



Edward Harrington
Controller

Monique Zmuda
Deputy Controller

February 2, 2007

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 2006-07 Six-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 Six-Month Budget Status Report that is based on sources of funds received and uses of funds expended from July 1, 2006 through December 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 \$126.62 million for the General Fund by the end of fiscal year 2006-2007 (FY 2006-07). 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 2005-06 as well as further continuing revenue growth in the current fiscal year and some projected expenditure savings. For comparison, the FY 2005-06 year-end available fund balance was \$145.58 million.

The \$126.62 million projected fund balance is \$26.87 million better than previously projected during our first quarter review. With that first quarter and the prior-year information published in the City's Comprehensive Annual Financial Report (CAFR) in December, the Mayor's Office had projected a \$64 million deficit for the FY 2007-08 budget year. The projected current 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 and timing of the economic recovery and associated revenue growth.

Chart A: Six-Month General Fund Budget Summary – FY 2006-07, (millions)

	AAO Original Budget	Revised Budget	Year-End Projection	Projected Incremental Available Fund Balance
SOURCES:				
Prior-Year Fund Balance	\$ 99.48	\$ 99.48	\$ 145.58	\$ 46.11
Prior-Year Reserves Budgeted in the Current Year (CY)	25.65	25.65	35.29	9.64
Subtotal Sources - Prior Year	\$ 125.13	\$ 125.13	\$ 180.87	\$ 55.75
Current Year Revenues	2,522.53	2,536.56	2,579.12	42.56
Current Year Transfers-In	57.16	58.53	58.53	-
Subtotal Sources - CY Revenues & Transfers-In	\$ 2,579.69	\$ 2,595.09	\$ 2,637.65	\$ 42.56
Current Year Transfers (Out), Operating	(40.27)	(40.27)	(40.27)	-
Carryforwards & Transfers, net	-	209.30	209.30	-
Subtotal Sources - CY, Carryforwards & Transfers	\$ 2,539.42	\$ 2,764.12	\$ 2,806.68	\$ 42.56
Subtotal Sources - PY, CY, Carryforwards & Transfers	\$ 2,664.55	\$ 2,889.24	\$ 2,987.55	\$ 98.31
Fund Balance - Used for Supplemental Appropriation		0.05		(0.05)
Reserves - Used for Supplemental Appropriation		2.72		(2.72)
Total Sources	\$ 2,664.55	\$ 2,892.01	\$ 2,987.55	\$ 95.54
USES:				
Operating Expenditures, net of recoveries	2,029.04	2,129.73	2,112.42	17.31
Project Expenditures	143.16	253.37	253.37	-
Capital Expenditures	29.67	31.29	31.29	-
Facilities Maintenance	13.27	12.70	12.70	-
Subtotal - Current Year Expenditures	2,215.13	2,427.09	2,409.78	17.31
Baseline Funding Requirement Transfers Out	196.26	196.26	199.99	(3.72)
Subsidy Transfers to Hospitals & Other Transfers	192.78	198.74	197.54	1.20
Reserves	35.38	49.00	49.00	-
Total Uses - Current Year	\$ 2,639.55	\$ 2,871.09	\$ 2,856.31	\$ 14.79
Required Reserves from Current Year Resources				
Rainy Day - Economic Stabilization Reserve			-	-
Rainy Day - Capital & One-Time Uses Reserve			-	-
Budget Savings - Citywide Incentive Reserve			4.63	(4.63)
Budget Savings - Recreation & Park Reserve			-	-
Total Uses - Current Year & Set-Asides	\$ 2,639.55	\$ 2,871.09	\$ 2,860.93	\$ 10.16
GENERAL FUND ENDING BALANCE	\$ 25.00	\$ 20.92	\$ 126.62	\$ 105.70

General Fund Balance & Prior Year Reserves

At the time the budget for FY 2006-07 was prepared, we anticipated starting the current fiscal year with a General Fund beginning balance of \$99.48 million and prior-year reserves of \$25.65 million. When the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006 was completed in December 2006, we confirmed that the ending balance from the previous fiscal year was \$145.58 million, along with prior-year reserve balances of \$35.29 million. As a result, there is an additional \$46.11 million of prior-year fund balance and \$9.64 million in prior-year reserves available from FY 2005-06 that was not anticipated for FY 2006-07 budget.

Current Revenues and Transfers In

We project revenues and transfers-in to be \$42.56 million better than the revised FY 2006-07 budget. The revenue surplus is primarily due to higher Property Tax, Hotel Room Tax, Interest Income and Property Transfer Tax revenue. Some shortfalls in Social Service Subventions are projected with more than offsetting expenditure savings in the Human Services Agency. Similarly, shortfalls in Health Department charges are more than offset by net savings at the Department of Public Health. In addition to realized revenues through the first six months of FY 2006-07, posted activity through January 31, 2007 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 10) 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 2006-07, (millions)

Revenues & Transfers-In, US\$ Millions	FY 2005-06	FY 2006-07			<i>sort order</i>
	Year-End Actuals	Original Budget	Revised Budget	6-Month Projection	Surplus / (Shortfall) as of 6-Month
Property Tax	\$ 782.69	\$ 837.54	\$ 837.54	\$ 861.40	\$ 23.86
Hotel Room Tax	\$ 130.82	\$ 125.91	\$ 125.91	\$ 132.41	\$ 6.50
Interest	\$ 30.95	\$ 33.99	\$ 33.99	\$ 38.14	\$ 4.15
Real Property Transfer Tax	\$ 131.28	\$ 105.00	\$ 105.00	\$ 108.90	\$ 3.90
Business Taxes	\$ 322.41	\$ 332.17	\$ 332.17	\$ 335.53	\$ 3.36
Sales Tax	\$ 103.07	\$ 106.24	\$ 106.24	\$ 108.23	\$ 1.99
Public Safety Service Charges	\$ 24.91	\$ 24.58	\$ 25.19	\$ 26.73	\$ 1.54
Parking Tax	\$ 36.16	\$ 36.05	\$ 36.05	\$ 37.25	\$ 1.20
Franchise Tax	\$ 13.74	\$ 13.85	\$ 13.85	\$ 14.44	\$ 0.59
Other Revenues	\$ 379.64	\$ 397.54	\$ 403.02	\$ 403.62	\$ 0.60
Property Sales	\$ -	\$ 10.65	\$ 10.65	\$ 11.05	\$ 0.40
Utility Users Tax	\$ 76.44	\$ 79.44	\$ 79.44	\$ 79.76	\$ 0.32
Subtotal - Key Surpluses	\$ 2,032.12	\$ 2,102.95	\$ 2,109.05	\$ 2,157.44	\$ 48.39
Medicare, Medical & Health Charges (DPH)	\$ 55.46	\$ 47.39	\$ 48.19	\$ 45.81	\$ (2.39)
State Social Service Subventions (DHS)	\$ 124.04	\$ 127.36	\$ 134.48	\$ 132.26	\$ (2.22)
Prop 172 Public Safety Sales Tax	\$ 69.34	\$ 74.03	\$ 74.03	\$ 72.81	\$ (1.22)
Health & Welfare Realignment	\$ 157.92	\$ 165.20	\$ 165.20	\$ 165.20	\$ -
Motor Vehicle In Lieu	\$ 35.76	\$ 5.60	\$ 5.60	\$ 5.60	\$ -
Subtotal - Other Key Revenues	\$ 442.52	\$ 419.59	\$ 427.51	\$ 421.68	\$ (5.83)
Total Revenues	\$ 2,474.65	\$ 2,522.53	\$ 2,536.56	\$ 2,579.12	\$ 42.56
Transfers In	\$ 57.96	\$ 57.16	\$ 58.53	\$ 58.53	\$ -
Total Revenues & Transfers In	\$ 2,532.61	\$ 2,579.69	\$ 2,595.08	\$ 2,637.64	\$ 42.56
<i>Revenues Better from Prior Year Actual by...</i>	\$ 247.11	\$ 47.89	\$ 61.91	\$ 104.47	
<i>% Increase</i>	11.1%	1.9%	2.5%	4.2%	
<i>Revenues & Transfers In Better from Prior Year...</i>	\$ 164.7	\$ 47.1	\$ 62.5	\$ 105.0	
<i>% Increase</i>	7.0%	1.9%	2.5%	4.1%	

Current Operating Expenditures & Transfers Out

Based on current spending patterns, we project overall departmental expenditures and transfers-out savings of \$14.79 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 19) 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 2006-07, (millions)

Net Shortfall Departments		<i>Sort Order</i>		
US\$ millions		SOURCES	USES	NET
		Surplus / (Short) Budget	Under / (Over) Budget	Savings / (Shortfall)
City Attorney	\$	-	(4.44)	(4.44)
Police		(0.61)	-	(0.61)
City Planning		(1.31)	0.73	(0.58)
Telecommunication & Info Systems		-	(0.12)	(0.12)
District Attorney		(0.12)	0.00	(0.12)
Assessor / Recorder		(0.39)	0.34	(0.05)
Board of Appeals		(0.05)	-	(0.05)
Total Net Projected Shortfall	\$	(2.48)	(3.49)	(5.98)
Net Surplus Departments		<i>Sort Order</i>		
		SOURCES	USES	NET
		Surplus / (Short) Budget	Under / (Over) Budget	Savings / (Shortfall)
Human Services	\$	(2.22)	16.85	14.63
Public Health including Subsidies to Hospitals		(2.39)	4.65	2.27
Fire Department		0.98	1.00	1.98
Treasurer / Tax Collector		0.42	0.50	0.92
Elections		1.78	(1.00)	0.78
Public Works		0.33	-	0.33
Juvenile Probation		0.27	-	0.27
Sheriff		0.02	-	0.02
Total Net Projected Savings	\$	(0.81)	22.00	21.19
Citywide & General Tax Revenues		45.85		45.85
Baselines - Library			(0.72)	(0.72)
Baselines - Children's Services			-	0.00
Baselines - Municipal Transportation Agency			(3.00)	(3.00)
Subtotal - Current Year Operations	\$	42.56	14.79	57.35
General Reserve		20.92		20.92
Prior Year Fund Balance & Reserves		55.75		55.75
Supplemental Use of Fund Balance & Reserves			(2.77)	(2.77)
Required Reserve Deposits - Dept. Savings			(4.63)	(4.63)
Required Reserve Deposits - Rainy Day			-	0.00
Net Surplus / (Shortfall)	\$	119.23	7.39	126.62

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 \$1.12 million while Laguna Honda Hospital will have a net surplus of \$0.08 million for a total of \$1.20 million. This results in a savings of \$1.20 million 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, Hotel Room Tax, Interest Income, Property Transfer Tax, and Business Payroll Tax revenues. Chart D outlines the General Fund Appropriation, the Current Required Baseline, and the Projected Surplus / (Shortfall) contribution needed given the projections outlined in this report. While the Children’s Baseline is still projected to be surplus funded by approximately \$1.56 million, the Library and the MTA are projected to need additional baseline funding of \$0.72 million and \$3.00 million respectively.

