0.17)	0.98	(0.17)
Subtotal - MTA	29.76	19.49	34.04	(14.55)	33.17	(13.68)
Police						
General Fund Operations ^	12.74	17.37	20.10	(2.73)	20.21	(2.84)
Special Law Enforcement Svcs (10B)*	7.28	10.78	10.22	0.56	10.78	-
Grants & Other Non-10B Special Rev.	5.12	2.75	2.28	0.46	2.75	-
Airport	1.72	1.90	1.82	0.09	1.00	0.90
Subtotal - Police	26.86	32.80	34.42	(1.62)	34.74	(1.94)
Public Health						
All Other Non-Hospital Operations	0.68	0.77	0.64	0.13	0.64	0.13
SF General	6.59	3.94	5.83	(1.89)	5.98	(2.04)
Laguna Honda Hospital	4.92	0.24	6.48	(6.24)	6.79	(6.55)
Subtotal - Public Health	12.19	4.94	12.94	(8.01)	13.40	(8.46)
Fire						
General Fund Operations	5.56	6.92	6.78	0.15	6.78	0.15
Grants & Other Special Revenues	0.85	1.58	1.45	0.13	1.58	-
Airport	1.39	1.51	1.65	(0.14)	1.65	(0.14)
Port	0.20	0.34	0.17	0.17	0.17	0.17
Subtotal - Fire	8.00	10.36	10.05	0.31	10.18	0.18
Sheriff	6.59	4.76	10.01	(5.25)	9.46	(4.70)
PUC	6.06	2.26	6.60	(4.34)	6.60	(4.34)
Subtotal - Big 6	89.47	74.62	108.07	(33.45)	107.56	(32.94)
Juvenile Probation	1.18	1.17	1.17	0.00	1.17	0.00
Recreation & Park	0.88	0.65	1.92	(1.27)	1.92	(1.27)
All Other Departments	8.51	9.24	11.55	(2.30)	11.55	(2.30)
Total	\$ 100.04	\$ 85.67	\$ 122.70	\$ (37.02)	\$ 122.19	\$ (36.51)
Big 6 % of Total	89.4%	87.1%	88.1%	90.4%	88.0%	90.2%
Change from Prior Year	\$ 6.46	\$ (14.37)	\$ 22.66		\$ 22.15	
Change from FY 2000-01 Peak	\$ (12.42)	\$ 85.67	\$ 10.24		\$ 9.73	
Total Gross Salaries	\$ 2,039.82	\$ 2,148.30	\$ 2,118.20		\$ 2,118.20	
Overtime as a % of Total Gross	4.9%	4.0%	5.8%		5.8%	

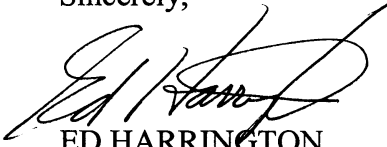
*Police 10B Revised Budget reflects automatic appropriation equal to the straight-line projection.

^ Adjusted to reflect Supplemental Appropriations of \$6,444,085, including \$5,440,116 of overtime passed by April 4, 2006.

IV. CONCLUSION

Funds available are sufficient to carry the City through the remainder of the fiscal year and result in a projected year-end General Fund balance of \$95.21 million. My staff and I are available to respond to any comments or questions you may have at this time.

Sincerely,



ED HARRINGTON
Controller

Attachments: Appendix A: Status of Supplemental Appropriations
Appendix B: Status of Reserves – Current Year
Appendix C: Other Fund Highlights

cc: Department Heads
Noelle Simmons, Mayor's Budget Office
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations
FY 2005-06
As of April 30, 2006**

<u>GENERAL FUND SUPPORTED SUPPLEMENTALS</u>	<u>APPROVED CHANGES</u>	<u>PENDING / POTENTIAL CHANGES</u>	<u>USING GENERAL RESERVE or FUND BALANCE</u>
Board Approved Supplementals			
ART - Cultural Equity Endowment Grants	\$ 250,000		\$ 250,000
BOS - Contract for Budget Analyst Audit of Office of Emergency Services	179,385		179,385
CHF - John Swett Alternative School	660,000		330,000
DPH - San Francisco General Hospital Environment Impact Report (Revenue Supported)	1,127,000		
DPH - Additional funding for Hospitals (Revenue Supported, Patient Revenues)	14,366,156		
DPH - Primary Care Clinics Capital Projects	1,755,000		1,035,000
DPW - State Traffic Congestion Relief Funds	5,216,754		-
DPW - Street Resurfacing	15,000,000		15,000,000
DSS - Homeless Services and Maintain and Restore Shelter Bed Capacity	226,682		226,682
MYR - Affordable Housing, Real Ownership Opportunities for Tenants, Family Rental Subsidies	20,000,000		20,000,000
POL - Cost overruns	4,910,000		3,570,000
POL / CHF - Violence Prevention and Police Cost Overruns	3,330,980		2,572,307
REC - Unfunded Phase I Projects and SAVA Pool	10,415,682		10,415,682
Various - Violence Prevention Programs	6,371,327		4,200,000
Total Changes Approved	\$ 83,808,966		\$ 57,779,056
Supplementals Pending at the Board - Assumed Approved in 9-Month Projection			
POL - Overtime		2,840,000	2,840,000
REG - Additional funding for June 2006 Election Costs		891,300	891,300
Total Supplemental Pending at the Board - Assumed Approved in 9-Month Projection		\$ 3,731,300	\$ 3,731,300
Total Supplementals Approved and Pending at the Board - Assumed Approved in 9-Month Projection			\$ 61,510,356
Supplementals Pending at the Board - Not Assumed Approved in 9-Month Projection			
CHF - Loan to San Francisco Unified School District to Delay School Closings		5,259,000	5,259,000
Various - Increase Hourly Wage under the MCO to \$11.04		4,629,087	4,629,087
Total Supplementals Pending at the Board - Not Assumed Approved in 9-Month Projection		\$ 9,888,087	\$ 9,888,087
NON-GENERAL FUND SUPPORTED SUPPLEMENTALS			
Approved Supplementals			
AIR - De-appropriation of Capital for San Francisco International Airport	(287,977,266)		
AIR - Re-appropriation of Capital for San Francisco International Airport	243,723,524		
DPW - GO Bond 2005A Series and 2005I Series	99,439,856		
DPW - Juvenile Hall Replacement Project	6,565,462		
AIR - De-appropriation of Capital for San Francisco International Airport	(16,342,714)		
AIR - Re-appropriation of Capital for San Francisco International Airport	16,342,714		
Total Changes Approved	61,751,576		
Supplementals Pending at the Board			
PUC - Hetch Hetchy PG&E Litigation Cost		4,100,000	
PUC - WSIP Water System Improvement Program		148,713,421	
Total Supplementals Pending		\$ 152,813,421	