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

Baseline	FY 2005-06	FY 2006-07		
	Balances Used in FY 2006-07 Budget	Revised Budget General Fund Appropriation	Current Year Required Baseline	Projected Surplus / (Shortfall) as of 6-Month Report
Revenue Driven				
Children's Services	\$4.02	\$93.84	\$88.26	\$1.56
Library Preservation		\$38.03	\$38.75	(\$0.72)
Municipal Railway		\$114.85	\$117.06	(\$2.21)
Parking & Traffic		\$43.38	\$44.18	(\$0.80)
Subtotal MTA	\$0.00	\$158.23	\$161.24	(\$3.00)
Total	\$4.02	\$290.10	\$288.25	(\$2.17)

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 June 30, 2006	Budgeted (Use) in in the Current Year	Required Funding from Current Year	Projected June 30, 2007
Rainy Day - Economic Stabilization Reserve	\$ 97.91	\$ -	\$ -	\$ 97.91
Rainy Day - Capital & One-Time Spending Reserve	24.07	(18.62)	-	5.44
Subtotal - Rainy Day Reserves	121.98	(18.62)	-	103.35
Children's Baseline Reserve	5.23	(4.02)	-	1.21
Budget Savings - Recreation & Park Reserve	3.37	(3.10)	-	0.27
Budget Savings - Citywide Incentive Reserve	3.37	(2.63)	4.63	5.36
Total	\$ 133.94	\$ (28.37)	\$ 4.63	\$ 110.20

Required Set-Asides – Rainy Day Reserve Requirements: Currently the Rainy Day Economic Stabilization Reserve has \$97.91 million on balance, and the Capital & One-Time Spending Account has \$5.44 million remaining. 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 no incremental deposits projected through fiscal year-end at this time; however, given the strong revenue growth noted in this report projection, we have only \$1.77 million in revenue growth to go before deposits will be required.

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 Revenue \$
		\$	%		
FY 2003-04	2,035.99	70.12	3.6%		
FY 2004-05	2,198.89	162.90	8.0%		
FY 2005-06	2,408.37	209.49	9.5%	2,308.83	99.54
6-Month Projected FY 2006-07	2,527.02	118.65	4.9%	2,528.79	(1.77)

Required Set-Asides – Recreation & Park Budget Savings Incentive Reserve: Currently the Recreation & Park Budget Savings Reserve has a \$0.27 million balance. Charter Section 16.107 requires that ‘overall Department expenditure savings shall be retained by the Department to be dedicated to one-time expenditures’. These overall savings are set-aside in the **Recreation & Parks Budget Savings Incentive Reserve**. Based on current projections, no additional deposits are projected to be required for this reserve by fiscal year-end.

Required Set-Asides – Citywide Budget Savings Incentive Reserve: Ordinance 210-06 repealed Administrative Code Section 3.17 where previously the City deposited the greater of \$2.00 million or 10 percent of departments' year-end appropriation savings at year-end. The new requirement is to set-aside 25 percent of the total appropriation closed to General Fund balance by General Fund departments and the Department of Public Health's hospital funds. Based on current projections, \$4.63 million of deposits will be required for this reserve at fiscal year-end. This additional deposit results in total projected Citywide Budget Savings Incentive Reserves of \$5.36 million.

Supplemental Appropriations

General Fund supplemental appropriation requests approved by the Board used \$4.13 million of the General Fund Reserve or Fund Balance. There are a number of supplemental requests currently pending at the Board which represent program expansion and were not included in the 6-month projections. However, supplemental requests by the City Attorney's Office along with their client department, Public Works, and the Elections department are needed to balance their budgets, and have been included in their 6-month projections. On a related note, the Elections department has received prior-year special election reimbursement funding from the State that more than covers their needed supplemental appropriation. Additionally, we have assumed two patient revenue-backed supplemental appropriations for SF General Hospital and Laguna Honda Hospital in our projections.

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 may be reduced.

Expenditure Reserves

Each year, the Board of Supervisors, Mayor, or Controller place certain budget items on reserve, requiring subsequent approval from the reserving party before these funds can be spent. **Appendix B** provides a status report on these reserves for the current year and their remaining balances as of January 31, 2007. For projection purposes, this report assumes that all of these Board reserves are released and expended. 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. **Appendix B1** provides a list of the remaining balance of all reserves from prior years. We continue to work with departments to review the status of their prior-year appropriation reserves and will further report prior-year project reserve explanations in the Nine-Month Report as outlined in Administrative Provisions Section 28 of the Annual Appropriation Ordinance (AAO).

Salary and Benefits Reserve

Administrative Provisions Section 10.3 of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for salaries and related fringe benefits for collective bargaining agreements adopted by the Board of Supervisors. For FY 2006-07 the budgeted Salary and Benefits Reserve, or Memorandum of Understanding (MOU) Reserve, is equal to \$38.47 million. This consists of the \$24.38 million that was funded as part of the FY 2006-07 AAO and a \$14.10 million of carryforward funding from FY 2005-06. This carryforward was largely assumed in the FY 2006-07 budget. As of January 31, 2007, the Controller's Office had transferred \$8.34 million to individual City Departments as detailed in **Appendix C**, which also outlines the projected need for the remaining \$30.14 reserve. No surplus balance is projected at this time.

General Fund Ending Balance

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$126.62 million as compared to the a FY 2005-06 fund balance of \$145.58 million.

II. Sources of Funds Revenues & Transfers Chart F GENERAL FUND (millions)	FY 2005-06	FY 2006-07				
	Year-End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus / (Shortfall)	
PROPERTY TAXES	782.69	837.54	837.54	861.40	23.86	[1]
BUSINESS TAXES:						
Business Registration Tax	7.70	8.23	8.23	8.23	-	[2]
Payroll Tax	314.71	323.94	323.94	327.30	3.36	[3]
Total Business Taxes	322.41	332.17	332.17	335.53	3.36	
OTHER LOCAL TAXES:						
Sales Tax	103.07	106.24	106.24	108.23	1.99	[4]
Hotel Room Tax	130.82	125.91	125.91	132.41	6.50	[5]
Utility Users Tax	76.44	79.44	79.44	79.76	0.32	[6]
Parking Tax	36.16	36.05	36.05	37.25	1.20	[7]
Real Property Transfer Tax	131.28	105.00	105.00	108.90	3.90	[8]
Stadium Admission Tax	2.72	2.88	2.88	2.88	-	[9]
Total Other Local Taxes	480.50	455.51	455.51	469.41	13.90	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	7.09	7.07	7.07	7.03	(0.04)	[10]
Franchise Tax	13.74	13.85	13.85	14.44	0.59	[11]
Total Licenses, Permits & Franchises	20.83	20.92	20.92	21.47	0.55	
FINES, FORFEITURES & PENALTIES	10.19	4.90	4.90	4.95	0.05	[12]
INTEREST & INVESTMENT INCOME	30.95	33.99	33.99	38.14	4.15	[13]
RENTS & CONCESSIONS						
Garages - Rec/Park	9.21	9.27	9.27	9.27	-	[14]
Rents and Concessions - Rec/Park	9.08	9.25	9.25	9.25	-	[15]
Other Rents and Concessions	1.72	1.61	1.61	1.61	-	[16]
Total Rents and Concessions	20.01	20.14	20.14	20.14	-	
INTERGOVERNMENTAL REVENUES						
Federal Government						
Social Service Subventions	177.80	185.29	185.00	185.09	0.08	[17]
Other Grants & Subventions	4.64	8.98	9.30	9.52	0.23	[18]
Total Federal Subventions	182.45	194.27	194.30	194.61	0.31	
State Government						
Social Service Subventions	124.04	127.36	134.48	132.26	(2.22)	[19]
Health & Welfare Realignment	157.92	165.20	165.20	165.20	-	[20]
Health/Mental Health Subventions	70.05	75.16	76.15	76.15	-	[21]
Public Safety Sales Tax	69.34	74.03	74.03	72.81	(1.22)	[22]
Motor Vehicle In-Lieu	35.76	5.60	5.60	5.60	-	[23]
Other Grants & Subventions	33.39	22.92	27.39	29.17	1.78	[24]
Total State Subventions	490.51	470.27	482.86	481.20	(1.66)	
CHARGES FOR SERVICES:						
General Government	25.74	32.84	32.84	31.33	(1.51)	[25]
Public Safety	24.91	24.58	25.19	26.73	1.54	[26]
Recreation - Rec/Park	6.78	7.08	7.08	7.08	-	[27]
MediCal, MediCare & Health	55.46	47.39	48.19	45.81	(2.39)	[28]
Other Service Charges	0.32	11.79	11.79	11.79	-	[29]
Total Charges for Services	113.20	123.67	125.09	122.73	(2.35)	
RECOVERY OF GEN. GOV'T. COSTS	13.23	10.30	10.30	10.30	-	[30]
OTHER REVENUES	7.68	18.85	18.85	19.25	0.40	[31]
TOTAL REVENUES	2,474.65	2,522.53	2,536.56	2,579.12	42.56	
Airport Transfer In	21.46	22.06	22.06	22.06	-	[32]
All Other Transfers In	36.51	35.10	36.47	36.47	-	[33]
	57.96	57.16	58.53	58.53	-	
TOTAL GENERAL FUND RESOURCES	2,532.61	2,579.69	2,595.08	2,637.64	42.56	

Notes to Sources of Funds Schedule:

- (1) **Property Tax** revenues are projected to be \$23.86 million better than budget. This is primarily due to four key factors: 1) +\$12.81 million from supplemental assessment billings; 2) +\$6.07 million from improving assessment appeals experience to date; 3) +\$4.16 million from State revenue backfill allocations related to vehicle license fees and sales tax (Triple Flip) shifts; and 4) +\$2.20 million from escape assessments billings; less a partially offsetting -\$1.38 million in other property tax related revenues. San Francisco’s net assessed valuation grew 7.6 percent in FY 2006-07 from FY 2005-06, as was assumed in the budget.

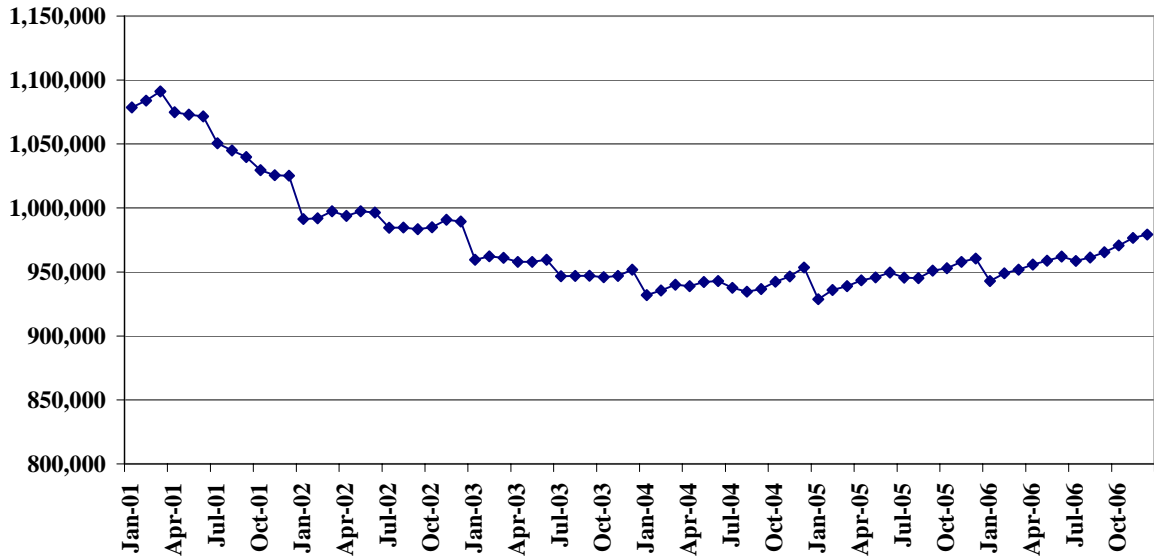
On a related note, this projection reflects ERAF shifts of \$285.40 million from the City’s General Fund to cover the State’s Proposition 98 K-14 voter-mandated funding requirements. This amount is partially offset by in lieu payments for the Triple Flip (Sales Tax) and the permanent rollback of the vehicle license fee of \$35.66 million and \$126.24 million respectively, for a net ERAF shift of \$123.50 million. The projected impact is summarized for the General Fund and selected Special Revenue Funds below.

Projected Property Tax Revenues by Fund

	FY 2006-07		<i>sort order</i>	
	Revised Budget	6-Month Projection	Surplus / (Shortfall) as of 6-Month	
General Fund	\$ 837.54	\$ 861.40	\$	23.86
Children's Fund	\$ 35.49	\$ 36.84	\$	0.96
Library Fund	\$ 29.67	\$ 30.79	\$	0.80
Open Space Fund	\$ 29.67	\$ 30.79	\$	0.80

- (2) **Business Registration** revenues are projected to be on budget based on business formations and renewal collections to date.
- (3) **Payroll Tax** revenues are projected to be \$3.36 million better than budget. This is due primarily to prior-year actual receipts exceeding projection, which then resulted in an increased base from which to grow. We continue to assume 4.0 percent growth over prior-year actual collections. Jobs grew by 6,300 or 1.2 percent in 2005 and are assumed to have grown similarly in 2006. Final 2006 jobs data at the county level will not be available from the State for several months; however, the following chart shows the employment for the San Francisco Primary Metropolitan Statistical Area, which includes San Francisco, Marin and San Mateo counties. This aggregated level is the most focused geographical area for which current data is available. The moderate labor growth assumed in the budget appears to have materialized. Our projection also 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 24+ Months
 San Francisco PMSA (Marin, San Francisco, San Mateo)

Calendar Year	Average Annual Growth	Growth over prior Year, Month of December
2001		
2002	-6.3%	-3.5%
2003	-3.7%	-3.8%
2004	-1.4%	0.2%
2005	0.6%	0.7%
2006	1.6%	1.9%

- (4) **Sales Tax** revenues are projected to be \$1.99 million better than budget. This projection equates to 5.0 percent growth over the prior year’s actual receipts. For the most recent quarter, the 3rd Quarter 2006, the City had 3.6 percent growth in underlying sales tax generating activity, with apparel stores and restaurants gaining the most over the same quarter of the prior year. On an annualized basis for the four quarters ending September 2006, the City had 5.0 percent growth in underlying sales tax generating activity.

Several positive factors exist for the retail component of sales tax revenue, including strength in hotel occupancies and the September 2006 opening of the Westfield Center with both new and additional shopping venues for the San Francisco marketplace. Additionally, construction and fuel-related purchasing activity was up in 3rd Quarter 2006 due to a building boom and higher average gasoline prices. However, the business-to-business component is still showing anemic growth of only 0.5 percent year-over-year, which is indicative of a gradual recovery where employers have been conservative in their permanent staff hiring. San Francisco's sales tax revenue continues to be more dependent on tourism than most other California cities.

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$6.50 million better than budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$189.10 million, or 5.4 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continue to strengthen. The tables on page 14 summarize Hotel Occupancy and Average Daily Room Rates (ADRs) by month.

Our projection is based on realized revenue collections-to-date, interviews with hotel industry experts, an assumption of continued economic strengthening and increasing average daily room rates for FY 2006-07. Our current forecast assumes average annual occupancy rates of 76.8 percent (0.2 percent growth over the prior year) and average annual daily room rates (ADRs) of \$168.48 (5.2 percent growth over 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)

	Fiscal Year	Total	Annual Growth	
			\$ Change (\$ million)	% Change
	FY 1999-00	\$ 182.10	\$ 20.58	12.7%
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%
	FY 2005-06	\$ 179.47	\$ 21.53	13.6%
	Budget FY 2006-07	\$ 182.60	\$ 3.13	1.7%
	6-Month Projection FY 2006-07	\$ 189.10	\$ 9.63	5.4%

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	FY 2006-07
July	88.0%	87.5%	75.4%	68.7%	77.0%	81.1%	84.4%	82.3%
August	81.3%	90.2%	80.8%	74.7%	83.5%	81.5%	87.2%	82.8%
September	86.9%	88.5%	58.3%	68.1%	75.0%	81.6%	88.0%	86.2%
October	82.7%	87.9%	61.1%	73.7%	76.1%	84.5%	84.1%	86.6%
November	74.1%	72.7%	53.9%	60.9%	69.8%	63.1%	70.9%	72.9%
December	62.1%	64.4%	50.0%	55.6%	56.9%	63.1%	64.5%	65.1%
January	67.0%	63.5%	50.3%	51.3%	54.5%	59.9%	62.3%	62.9%
February	79.7%	70.4%	56.9%	57.9%	63.6%	67.5%	67.0%	67.7%
March	88.6%	72.9%	60.7%	59.4%	73.6%	72.6%	75.4%	76.2%
April	84.7%	70.7%	67.8%	62.8%	73.2%	74.6%	78.7%	79.5%
May	84.4%	76.9%	65.7%	68.7%	78.9%	78.3%	78.0%	79.0%
June	91.7%	80.0%	74.5%	72.9%	80.8%	81.3%	80.2%	81.0%
AVG. OCC. RATE	80.9%	77.1%	63.0%	64.6%	71.9%	74.1%	76.7%	76.8%
% Rate Chg from PY	1.1%	-3.8%	-14.2%	1.6%	7.3%	2.2%	2.6%	0.1%
% Change from PY	1.4%	-4.7%	-18.4%	2.6%	11.4%	3.0%	3.6%	0.2%

Occupancy
Up

Approaching 2000 Peak

Fiscal Year 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	FY 2006-07
July	\$ 154.98	\$ 175.56	\$ 156.14	\$ 140.65	\$ 136.72	\$ 140.34	\$ 150.67	\$ 166.94
August	\$ 150.06	\$ 165.89	\$ 159.01	\$ 134.34	\$ 133.63	\$ 141.62	\$ 149.44	\$ 161.86
September	\$ 158.09	\$ 180.33	\$ 157.35	\$ 140.18	\$ 141.04	\$ 147.04	\$ 166.10	\$ 179.99
October	\$ 153.22	\$ 191.46	\$ 166.56	\$ 156.21	\$ 158.28	\$ 161.13	\$ 171.60	\$ 187.63
November	\$ 148.02	\$ 169.40	\$ 151.08	\$ 140.01	\$ 141.82	\$ 143.93	\$ 152.40	\$ 165.34
December	\$ 146.22	\$ 162.24	\$ 136.65	\$ 129.56	\$ 129.33	\$ 135.65	\$ 144.87	\$ 145.00
January	\$ 153.17	\$ 174.24	\$ 146.41	\$ 140.60	\$ 133.75	\$ 146.81	\$ 159.41	\$ 161.00
February	\$ 156.25	\$ 181.78	\$ 146.09	\$ 143.65	\$ 138.73	\$ 147.62	\$ 154.97	\$ 157.00
March	\$ 164.96	\$ 179.18	\$ 143.95	\$ 138.06	\$ 154.22	\$ 151.05	\$ 173.90	\$ 176.00
April	\$ 164.39	\$ 168.79	\$ 156.06	\$ 140.30	\$ 142.54	\$ 154.44	\$ 164.27	\$ 172.00
May	\$ 168.41	\$ 191.63	\$ 152.38	\$ 149.66	\$ 149.40	\$ 156.66	\$ 167.78	\$ 174.00
June	\$ 175.50	\$ 173.72	\$ 160.85	\$ 135.91	\$ 148.02	\$ 152.24	\$ 166.46	\$ 175.00
AVERAGE ADR	\$ 157.77	\$ 176.19	\$ 152.71	\$ 140.76	\$ 142.29	\$ 148.21	\$ 160.16	\$ 168.48
\$ Change from PY	\$ 10.25	\$ 18.41	\$ (23.47)	\$ (11.95)	\$ 1.53	\$ 5.92	\$ 11.95	\$ 8.32
% Change from PY	6.9%	11.7%	-13.3%	-7.8%	1.1%	4.2%	8.1%	5.2%

ADRs
Up

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 \$0.32 million better than budget. This variance is explained by a \$0.32 million surplus in telephone services tax collections. Additionally, an estimated shortfall of \$1.76 million related to lower natural gas revenue is projected to be offset by a \$1.76 million surplus in electricity related revenue. On a related note, on May 25, 2006, the US Treasury Department announced that it will eliminate the three percent Federal Excise Tax on long-distance telephone calls. The City's local telephone utility users tax regulation incorporates some Federal Excise Tax provisions, so staff are evaluating the US Treasury's reinterpretation of its Federal Excise Tax provisions to see if there may be any impact to the local telephone utility users tax revenue. No impact has been included in the projection noted above.
- (7) **Parking Tax** revenues are projected to be \$1.20 million better than budget.
- (8) **Real Property Transfer Tax** revenues are projected to be \$3.90 million better than budget. Record transactions occurred in the commercial sector in FY 2003-04, FY 2004-05 and then again in FY 2005-06. The FY 2006-07 budget assumed a 20.0 percent decrease from the FY 2005-06 actual collections. Collections through the end of January were 16.5 percent lower than prior-year collections year-to-date.