**APPENDIX B: Status of Reserves – Current Year
As of April 30, 2006**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
X CHF--Children, Youth & Their Families--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 131,250	131,250	\$ -
X CHF--Children, Youth & Their Families--Proposition H Advance to Unified School District	Pending Detailed Spending Plan from Unified School District or Department	\$ 13,333,334	1,100,000	\$ 12,233,334
X CON--Controller--Proposition C, City Services Auditor Salaries	Pending City Services Auditor Hiring Plan	\$ 392,193		\$ 392,193
CPC--City Planning--Long Range Planning Surcharge	Pending Fee Legislation Adoption by Board (revenue growth certification)	\$ 800,000	800,000	\$ -
CPC--City Planning--Visitation Valley Redevelopment Survey Study	Pending Submittal of Work Plan and Detailed Budget	\$ 200,000		\$ 200,000
CRT--Trial Courts--Hall of Justice Replacement Feasibility Study	Pending Approval by the State Administrative Office of the Courts	\$ 1,000,000		\$ 1,000,000
X DPH--Public Health--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 63,489	39,026	\$ 24,463
X DPH--Public Health--AIDS/HIV Augmentation	Pending Approval of Detailed Spending Plan	\$ 1,000,000		\$ 1,000,000
X DSS--Human Services--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 85,387	85,387	\$ -
X DSS--Human Services--Senior Services and Long-Term Care	Pending Approval of Detailed Spending Plan	\$ 3,250,000	1,625,000	\$ 1,625,000
X DSS--Human Services--Human Services Care Funding	Pending Approval of Detailed Spending Plan	\$ 2,167,477		\$ 2,167,477
X ECD--Emergency Communications--Urban Areas Security Initiative (UASI) Grant	Pending Submission of Justification and Detailed Budget to the Board	\$ 11,168,001	4,886,405	\$ 6,281,596
X ENV--Environment--Rents and Leases, Civic Center Consolidation	Pending Timeline Report for Move to 25 Van Ness	\$ 14,893		\$ 14,893
X ENV--Environment--Rents and Leases, Civic Center Consolidation	Pending Timeline Report for Move to 25 Van Ness	\$ 22,340		\$ 22,340
X FIR--Fire--Overtime	Pending Report Regarding Budget Analyst Absenteeism Recommendations	\$ 684,471		\$ 684,471
X GSA-TIS--Telecommunication & Information Services--Cable Franchise Negotiation	Pending Start Timeframe for New Franchise Agreement	\$ 250,000		\$ 250,000
X HRD--Human Resources--Classification Study	Pending Submission of Justification and Detailed Budget to the Board	\$ 150,000	148,633	\$ 1,367
X JUV--Juvenile Probation--Overtime	Pending Report Regarding Budget Analyst Absenteeism Recommendations	\$ 108,339		\$ 108,339
POL--Police--Cost Recovery for Street Fairs	Pending Fee Legislation Adoption by Board	\$ 180,000		\$ 180,000
X PUC--Public Utilities Commission--Salaries and Benefits	Pending Report on Budget Analyst Management Audit Recommendations	\$ 17,759,421	16,869,527	\$ 889,894
X PUC--Public Utilities Commission--Southeast Plant Dewatering Facility	Pending Proceeds from Sale of Bonds	\$ 31,420,000	31,420,000	\$ -
X PUC--Public Utilities Commission--Solar Power Project	Pending Proceeds from Sale of Certificates of Participation (COPs)	\$ 12,500,000		\$ 12,500,000
X SHF--Sheriff--Overtime	Pending Report on the Implementation of Budget Analyst Recommendations	\$ 419,225		\$ 419,225
X TTX--Treasurer / Tax Collector--Collections Improvement Project	Pending Detailed Revenue and Expenditure Information	\$ 400,000		\$ 400,000
Total Appropriation Reserves		\$ 97,499,820	57,105,228	\$ 40,394,592
General Fund Supported		\$ 10,165,474	2,698,046	\$ 7,467,428
All Other Funds		\$ 87,334,346	54,407,182	\$ 32,927,164

X = Indicates Board of Supervisor's Financial Committee Reserve

APPENDIX C: Other Fund Highlights (\$ millions)

Other Funds	Prior-Year Fund Balance Surplus / (Shortfall)	Current Year			Estimated Year-end Fund Balance
		Sources Better / (Lower) than Budget	Uses Savings / (Shortfall) from Budget	Net Operating Surplus / (Deficit)	
<u>Special Revenue Funds</u>					
(1) 911 Fund	\$2.13	\$2.56	\$0.00	\$2.56	\$4.69
(2) Building Inspection Operating Fund	\$0.77	\$5.00	\$3.00	\$8.00	\$8.77
(3) Children's Fund	\$0.28	\$3.17	\$0.00	\$3.17	\$3.45
(4) Convention Facilities Fund	\$1.60	\$0.00	\$0.00	\$0.00	\$1.60
(5) Gas Tax Fund **	\$0.00	(\$0.40)	\$0.00	(\$0.40)	(\$0.40)
(6) Golf Fund **	\$0.33	(\$1.58)	\$0.00	(\$1.58)	(\$1.25)
(7) Library Preservation Fund	\$6.40	\$6.95	\$0.30	\$7.25	\$13.65
(8) Neighborhood Beautification Fund	\$0.00	\$0.06	\$0.00	\$0.06	\$0.06
(9) Open Space Fund	\$1.81	\$3.03	\$0.00	\$3.03	\$4.84
(10) War Memorial Fund	\$0.29	\$0.09	\$0.00	\$0.09	\$0.38
<u>Enterprise Funds</u>					
(11) Airport Operating Fund	\$96.83	\$0.00	\$18.40	\$18.40	\$115.23
(12) MTA – MUNI Operating Fund	\$8.76	\$9.46	\$0.00	\$9.46	\$18.22
(13) MTA – MUNI Transit Impact Fund	\$17.79	\$2.08	\$0.00	\$2.08	\$19.87
Subtotal MTA - MUNI	\$26.55	\$11.54	\$0.00	\$11.54	\$38.09
(14) MTA – Parking & Traffic Operating Fund	\$8.26	\$7.36	\$0.00	\$7.36	\$15.62
(15) Port Operating Fund	\$10.48	\$3.06	\$2.31	\$5.37	\$15.85
(16) PUC – Hetch Hetchy Operating Fund	\$31.85	\$26.00	(\$4.10)	\$21.90	\$53.75
(17) PUC – Wastewater Operating Fund	\$16.32	(\$4.05)	\$2.30	(\$1.75)	\$14.57
(18) PUC – Water Operating Fund	\$42.31	(\$2.18)	\$5.98	\$3.80	\$46.11

** Shortfalls are assumed to be backfilled by department savings in the General Fund as discussed previously.

APPENDIX C: Other Fund Highlights (continued)

Notes Other Funds Description

Special Revenue Fund

- (1) **911 Fund** The 911 Fund began the current year with an additional \$2.13 M over and above the \$1.50 M appropriated in the budget. Additionally, sources are projected to be \$2.56 M better due to \$1.96 M better revenue in 911 Fees and \$0.60 M better in Interest Income. Expenditures are on track to be on budget overall; however, the department is exceeding its overtime budget by \$1.30 M with offsetting savings in permanent salary expenditures due to higher attrition savings. Staff retention and recruitment for call takers and dispatchers continue to be main operating concerns for the department. Once additional staff completes training, the department expects to reduce permanent salary savings as well as overtime costs. The 911 Fund is projected to have a \$2.56 M net current year operating surplus, which then results in a projected year-end fund balance to \$4.69 M that will be available for use in the subsequent budget year.
- (2) **Building Inspection Operating Fund** The Building Inspection Fund began the current year with an additional \$0.77 M over and above the \$6.53 M appropriated in the budget. Additionally, current year revenues are projected to be \$5.00 M better than budget due primarily to higher Plan Check and Building Permit revenues. Expenditure savings of \$3.00 M are projected, which are related to salary savings, as a number of vacant positions were not filled for much of the year. This fund is projected to have an \$8.00 M net operating surplus, resulting in an \$8.77 M projected year-end fund balance.
- (3) **Children's Fund** The Children's Fund began the current year with an additional \$0.28 M in fund balance over and above the \$2.58 M appropriated in the budget. Additionally, sources are projected to be \$3.17 M better than budget primarily due to higher \$2.97 M of higher Property Tax revenue and \$0.20 M of higher Interest Income. Expenditures are projected to be on budget resulting in a \$3.17 M net operating surplus and a \$3.45 M estimated year-end fund balance.
- (4) **Convention Facilities Fund** The Convention Facilities Fund began the current year with \$1.60 M of additional fund balance available for appropriation. Current year revenues and expenditures are expected to be on budget, resulting in a projected \$1.60 M year-end fund balance available for appropriation.
- (5) **Gas Tax Fund** The Gas Tax fund is projected to have a \$0.40 M revenue shortfall related to Pavement Mitigation Fees from PG&E and Comcast. This shortfall stems from the Court of Appeals decision finding that the City could not charge this fee to companies otherwise subject to a franchise fee. This results in a net operating deficit and an estimated negative fund balance of \$0.40 M. This shortfall is assumed to be covered by the General Fund and reflected in the Public Works General Fund shortfall.