This revenue has traditionally been one of the General Fund's more volatile taxes and is impacted by investor interest (especially in the commercial sector), economic cycles and interest rates. Low mortgage and capitalization rates have helped this revenue in recent history. Based on our review of the Recorder's transaction data for the past several years (summarized below), recent above-trend revenue news is primarily attributable to transactions 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	\$ 0.46	\$ 31.44	\$ 98.33	\$ 1.05	\$ 131.28
FY 2006-07 Budget	\$ 0.55	\$ 26.76	\$ 77.68	\$ (0.00)	\$ 105.00
FY 2006-07 Projection	\$ 0.45	\$ 26.60	\$ 81.84	\$ 0.00	\$ 108.90
	Thru December Actuals			January Actuals	
FY 2005-06 YTD	\$ 0.24	\$ 17.29	\$ 49.96	\$ 6.07	\$ 73.56
FY 2006-07 YTD	\$ 0.24	\$ 15.35	\$ 38.63	\$ 7.23	\$ 61.45
Change	-1.8%	-11.2%	-22.7%		-16.5%

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

- (9) **Stadium Admission Tax** revenues are projected to be on budget.
- (10) **Licenses and Permit** revenues are projected to be \$0.04 million under budget due to fee revenue weakness at the Department of Public Works including:
 - -\$0.03 million in Newsrack Fees, and
 - -\$0.01 million in Café Table & Chair Fees.
- (11) **Franchise Tax** revenues are projected to be \$0.59 million better than budget. The variance is due to a \$0.54 million surplus in cable television revenues, a \$0.09 million surplus in natural gas revenues less a \$0.04 million shortfall in electricity revenues.
- (12) **Fines, Forfeitures and Penalty** revenue is projected to be \$0.05 million better than budget due to \$0.05 million in higher Public Works litter penalty revenues.
- (13) **Interest Income** is projected to be \$4.15 million better than budget because of slightly higher cash balances. The Fed has been holding short-term interest rates steady at a 5.25 percent yield on Fed funds rate since June 2006. The fiscal year-to-date average yield on the City's investment pool was 5.18 percent through December 2006, with the December 2006 yield being 5.19 percent.
- (14) **Recreation & Parks Garage** revenues are projected to be on budget.
- (15) **Rents and Concessions** revenues, including Recreation & Parks, are projected to be on budget.
- (16) **Other Rents and Concessions** revenues are projected to be on budget.
- (17) **Federal Social Service Subventions** revenues are projected to be \$0.08 million better than budget due to additional Title IV-E foster care reimbursements at Juvenile Probation.
- (18) **Federal Other Grants & Subventions** revenues are projected to be \$0.23 million better than budget due to \$0.04 million in higher South West Border Prosecution Initiative (SWBPI) reimbursements and \$0.19 million in prior-year federal funding for the Juvenile Probation department. SWBPI revenue accrues mainly to the Sheriff and the District Attorney's Office.
- (19) **State Social Service Subventions** revenues are projected to be \$2.22 million under budget. A summary of all Human Services operations is included in the expenditure section below on page 21.
- (20) **Health & Welfare Realignment** revenue is projected to be on budget.
- (21) **Health & Mental Health Subventions** revenues are on budget.

- (22) **Public Safety Sales Tax** revenue is projected to be \$1.22 million under budget due to lower allocations than previously assumed. This revenue is a function of the City's proportionate share of statewide sales activity.
- (23) **Motor Vehicle in Lieu (MVL-VLF)** revenues are projected to be on budget.
- (24) **Other Grants and Subventions** revenues are \$1.78 million better than budget due to the Elections Department receiving reimbursement funding for prior-year special elections costs.
- (25) **Service Charges – General Government** revenues are projected to be \$1.51 million under budget due to:
- -\$1.41 million City Planning Building Permit, Conditional Use and Variance fees,
 - -\$0.39 million Assessor Recording fees,
 - -\$0.07 million District Attorney Bad Check fees,
 - -\$0.05 million Board of Appeals Surcharge fees, and
 - +\$0.42 million Treasurer / Tax Collector Credit Card Processing Fees.
- (26) **Service Charges - Public Safety** revenue is projected to be \$1.54 million better than budget due to:
- +\$1.19 million in Fire Building Inspection Fees.
 - +\$0.58 million in Public Works Street Space and Right-Of-Way Assessment,
 - +\$0.30 million in 10B Police Overtime Overhead recoveries,
 - +\$0.10 million in Police False Alarm Permit fees,
 - +\$0.10 million in City Planning Code Enforcement fees,
 - +\$0.04 million in Public Works Phone Booth permit fees,
 - +\$0.01 million in Public Works miscellaneous fees,
 - - \$0.07 million in District Attorney Community Court fees,
 - - \$0.08 million in Police DUI Emergency Response fees,
 - - \$0.31 million in Public Works Asphalt Plant fees, and
 - - \$0.32 million in Police Other Non-Operating revenue.
- (27) **Recreation Charges – Rec/Park** revenues are projected to be on budget.
- (28) **Service Charges – MediCal, Medicare, & Health Services** revenue is projected to be \$2.39 million under budget due to various lower Public Health Department (DPH) revenues in three non-hospital, operating divisions: Public Health, Primary Care and Health at Home. Public Health division shortfalls are related to \$0.80 million in lower California Children's Services funding, \$0.50 million from lower targeted case management reimbursement rates and \$0.30 million in lower Medi-Cal administrative activity reimbursements. The \$0.67 million shortfall in Primary Care is primarily related to lower projected support from private hospitals for the sobering center, expiring grants and lower Health Care Accountability Ordinance contractor payments. Lastly, the shortfall of \$0.11 million in Health at Home is also related to

lower targeted case management reimbursement rates. A summary of all Public Health operations is included in the expenditure section below, on pages 22-23.

- (29) **Other Service Charges** are projected to be on budget.
- (30) **Recoveries** are projected to be on budget.
- (31) **Other Revenues** are projected to be \$0.40 million better than budget due to slightly higher property sales prices than were assumed in the budget for the Fire Department properties (namely 2350 19th Avenue and 1648 Pacific Avenue).
- (32) **Transfers In – Airport**. The General Fund 15 percent share of concession revenues at San Francisco International Airport is projected to be on budget.
- (33) **Tranfers In – Other** are projected to be on budget.

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

GENERAL FUND (US\$ millions)	FY 2005-06	FY 2006-07	Revised Budget	Projected Year-End	6-Month Surplus / (Shortfall)
	Actuals	Original Budget			
PUBLIC PROTECTION					
Adult Probation	\$ 9.91	\$ 10.80	\$ 11.07	\$ 11.07	\$ -
Trial Courts	32.20	31.26	31.54	31.54	-
District Attorney	26.52	30.00	30.65	30.65	-
Emergency Management	5.33	5.22	5.53	5.53	-
Fire Department	203.36	222.08	226.60	225.60	1.00
Juvenile Probation	31.12	36.45	39.12	39.12	-
Public Defender	18.81	22.04	22.26	22.26	-
Police	285.98	301.51	306.73	306.73	-
Sheriff	127.48	141.53	144.36	144.36	-
	740.72	800.89	817.86	816.86	1.00
PUBLIC WORKS, TRANSPORTATION & COMMERCE					
Public Works	34.19	33.93	77.11	77.11	-
Economic & Workforce Development	2.11	4.04	8.77	8.77	-
Municipal Transportation Agency	0.04	-	0.37	0.37	-
Board of Appeals	0.53	0.57	0.58	0.58	-
Public Utilities Commission	0.16	0.20	0.26	0.26	-
	37.03	38.73	87.09	87.09	-
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT					
Children, Youth & Their Families	11.99	23.00	28.96	28.96	-
Human Services	507.10	561.21	598.97	582.12	16.85
Environment	1.07	1.42	5.20	5.20	-
Human Rights Commission	1.31	1.12	1.10	1.10	-
County Office of Education	0.07	0.07	0.07	0.07	-
Status of Women	2.38	2.86	3.73	3.73	-
	523.91	589.68	638.04	621.19	16.85
COMMUNITY HEALTH					
Public Health	377.23	424.79	459.22	455.77	3.45
CULTURE & RECREATION					
Asian Art Museum	6.11	7.14	7.35	7.35	-
Arts Commission	6.04	7.66	9.96	9.96	-
Fine Arts Museum	8.37	9.55	9.89	9.89	-
Law Library	0.43	0.59	0.59	0.59	-
Recreation & Parks	57.76	71.79	88.86	88.86	-
Academy of Sciences	1.70	2.24	2.24	2.24	-
	80.42	98.97	118.90	118.90	-
GENERAL ADMINISTRATION & FINANCE					
City Administrator	32.78	64.77	58.10	58.10	-
Assessor / Recorder	9.05	10.84	11.51	11.17	0.34
Board of Supervisors	9.62	10.83	11.60	11.60	-
City Attorney	10.84	10.54	10.86	15.30	(4.44)
Controller	18.85	18.66	23.10	23.10	-
City Planning	15.38	20.53	23.82	23.09	0.73
Civil Service Commission	0.50	0.59	0.64	0.64	-
Ethics Commission	1.29	8.42	8.43	8.43	-
Human Resources	9.70	14.03	19.63	19.63	-
Health Service System	(0.00)	-	-	-	-
Mayor	7.28	8.36	30.25	30.25	-
Elections	11.86	8.60	8.76	9.76	(1.00)
Retirement System	0.24	0.40	1.32	1.32	-
Telecommunications & Information Services	4.08	2.37	6.11	6.23	(0.12)
Treasurer / Tax Collector	19.77	23.03	23.03	22.53	0.50
	151.24	201.97	237.15	241.14	(3.99)
GENERAL CITY RESPONSIBILITIES					
	53.57	60.10	68.83	68.83	-
TOTAL GENERAL FUND EXPENDITURES					
	1,964.12	2,215.13	2,427.09	2,409.78	17.31
Baseline Funding to Children's Services (additional need)	-	-	-	-	-
Baseline Funding to Library Preservation Fund	38.65	38.03	38.03	38.75	(0.72)
Baseline Funding to Parking & Traffic Fund	43.43	43.38	43.38	44.18	(0.80)
Baseline Transfer to Municipal Railway Fund	117.83	114.85	114.85	117.06	(2.21)
Subsidy Transfer to SF General Hospital Fund	91.48	133.52	138.88	137.76	1.12
Subsidy Transfer to Laguna Honda Hospital Fund	38.80	48.66	49.21	49.13	0.08
Transfer to All Other Special Revenue Funds	7.61	10.60	10.65	10.65	-
Baselines & Selected Subsidy Transfers Out	337.81	389.04	395.01	397.53	(2.52)
Reserves	-	35.38	49.00	49.00	-
TOTAL GENERAL FUND USES (AAO)	\$ 2,301.92	\$ 2,639.55	\$ 2,871.09	\$ 2,856.31	\$ 14.79

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. Notable 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

The **Fire Department** is projected to end the year with a \$1.00 million expenditure savings. This is largely attributable to under spending in uniform salaries due to a large number of H2 Firefighter vacancies. This projection also projects 75 retirements compared to the 110 assumed in the budget. The department is also projected to have a \$0.98 million revenue surplus related mainly to inspection fees revenue strength with partially offsetting weakness in the City's Proposition 172 Public Safety Sales Tax revenues (which are 50 percent allocated to Police and 50 percent to Fire). Overall, the Fire Department is projected to end the fiscal year with a net surplus of \$1.98 million.

The **Juvenile Probation Department** is projected to end the year on expenditure budget, which had been increased earlier this year through supplemental appropriation. The department is also projected to have a \$0.27 million revenue surplus, resulting in a net departmental savings of \$0.27 million projected by fiscal year-end.

The **Police Department** is projected to end the year on expenditure budget, which had been increased earlier this fiscal year through supplemental appropriation. A projected deficit of \$5.10 million in overtime, related to training Academy and on-going violence reduction efforts, will be offset by permanent salaries and fringe benefit savings. This projection is predicated upon the release of a \$1.54 million reserve for overtime costs. Slight weakness in the City's Proposition 172 Public Safety Sales Tax revenues (which are 50 percent allocated to Police and 50 percent to Fire) results in a projected net shortfall of \$0.61 million.

The **Sheriff's Department** is projected to end the year on budget, which had been increased earlier this fiscal year through supplemental appropriation. A projected \$2.88 million deficit in overtime is offset by savings in permanent salaries and fringes due to vacancies. On a related note, an estimated 15 to 17 fully trained officers are expected to be placed at jails this spring. At this time, however, the projected light, heat, and power work order costs for the recently opened San Bruno Jail are still being determined. The Sheriff's Department is also projected to a \$0.02 million revenue surplus related to Southwest Border Prosecution Initiatives. At this time, the department is projected to end the year with an overall \$0.02 million surplus.

Public Works, Transportation & Neighborhood Development Departments

The **Department of Public Works** is projected to end the year on expenditure budget. The department's projected revenues reflect a \$0.31 million shortfall in asphalt plant revenues offset by a \$0.64 million surplus in fees (mainly right of way and street space related to the increase in construction) for a net surplus of \$0.33 million overall.

Human Welfare & Neighborhood Development Departments

The **Human Services Agency** (including both Human Services and Aging & Adult Services) is projected to end the year with \$16.85 million of expenditure savings; however, associated revenues are projected to be \$2.22 million short. Overall the department is projected to have net departmental savings of \$14.63 million.

Projected savings in Aid costs are due to lower caseloads than budgeted in CAAP, CalWorks, Foster Care, and In-Home Supportive Services (IHSS). Program-related revenue shortfalls are more than offset by caseload savings overall. Key programs contributing to the overall projected savings are highlighted in the table below.

HUMAN SERVICES	SOURCES	USES	<i>Sort Order</i> NET
US\$ Millions	Surplus/ (Shortfall)	Savings / (Shortfall)	Department Savings / (Shortfall)
CAAP / PAES Aid	\$ -	\$ 4.87	\$ 4.87
Prior Year Revenue Adjustments	\$ 3.64	\$ -	\$ 3.64
CAAP/CAPI Eligibility & Services	\$ 1.20	\$ 0.61	\$ 1.82
Food Stamp Eligibility	\$ 3.84	\$ (2.19)	\$ 1.65
CalWorks Refugee	\$ 0.33	\$ 0.91	\$ 1.23
IHSS Administration	\$ (1.55)	\$ 2.36	\$ 0.81
City Childcare	\$ -	\$ 0.63	\$ 0.63
Medi-Cal Eligibility	\$ (0.78)	\$ 1.42	\$ 0.63
Adoption Services	\$ 0.79	\$ (0.26)	\$ 0.53
CalWorks Childcare	\$ (7.12)	\$ 7.46	\$ 0.34
Fostercare KinGAP	\$ (0.69)	\$ 0.95	\$ 0.26
Foster Care	\$ (1.61)	\$ 1.81	\$ 0.20
CalWorks Aid	\$ (1.85)	\$ 1.90	\$ 0.04
Adoption Assistance	\$ (0.05)	\$ 0.08	\$ 0.03
CalWorks Eligibility and MH/SA	\$ (0.01)	\$ -	\$ (0.01)
IHSS Aid	\$ (0.33)	\$ 0.27	\$ (0.06)
Other programs	\$ (1.43)	\$ 1.00	\$ (0.43)
Aging and Adult Services	\$ (0.13)	\$ (0.56)	\$ (0.69)
Child Welfare Services	\$ 3.52	\$ (4.41)	\$ (0.89)
Total Aid & Operations	\$ (2.22)	\$16.85	\$14.63

Public Health

The Department of Public Health is projected to have a net operating surplus of \$2.27 million. This is mainly comprised of projected expenditure savings in the General Fund of \$3.45 million as well as subsidy transfer savings of \$1.12 million at SF General and \$0.08 million at Laguna Honda Hospital. For the General Fund, \$3.45 million of expenditure savings is projected along with a partially offsetting revenue shortfall of \$2.39 million related to lower health service charge and grant revenues. Revenue-backed supplemental appropriations are anticipated for both SF General Hospital's and Laguna Honda Hospital's operating budgets.

PUBLIC HEALTH	SOURCES			USES			NET
	Revised Budget	Projection	Surplus/ (Shortfall)	Revised Budget	Projection	Savings / (Shortfall)	Department Savings / (Shortfall)
US\$ Millions							
S.F. General Hospital^	578.96	593.35	14.39	578.96	565.69	(13.27)	1.12
Laguna Honda Hospital	183.90	187.68	3.78	183.90	180.21	(3.69)	0.08
<u>GENERAL FUND</u>							
Primary Care	43.08	42.41	(0.67)	43.08	43.20	(0.12)	(0.79)
Health at Home	10.08	9.97	(0.11)	10.08	8.64	1.44	1.33
Jail Health	24.56	24.56	-	24.56	24.98	(0.42)	(0.42)
less Recoveries from Sheriff	(23.10)	(23.10)	-	(23.10)	(23.10)	-	-
Public Health	163.08	161.48	(1.60)	163.08	162.28	0.80	(0.80)
Mental Health	182.32	182.32	-	182.32	180.57	1.75	1.75
Substance Abuse	59.20	59.20	-	59.20	59.20	-	-
Subtotal - General Fund	\$ 459.22	\$ 456.83	\$ (2.39)	\$ 459.22	\$ 455.77	\$ 3.45	\$ 1.06
Grants and Other Subventions	112.23	112.23	-	112.23	112.23	-	-
Gifts and Other Bequests	0.59	0.59	-	0.59	0.59	-	-
Department Total - All Funds^	\$ 1,334.90	\$ 1,350.68	\$ 15.78	\$ 1,334.90	\$ 1,314.49	\$ (13.51)	\$ 2.27

^ Net of Safety Net Care Pool/Healthy Plan Match IGT Transfers

Hospital Operations

- SF General:** \$14.39 million in higher revenue at SF General Hospital is due to higher net patient revenues related to higher census levels than were assumed in the budget as well as higher levels of prior-year settlement revenues. For the first 6 months of the fiscal year, the average daily census at SF General Hospital, including the Mental Health Recovery Facility was 5.6 percent higher than assumed in the budget, that is at 482.7 versus the 457.0 assumed in the budget. The adult-only hospital census is up an even greater 9.7 percent over what was assumed in the budget. The additional revenue resulting from the increased average daily census, is offset by projected increased expenditures of \$13.27 million due to mandated nurse staffing ratios at the hospital that require staffing be adjusted to meet the census using straight time or overtime, as well as additional medical supplies used in operating rooms and orthopedic surgeries.
- Laguna Honda:** \$3.78 million in higher revenue at Laguna Honda Hospital is due to a \$10.88 increase in the Medi-Cal base per diem rates published in November 2006 (which increased the per diem from \$299.80 to \$310.68 effective August 1, 2006). The projected expenditure shortfall is primarily related to staff overtime costs with partially offsetting

fringe benefit costs. Overall, Laguna Honda is projected to have a \$0.08 million projected net surplus.