Notes Other Funds Description

- (6) **Golf Fund** The Golf Fund began the current year with an additional \$0.33 M in fund balance over and above the \$0.12 M appropriated in the current-year budget. However, revenue weakness is projected to be \$1.58 M due to course closures from rain and flooding. Overall, expenditures are projected to be at budget, including \$0.38 M of higher interest costs on the Open Space loan with offsetting personnel savings. While this interest cost news negatively impacts the Golf Fund, it positively impacts the Open Space Fund. The net shortfall is assumed to be covered by the General Fund in Recreation and Park, which then reduces that department's potential savings incentive reserve that would otherwise be available to spend. The fund is projected to end the year with no available fund balance by year-end.
- (7) **Library Preservation Fund** The Public Library began the current year with \$6.40 M of additional fund balance available for appropriation over and above the \$1.05 M appropriated in the current-year budget. Additionally, current-year sources are projected to be \$6.95 M better as a result of higher baselines funding of \$3.26 M from current year and \$1.00 M from prior year, as well as \$2.49 M in higher Property Tax revenue and \$0.20 M in higher Interest Income. Expenditures are projected to show savings of \$0.30 M resulting from salary savings less a partially offsetting increase in workers compensation costs. This fund is projected to have a \$7.25 M net operating surplus and a \$13.65 M estimated fund balance by fiscal year-end.
- (8) **Neighborhood Beautification Fund** Payroll Tax revenues are projected to be \$0.06 M better than budget due to better Payroll Tax collection, while expenditures are projected to be on budget; resulting in both a \$0.06 M net operating surplus and estimated fund balance by fiscal year-end.
- (9) **Open Space Fund** The Open Space Fund ended prior year with \$3.16 M fund balance of which \$1.35 M was appropriated in the current-year budget. This left a prior-year fund balance surplus of \$1.81 M available for appropriation. Additionally, the current year's Property Tax revenues are projected to be \$2.49 M better than budget along with \$0.38 M in higher Loan Repayments from the Golf Fund (discussed further in the Golf Fund section), and \$0.16 M better Interest Income. On the expenditure side, the Open Space Fund is projected to end the year at budget. This fund is projected to have a \$3.03 M current-year net operating surplus and a \$4.84 M projected fund balance by fiscal year-end.
- (10) **War Memorial Fund** The War Memorial Fund ended the prior year with a \$0.88 M fund balance of which \$0.59 M was appropriated in the current-year budget, leaving a prior-year fund balance surplus of \$0.29 M. Additionally, sources are projected to be \$0.09 M better than budget due to increased bookings at the Opera House, Herbst Theater and Davies Symphony Hall. Expenditures are projected to be at budget. Overall, this fund is projected to have a \$0.09 M net operating surplus, resulting in a \$0.38 M projected year-end fund balance available for appropriation.

Notes	Other Funds	Description
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<u>Enterprise Fund</u>		
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|------|---|---|
| (11) | Airport
Operating
Fund | The Airport Operating Fund ended prior year with additional \$96.83 M over and above the \$6.08 M appropriated in the budget. While revenues are projected to be on budget overall, \$11.07 M of lower aviation, parking, concession and sale of electricity revenues are being offset primarily by higher Interest Income. Air passenger enplanements and airline landed weight have been lower than assumed in the budget. The department is projected to have \$18.40 M in projected expenditure savings primarily related to salary savings. The net result is a projected net operating surplus of \$18.40 M for the current year, resulting in an estimated fund balance of \$115.23 M by fiscal year-end. |
| (12) | MTA-MUNI
Operating
Fund | The Municipal Railway Operating Fund ended prior year with \$8.76 M fund balance. Current year sources are projected to be \$9.46 M better than budget due to: 1) \$9.24 M from additional FY 2005-06 baseline funding, 2) \$2.98 M from additional FY 2004-05 baseline funding, and 3) a partially offsetting operating revenue net shortfall of \$2.76 M. The operating revenue shortfall is related to weakness of \$1.95 M in Parking Fines, \$1.66 M Cash, Tokens and Transfers, \$1.04 M in Transit Advertising, \$0.37 M in Cable Cars, \$0.33 M in Paratransit, and \$0.26 M in Garage Revenues, along with better revenue of \$2.85 M in Passes and Regional Tickets. While expenditures are projected to be on budget overall, the department is projected to overspend on overtime \$13.51 M, including some constraint related to a moratorium that was implemented January 1, 2006. The department is projected to have \$3.30 M savings in workers' compensation, \$3.00 M in expenditure contingency, \$3.00 M in professional contract savings, \$2.90 M materials and supplies savings, \$0.40 M equipment savings, and \$0.91 M in other non-personnel cost savings. This projection assumes net non-personnel cost savings will be used for capital costs. This fund is projected a net operating surplus of \$9.46 M, which will result in a projected \$18.22 M fiscal year-end balance. |
| (13) | MTA-Transit
Impact
Development
Fund | The Transit Impact Development Fund ended the prior year with \$27.95 M of fund balance of which \$10.16 M was appropriated in the current-year budget. This left prior-year fund balance of \$17.79 M available for appropriation. Current sources are projected to be \$2.08 M better than budget due to \$1.81 M better due to higher Interest Income and \$0.27 M in Transit Impact Development Fee revenue. This fund is projected to have a net operating surplus of \$2.08 M, which will result in a projected \$19.87 M fiscal year-end balance. |
| (14) | MTA-Parking
& Traffic
Operating
Fund | The Parking & Traffic Operating Fund began current year with \$8.26 M fund balance. Current year sources are projected to be \$7.36 M better than budget due to: 1) \$3.46 M from additional FY 2005-06 baseline funding, 2) \$1.06 M from additional FY 2004-05 baseline funding, and 3) additional net better operating revenue of \$2.84 M. Operating revenue performance is related to \$1.05 M in Neighborhood Parking, \$0.97M in Tow Surcharge, \$0.44 M in Garages, \$0.30 M in Other City Rentals, \$0.27 M in Contractor Tow Fee, offset by weakness of \$0.19 M in Red Light Fines. Expenditures are projected to be on budget overall. While higher than anticipated attrition is expected to generate \$1.14 M salary savings, overtime spending is largely offsetting this savings. The department |