Non-Hospital Operations (General Fund)

Division	Net Surplus/ (Shortfall) millions	Explanation										
Primary Care	(\$0.79)	Mainly revenue shortfalls, including \$0.39 million shortfall in support from private hospitals for the Sobering Center, expiring grants and lower Health Care Accountability Ordinance contractor payments.										
Health at Home	\$1.33	\$1.44 million of salary and fringe benefit expenditure savings due to high vacancy rates, less a \$0.11 million shortfall in Targeted Case Management revenues.										
Jail Health Services	(\$0.42)	Increased salary and fringe benefit expenditures due to delay in anticipated reduction of Pharmacists for the new San Bruno Jail and backfilling of nursing staff.										
Public Health	(\$0.80)	Revenues Shortfall of \$1.60 million from: <ul style="list-style-type: none"> • CA Child Support Services: (\$800,000) • Targeted Case Management (\$500,000) • Medi-Cal Administrative Activities (\$300,000) Partially offset by \$800,000 expenditure savings in Salaries and Fringe Benefits.										
Mental Health	\$1.75	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Salary and Fringe Benefit Savings</td> <td style="text-align: right;">\$1.90</td> </tr> <tr> <td>Trauma Recovery Center Savings</td> <td style="text-align: right;">\$1.05</td> </tr> <tr> <td>Long-Term Care Bed Facilities Deficit</td> <td style="text-align: right;">(\$3.20)</td> </tr> <tr> <td>Other Contract Savings</td> <td style="text-align: right;"><u>\$2.00</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$1.75</td> </tr> </table>	Salary and Fringe Benefit Savings	\$1.90	Trauma Recovery Center Savings	\$1.05	Long-Term Care Bed Facilities Deficit	(\$3.20)	Other Contract Savings	<u>\$2.00</u>	Total	\$1.75
Salary and Fringe Benefit Savings	\$1.90											
Trauma Recovery Center Savings	\$1.05											
Long-Term Care Bed Facilities Deficit	(\$3.20)											
Other Contract Savings	<u>\$2.00</u>											
Total	\$1.75											
Substance Abuse	\$0	Projected to be on budget.										
TOTAL	<u>\$1.07</u>											

Culture & Recreation Departments

Recreation and Park is projected to end the year on budget in the general fund. This is despite a projected operating shortfall of \$0.58 M over expenditures in salaries, which are assumed to be offset by salary savings in the Open Space Fund. This transfer is based on program reassignments that have occurred over the last 6 months to reflect accurate position accounting. With the adjustment, the General Fund will balance, and the Open Space Fund will have an expenditure surplus of \$0.62 M. The Open Space and Golf Funds are discussed further in Appendix D on pages 36 and 38.

General Administration & Finance Department

The **City Administrator's Department** is projected to end the year on budget. The department's current projected savings in salaries and fringe benefits costs will be reduced as the 311 call center positions are hired in February and as positions from the Department of Public Works transition to the City Administrator's Office as part of the General Service Agency reorganization implemented during the FY 2006-07 Budget.

The **Assessor-Recorder's Office** is projected to end the year with a \$0.34 million of expenditure savings due to hiring delays related to their additional appraiser and assessment clerk staff approved in the FY 2006-07 budget. The department recently completed a successful round of recruitments and is slated to have nine clerks joining the staff in January and another appraiser slated to be hired in February. Recorder revenues, however, are projected to be short by \$0.39 million due to fewer document recordings, resulting in a net departmental shortfall of \$0.05 million overall.

The **Board of Supervisors** is projected to be on budget.

The **City Attorney's Office** is currently projected to have a \$4.44 million shortfall due to litigation costs stemming from the County Jail #3 Replacement Project. The City Attorney is working with its client department, Public Works, and a General Fund supplemental appropriation is assumed in our projection.

The **City Planning Department** is projected to have expenditure savings of \$0.73 million mainly do to higher attrition savings and hiring delays. On the revenue front, the department is experiencing a slowdown in building permit applications as well as conditional use and variance filings resulting in a projected revenue shortfall of \$1.31 million. City Planning will need to achieve additional salary savings from hiring delays, as well as closely manage their time and materials billings to end the year on budget. They are already implementing these plans in an effort to fully cover their revenue shortfall. Absent that occurring, the department would have a \$0.58 million net shortfall overall because of revenue weakness.

The **Human Resources Department** is projected to end the year on budget. The department has a projected deficit of \$0.39 million due to overspending in temporary salaries to fund proctoring costs for position-based testing and a \$0.34 million projected deficit due to overspending in salaries. However, this deficit is offset by an additional \$0.60 million in work order recoveries to cover the proctoring costs related to various departments and a \$0.13 million reduction in professional contracts mainly due to slight savings in negotiating labor contracts.

The **Mayor's Department** is projected to end the year on budget. Current surpluses in salaries and fringe benefit costs are projected to be used by projected staff costs and recruitments.

The **Elections Department** is projected to end the year with a \$1.00 million deficit. This projected deficit is due to paying approximately \$1.20 million for additional ballot costs for the November 2006 election, less a partially offsetting savings of \$0.20 million in projected salary costs. A supplemental is appropriation of General Fund for \$1.00 million is assumed in our projection. The Elections Department is projected to have \$1.78 million in higher revenues due to State reimbursements for prior-year special elections costs, for a net operating surplus of \$0.78 million.

The **Department of Telecommunications & Information Systems** is projected to end the year with a \$0.12 million expenditure shortfall in General Fund spending due to citywide projects including the Rule 20 Underground Conversion project costs.

The **Treasurer / Tax Collector's Office** is projected to end the year at \$0.50 million surplus from salary savings resulting from hiring delays and difficulty in backfilling positions where staff are on month-to-month unpaid leave.

Transfers Out

- 1) Pursuant to the Baseline Requirements, outlined on page 6, no additional **Transfer Out – Contribution to Children's Services** is projected as the Children's Baseline remains \$1.56 million surplus funded, even after taking into consideration higher discretionary revenue levels primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 2) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to the Library** is projected to be \$0.72 million more than is currently budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 3) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to Parking & Traffic** is projected to be \$0.80 million more than budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 4) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to MUNI** is projected to be \$2.21 million more than budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 5) The **Transfer Out – Contribution to SFGH** is projected to be \$1.12 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 net General Fund savings. See the discussion concerning Public Health on pages 22-23 above.
- 6) The **Transfer Out – Contribution to LHH** is projected to be \$0.08 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 net General Fund savings. See the discussion concerning Public Health on pages 22-23 above.

Workers Compensation

Workers' compensation reforms are continuing to contribute to projected cost savings. Overall, the City's FY 2006-07 workers' compensation costs are projected to be \$1.87 million greater than FY 2005-06 actuals, though still being \$1.55 million better than was assumed in the FY 2006-07 budget. This results in a 2.1 percent projected savings from budgeted levels. The savings are explained by lower numbers of reported claims. The estimates are based on six-month actuals as well as prior-year spending patterns.

Workers Compensation

FY 2005-06 FY 2006-07

<u>Fund/Service Area</u>	<u>(millions)</u>	<u>Actuals</u>	<u>Revised Budget</u>	<u>6-Month Projection</u>	<u>Surplus/ (Deficit)</u>	<u>% Change from PY</u>
<u>GENERAL FUND</u>						
Recreation & Park		\$ 3.33	\$ 3.59	\$ 2.89	\$ 0.70	-13.1%
Public Health		1.39	1.54	1.09	0.45	-21.9%
Sheriff		3.18	2.91	2.71	0.20	-14.9%
District Attorney		0.18	0.21	0.10	0.11	-42.5%
Human Services		2.47	2.53	2.46	0.06	-0.3%
Fine Arts Museum		0.23	0.25	0.19	0.06	-15.7%
Fire Department		7.43	7.98	7.93	0.05	6.7%
Health Service System		0.05	0.07	0.04	0.03	-14.0%
City Administrator		-	0.02	-	0.02	100.0%
Treasurer/Tax Collector		0.20	0.18	0.20	(0.02)	2.5%
Adult Probation		0.38	0.34	0.36	(0.02)	-4.1%
Emergency Management		-	0.38	0.45	(0.07)	100.0%
City Attorney		0.19	0.22	0.31	(0.09)	59.6%
Juvenile		1.19	1.21	1.30	(0.09)	8.6%
Human Resources w/ All Other Small Depts.		1.20	1.24	1.47	(0.23)	22.4%
Police Department		9.83	10.14	11.24	(1.10)	14.3%
Subtotal General Fund (GF)		\$ 31.26	\$ 32.81	\$ 32.75	\$ 0.06	4.8%
<u>GENERAL FUND SUBSIDIZED</u>						
Public Health						
SF General Hospital		\$ 4.33	\$ 4.79	\$ 5.11	\$ (0.32)	18.0%
Laguna Honda Hospital		3.17	3.33	2.99	0.34	-5.8%
Subtotal General Fund Subsidized		\$ 7.50	\$ 8.12	\$ 8.10	\$ 0.03	7.9%
Subtotal General Fund & Subsidized		\$ 38.76	\$ 40.93	\$ 40.85	\$ 0.09	5.4%
% Change from FY 2005-06 Actuals				5.4%		
% Change from FY 2006-07 Revised Budget				-0.2%		

FY 2005-06 FY 2006-07

<u>Fund/Service Area</u>	<u>Actuals</u>	<u>Revised Budget</u>	<u>6-Month Projection</u>	<u>Surplus/ (Deficit)</u>	<u>% Change from PY</u>
<u>OTHER FUNDS</u>					
Public Library	\$ 1.80	\$ 2.15	\$ 1.30	\$ 0.85	-27.4%
Airport Commission	2.13	1.99	1.47	0.53	-31.1%
Port	0.87	1.10	0.67	0.44	-23.0%
Public Works	3.34	3.43	3.00	0.42	-10.2%
Public Utilities Commission	3.32	3.76	3.41	0.35	2.8%
War Memorial	0.32	0.36	0.18	0.18	-43.6%
Telecommunications & Info Svcs	0.35	0.40	0.35	0.05	-0.4%
Child Support Services	0.12	0.14	0.14	(0.01)	22.5%
Rent Board	0.03	0.01	0.02	(0.01)	-36.0%
Building Inspections	0.17	0.17	0.21	(0.04)	20.4%
City Administrator	0.08	0.13	0.23	(0.10)	187.6%
Police Department (Airport)	-	0.45	0.65	(0.21)	100.0%
Municipal Transportation Agency*	18.99	19.10	20.10	(1.00)	5.9%
Other Small Departments **	0.44	-	-	-	-100.0%
Subtotal Non-General Fund	\$ 31.96	\$ 33.21	\$ 31.74	\$ 1.46	-0.7%
GRAND TOTAL	\$ 70.72	\$ 74.14	\$ 72.59	\$ 1.55	2.6%
% Change from FY 2005-06 Actuals			2.6%		
% Change from FY 2006-07 Revised Budget			-2.1%		

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

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

Energy – Natural Gas

Energy costs are projected to result in \$2.32 million of savings overall. The General Fund Supported operations are projected to show savings of \$0.72 million, and other self-supporting operations are projected to show savings of \$1.61 million.

Energy Costs – Variance from Budget (\$ Millions)

	<i>Sort Order</i>			
	Variance from Budget			
<u>GENERAL FUND</u>	Power	Gas	Steam	Budget
Juvenile Probation	(0.00)	0.12	0.00	0.11
Fine Arts Museums	0.05	0.02	0.00	0.06
Fire Department	(0.00)	0.02	0.00	0.02
Recreation & Parks	(0.01)	0.03	0.00	0.02
Sheriff	(0.04)	0.06	0.00	0.02
Human Services Agency	(0.00)	0.01	0.00	0.01
Real Estate Department	0.02	(0.00)	0.00	0.02
Other Departments	(0.00)	0.01	0.00	0.00
Asian Art Museum	(0.00)	(0.01)	0.00	(0.01)
Police Department	(0.00)	(0.01)	0.00	(0.01)
Courts	(0.00)	0.00	(0.02)	(0.02)
Public Health	(0.02)	0.00	(0.00)	(0.02)
Total General Fund	(0.03)	0.25	(0.02)	0.21
<u>GENERAL FUND SUBSIDIZED</u>				
Non General Fund				
Convention Facilities	(0.10)	0.00	0.42	0.33
SF General Hospital	0.00	0.09	0.00	0.09
Laguna Honda Hospital	0.00	0.09	0.00	0.09
Subtotal General Fund Subsidized	(0.10)	0.18	0.42	0.51
Subtotal General Fund & Subsidized	(0.12)	0.43	0.41	0.72
<u>OTHER FUNDS</u>				
Airport	0.85	0.04	0.00	0.89
Public Utilities Commission	0.20	0.01	0.00	0.21
Municipal Railway	0.06	0.00	0.00	0.07
Port	0.07	0.00	0.00	0.07
War Memorial	0.01	0.03	0.00	0.04
Other Departments	0.29	0.09	0.00	0.39
Public Library	(0.02)	0.01	(0.04)	(0.05)
Subtotal Non-General Fund	1.46	0.19	(0.04)	1.61
GRAND TOTAL	\$ 1.34	\$ 0.62	\$ 0.37	\$ 2.33

Overtime Costs

Overtime costs are projected to represent 6.0 percent of personnel salary costs versus the 4.2 percent assumed in the budget. This results in overtime costs exceeding budget by approximately \$39.55 million Citywide. The table below includes an overtime summary by key user department. Two projection methodologies are included: 1) straight-line and 2) 'adjusted' (which adjusts 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 total overtime spending in the City.

Overtime Costs (\$ Millions)

Overtime Spending - All Funds by Major Department

US\$ Millions, for Overtime Pay

Fund/Service Area	FY 2005-06	FY 2006-07		Surplus/ (Deficit)	Adjusted Projection	Adj. Surplus/ (Deficit)
	Actual	Revised Budget*	Straight Line Projection*			
MTA						
Municipal Railway	\$ 32.96	\$ 26.73	\$ 39.09	\$ (12.35)	\$ 34.73	\$ (8.00)
Parking & Traffic	0.98	0.81	1.43	(0.62)	1.43	(0.62)
Subtotal - MTA	33.94	27.55	40.51	(12.97)	36.16	(8.61)
Police						
General Fund Operations	18.27	15.97	21.07	(5.10)	21.07	(5.10)
Special Law Enforcement Services (10B)**	9.83	9.78	9.78	0.00	9.78	0.00
Grants & Other Non-10B Special Revenues	3.15	1.07	1.36	(0.29)	1.07	0.00
Airport	1.85	1.31	2.14	(0.83)	2.14	(0.83)
Subtotal - Police	33.10	28.13	34.34	(6.22)	34.05	(5.92)
Public Health						
All Other Non-Hospital Operations	0.69	0.77	0.82	(0.05)	0.82	(0.05)
Grants & Other Special Revenues		0.20	0.03	0.17	0.03	0.17
SF General	6.13	4.55	8.22	(3.68)	8.22	(3.68)
Laguna Honda Hospital	7.52	2.20	8.17	(5.97)	8.17	(5.97)
Subtotal - Public Health	14.34	7.71	17.24	(9.52)	17.24	(9.52)
Fire						
General Fund Operations	7.22	14.58	14.44	0.14	14.58	0.00
Grants & Other Special Revenues	1.30	0.11	2.80	(2.69)	0.11	0.00
Airport	1.66	1.53	2.06	(0.53)	2.06	(0.53)
Port	0.18	0.21	0.24	(0.03)	0.24	(0.03)
Subtotal - Fire	10.36	16.43	19.53	(3.11)	16.98	(0.56)
Sheriff	10.76	8.43	13.21	(4.77)	11.31	(2.88)
PUC	6.52	3.08	6.55	(3.48)	6.55	(3.48)
Subtotal - Big 6	109.01	91.32	131.39	(40.07)	122.29	(30.97)
Airport Commission	1.59	1.10	1.74	(0.63)	1.74	(0.63)
Elections	0.46	0.39	0.66	(0.27)	0.39	0.00
Fine Arts Museum	0.71	0.09	0.69	(0.59)	0.69	(0.59)
Human Services Agency	2.52	0.20	1.04	(0.84)	1.04	(0.84)
Juvenile Probation	1.26	1.13	1.86	(0.73)	1.86	(0.73)
Recreation & Park	1.94	0.27	2.68	(2.41)	2.68	(2.41)
All Other Departments	6.70	4.59	7.96	(3.36)	7.96	(3.36)
Total	\$ 124.18	\$ 99.11	\$ 148.02	\$ (48.92)	\$ 138.65	\$ (39.55)
<i>Big 6 % of Total</i>	<i>87.8%</i>	<i>92.1%</i>	<i>88.8%</i>	<i>81.9%</i>	<i>88.2%</i>	<i>78.3%</i>
Change from Prior Year	\$ 24.14	\$ (25.08)	\$ 23.84		\$ 14.47	
Change from FY 2000-01 Peak	\$ 11.72	\$ (13.35)	\$ 35.57		\$ 26.19	
Total Gross Salaries (Cash Compensation, Millions)	\$ 2,135.33	\$ 2,358.29	\$ 2,313.33		\$ 2,313.33	
Overtime as a % of Total Gross Salaries	5.8%	4.2%	6.4%		6.0%	

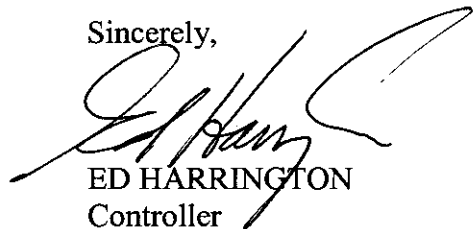
* Straight line projections do not adjust for savings plans, seasonality or other one-time events.

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

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 \$126.62 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 B1 Status of Reserves – Prior Years
Appendix C MOU Reserve Update
Appendix D Other Fund Highlights

cc: Department Heads
Nani Coloretti, Mayor's Budget Office
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations
FY 2006-07 As of January 31, 2007**

GENERAL FUND SUPPORTED SUPPLEMENTALS	APPROVED CHANGES	PENDING / POTENTIAL CHANGES	USING GENERAL RESERVE or FUND BALANCE
Board Approved Supplementals			
MTA- Traffic Calming & Alemany Improvements <i>General Fund Portion</i>	\$ 50,000		\$ 50,000 FB
HRC- 1 HRC Representative Position	\$ 54,807		\$ 54,807
DPH- 4 Public Health Nurse for maternal and Senior Units	\$ 394,477		\$ 276,476
DPH- Mental Health Wrap Around Services	\$ 950,000		
Various- Violence Prevention	\$ 2,258,089		\$ 2,258,089
HSA- State and Federal Grants for CalWORKS, Child Welfare, & Other New Grants	\$ 10,675,589		
SHF- Federal, State and General Fund Reserve for Overtime Costs	\$ 1,250,941		\$ 635,451
ADM- Purchase 3 buildings <i>General Fund Portion</i>	\$ 2,721,727		
HSA- Working Families Credit Program Outreach	\$ 75,000		\$ 75,000
JPD/DCYF- Violence Prevention Funding	\$ 2,006,473		\$ 779,370
<i>Less Children's Fund Portion</i>	\$ (1,000,000)		
Total Changes Approved	\$ 19,437,103		\$ 4,129,193
<i>Supported by New General Fund Revenues</i>	<i>\$ 12,586,189</i>		
<i>Supported by Rainy Day Reserves</i>	<i>\$ 2,721,721</i>		
<i>Supported by General Fund Reserve</i>	<i>\$ 4,079,193</i>		
<i>Supported by Fund Balance</i>	<i>\$ 50,000</i>		
Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection			
REG- 2 Election Outreach Workers		\$ 78,344	\$ 78,344
REC/DPW- Geneva Boulevard Car Barn Repairs and Alemany Boulevard Greening		\$ 850,000	
DPH- Develop a Comprehensive AIDS Planning Process		\$ 100,000	\$ 100,000
DPH- Backfill US Department of Health & Human Services CMS AIDS Funding		\$ 641,973	\$ 641,973
Total Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection		\$ 1,670,317	\$ 820,317
Additional Anticipated Supplementals			
CAT- Non-Personnel Services to Support Jail No. 3 Replacement Litigation		\$ 4,440,000	\$ 4,440,000
CPC- Consultant Services for Transbay Shadow and Wind Studies (Revenue Supported)		\$ 480,000	
REG- Elections		\$ 1,000,000	\$ 1,000,000
DPH- SF General Hospital Operations Expenditures (Revenue Supported)		\$ 13,270,000	
DPH- Laguna Hospital Operations Expenditures (Revenue Supported)		\$ 3,690,000	
Total Additional Anticipated Supplementals- As Noted in 6-Month Projection		\$ 22,880,000	\$ 4,440,000
NON-GENERAL FUND SUPPORTED SUPPLEMENTALS			
Approved Supplementals			
MTA- Traffic Calming Projects & Alemany Pedestrian Improvements	\$ 450,000		\$ 400,000
<i>Less General Fund Portion</i>	<i>\$ (50,000)</i>		
DPW- Additional State Traffic Congestion Funds	\$ 4,295,259		
ADM- Purchase 3 buildings, 1 S. Van Ness, 1650 Mission, 30 Van Ness	\$ 162,000,000		
PUC- SFPUC Water System Improvement Program (WSIP)	\$ 217,736,000		
DPW- Sidewalk Inspection and Repair Program	\$ 1,277,584		
JPD/DCYF- Violence Prevention Funding (<i>Children's Fund Portion</i>)	\$ 1,000,000		\$ 1,000,000
Total Changes Approved	\$ 386,708,843		\$ 1,400,000
Supplementals Pending at the Board			
DPW- Community Challenge Grant Program		\$ 201,643	\$ 201,643
Total Supplementals Pending		\$ 201,643	\$ 201,643
Additional Anticipated Supplementals			
AIR - Deappropriation of Capital for San Francisco International Airport		\$ (8,547,251)	
AIR - Reappropriation of Capital for San Francisco International Airport		\$ 10,549,123	
MTA- MUNI 3rd St. Light Rail lease-leaseback transaction		\$ 3,000,000	
PUC- Chemical Cost Increases		\$ 755,000	\$ 755,000
Total Additional Anticipated Supplementals		\$ 5,756,872	\$ 755,000