Notes	Other Funds	Description
	MTA-Parking & Traffic Operating Fund (cont.)	reports that some 30 positions have been out on long-term leave during the year, which is impacting overtime costs. Additionally, the department reports that the temporary salary shortfall of \$0.35M is the result of additional staffing at the Citation Processing Unit to resolve long wait times and a backlog in processing mail-in citations, residential parking permits and responding to general customer inquiries. The purchase of a queue-matic system that monitors wait times, and allows for a more orderly cueing process should help to permanently address this issue. This fund is projected to have a net operating surplus of \$7.36 M and an estimated fund balance of \$15.62 M by fiscal year-end.
(15)	Port Operating Fund	The Port Operating Fund began current year with additional \$10.48 M over and above the \$12.39 M appropriated in the budget. As for current-year revenues, Interest, Commercial and Industrial Rentals, Parking, Permits, and Special Events are projected to be better than budget by \$3.06 M. Approximately \$2.31 M of expenditure savings is projected from both salary savings and lower use of work orders, for a net current year operating surplus of \$5.37 M, resulting in an estimated fund balance of \$15.85 M by fiscal year-end.
(16)	PUC-Hetch Hetchy Operating Fund	The Hetch Hetchy Operating Fund started current year with an additional \$31.85 M over and above the \$28.24 M appropriation in the budget. Additionally, current year revenues are projected to be \$26.00 M better than budget as a result of heavy rains allowing for greater power production and the strong resale market for power. Expenditures are projected to be over available budget by \$4.10 M due to unexpected litigation costs. A supplemental appropriation request is pending before the Board. Overall, the resulting net operating surplus of \$21.90 M is projected, with a resulting estimated fund balance of \$53.75 M by fiscal year-end.
(17)	PUC-Wastewater Operating Fund	The Wastewater Operating Fund began current year with a \$16.32 M fund balance and none was appropriated in current-year budget. Current-year revenues are projected to be \$4.05 M under budget due mainly to lower consumption and associated lower Sewer Service Charge revenues. This is offset by a projected savings of \$2.30 M primarily attributable to salary savings due to hiring delays for a resulting net current-year operating deficit of \$1.75 M and an estimated fund balance of \$14.57 M by fiscal year-end.
(18)	PUC-Water Operating Fund	The Water Operating Fund began current year with additional \$42.31 M over and above \$21.87 M appropriated in the budget. Current-year revenues are projected to be \$2.18 M under budget due mainly to lower Wholesale Water Sales revenue with partially offsetting higher Interest Income than assumed in the budget. This is offset by a projected savings of \$5.98 M primarily attributable to salary savings from operations staff savings related to delays in hiring. The net current-year operating surplus is projected to be \$3.80 M and results in an estimated fund balance of \$46.11 M by fiscal year-end.