**APPENDIX B: Status of Reserves – Current Year
As of January 31, 2007**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
x ADM--City Administrator, General Services Agency--Building Structure and Improvements Pending Move from 875 Stevenson		\$ 800,000	\$ -	\$ 800,000
x AIR--Airport--Equipment Pending Availability of UASI Grants		\$ 141,000	\$ -	\$ 141,000
x AIR--Airport--Salaries and Wages Pending Review of Possible Funding from Visitor's Bureau		\$ 88,839	\$ -	\$ 88,839
x CPC--City Planning--Temporary Salaries Pending Additional Department Director Recruitment Information		\$ 111,087	\$ -	\$ 111,087
x CPC--City Planning--Institutional Master Plans Subject to Certification of Master Plans by the Planning Department Pursuant to Planning Code		\$ 225,000	\$ 19,892	\$ 205,108
x DPW--Public Works, General Services Agency--Asphalt Plant Pending Report to Board of Supervisors on Options for Obtaining Asphalt		\$ 1,732,799	\$ 1,732,799	\$ -
x DSS--Human Services Agency--Salaries and Wages Pending Information About CalWorks Participation Rates		\$ 413,517	\$ 259,490	\$ 154,027
x ECD--Emergency Communications--Rents and Leases Pending Staffing Levels Proposed for Move to 25 Van Ness Avenue		\$ 114,000	\$ -	\$ 114,000
x ECN--Economic and Workforce Development--Nonpersonal Services Pending Comprehensive Workforce Development Plan Regarding Economic Growth		\$ 1,500,000	\$ -	\$ 1,500,000
x ENV--Environment--Professional Services Pending Finalization of Contract Negotiations with PG&E		\$ 2,000,000	\$ 2,000,000	\$ -
x HRD--Human Resources--Management Information System Pending Report to Board of Supervisors on Human Resources Information System		\$ 5,000,523	\$ -	\$ 5,000,523
x HSS--Health Service System--Salaries and Wages Pending Review of Service Level Improvements for New Positions		\$ 142,943	\$ -	\$ 142,943
x HSS--Health Service System--Salaries and Wages Pending Communications and Marketing Manager Classification Review		\$ 69,030	\$ -	\$ 69,030
JUV--Juvenile Probation--Salaries and Wages Pending Review of Salary Expenditures		\$ 27,406	\$ -	\$ 27,406
x LIB--Public Library--Salaries and Wages Pending Additional Information Regarding Expanded Library Operating Hours		\$ 447,151	\$ -	\$ 447,151
MTA--Municipal Transportation Authority - General Reserve Pending Actual Collection from Proof of Payment Program		\$ 10,000,000	\$ -	\$ 10,000,000
x POL--Police, Airport--Salaries and Wages, Uniform Pending Review and Implementation of Airport Police Staffing Report Recommendations		\$ 1,192,989	\$ -	\$ 1,192,989
x PRT--Port--Salaries and Wages Pending Review of Actual Attrition Rates		\$ 168,856	\$ -	\$ 168,856
x PUC--Public Utilities--Mayor's Energy Conservation Account Pending PUC Status Report on Community Choice Aggregation Implementation Plan, RFI Process and Funding Requirements for FY 2006-07		\$ 3,173,500	\$ -	\$ 3,173,500
x PUC--Public Utilities--Maintenance Services, Buildings & Structures Pending Review of Paving Services Costs		\$ 679,499	\$ -	\$ 679,499
x PUC--Public Utilities--Equipment Pending Additional Information on Hybrid Truck and Equipment		\$ 78,852	\$ -	\$ 78,852
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for Water Quality Bureau		\$ 850,000	\$ -	\$ 850,000
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for City Distribution Division		\$ 187,000	\$ -	\$ 187,000
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for Water Supply and Treatment Bureau		\$ 355,740	\$ -	\$ 355,740

**APPENDIX B: Status of Reserves – Current Year
As of January 31, 2007 (continued)**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
x	PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on As-Needed Emergency Response Services	\$ 250,000	\$ -	\$ 250,000
x	PUC--Public Utilities--Equipment Pending Additional Information on New Trailer Purchase	\$ 125,000	\$ -	\$ 125,000
	PUC--Public Utilities--Wastewater--Capital Projects Pending Revenue from Bond Proceeds	\$ 38,575,000	\$ 38,575,000	\$ -
	PUC--Public Utilities--Water--Capital Projects Pending Revenue from Bond Proceeds	\$ 9,000,000	\$ 9,000,000	\$ -
	REC--Recreation and Park--Capital Pending Revenue from Bond Proceeds	\$ 25,000,000	\$ -	\$ 25,000,000
x	REC--Recreation and Park--Golf Fund Pending Study and Recommendations for Operation of City Golf Courses	\$ 5,939,315	\$ 2,969,658	\$ 2,969,657
x	REG--Elections--Temporary Salaries Pending Review of Contracting Out Absentee Voter Process	\$ 152,210	\$ 141,000	\$ 11,210
x	RET--Retirement--Salaries and Wages Pending Communications and Marketing Manager Classification Review	\$ 90,416	\$ -	\$ 90,416
x	TTX--Treasure Tax Collector--Programmatic Projects Pending Board Approval of Revenue Control Equipment Program	\$ 125,000	\$ 125,000	\$ -
Total Appropriation Reserves		\$ 108,756,672	\$ 53,501,860	\$ 55,254,812
General Fund Supported		9,883,398	828,490	9,054,908
All Other Funds		98,873,274	52,673,370	46,199,904

X = Indicates Board of Supervisors' Financial Committee Reserve

APPENDIX B1: Status of Reserves – Prior Years As of January 31, 2007

Prior Year Reserves

Department	Reserve Description	Remaining Balance of Reserve
Adult Probation	ADULT PROBATION ADMINISTR	\$ 18,318.00
Adult Probation	PROB. COMMUNITY SERVICES-	249,700.00
Adult Probation Total		268,018.00
Airport Commission	AIRFIELD IMPROVEMENTS-UNALLOC	1,400,689.00
Airport Commission	AIRPORT ROADWAYS-UNALLOC	528,253.00
Airport Commission	NOISE INSULATION-UNALLOC	86,064.65
Airport Commission	OWNER CONTROLLED INSURANCE PROG-UNALLOC	229,839.00
Airport Commission	PASSENGER FACILITY FEE PROJECT	18,106,928.00
Airport Commission	WEST FIELD CARGO REDEVELOPMENT-UNALLOC	22,655,000.00
Airport Commission Total		43,006,773.65
Art Commission	ART COMMISSION - SYMPHONY ORCHESTRA	780,689.22
Art Commission	CAE - HOTEL TAX - ADMINISTRATION	39,936.07
Art Commission	CEG-NEW ASIAN AMERICAN-PACIFIC ISLANDER	35,185.89
Art Commission Total		855,811.18
Asian Art Museum	ASBESTOS REMOVAL;TRACK LTG.	13,854.62
Asian Art Museum	FACILITIES MAINTENANCE	55,159.05
Asian Art Museum Total		69,013.67
Assessor/Recorder	VIACOM LITIGATION	4,492.86
Assessor/Recorder Total		4,492.86
Building Inspection	MIS SYSTEMS	509,250.00
Building Inspection Total		509,250.00
Children, Youth & Their Families	FIRST YEAR FUNDING FY 2005-06	150,000.00
Children, Youth & Their Families Total		150,000.00
City Administrator	TFCA-POLICE BICYCLE PATROL PROJECT	22,208.97
City Administrator	MOD OPERATINS SOPPORT	2,328.71
City Administrator Total		24,537.68
City Planning	VISITATION VALLEY REDEV SURVEY AREASTUDY	100,000.00
City Planning Total		100,000.00
Economic & Workforce Development	3COM PARK PROJECT	997.64
Economic & Workforce Development Total		997.64
Emergency Management	FY05 UASI-OES/ESCRT	1,019,656.00
Emergency Management Total		1,019,656.00
Environment	SOUTHEASTERN ENVIRONMENTAL	2,466,149.00
Environment Total		2,466,149.00
General City Responsibility	CITY WIDE EMAIL	85,523.70
General City Responsibility	SFFC EQUIPMENT LEASE REV - SERIES 2003	455,000.00
General City Responsibility Total		540,523.70
Human Services	ADMIN ALLOCABLE OVERHEAD	226,682.00
Human Services	IHSS SHARE OF COST PILOT	2,281.95
Human Services	MULTI SERVICE CENTER NORTH	200,000.00
Human Services Total		428,963.95
Juvenile Probation	JUVENILE HALL-G/F	49,523.00
Juvenile Probation Total		49,523.00

Prior Year Reserves (continued)

Department	Reserve Description	Remaining Balance of Reserve
Mayor	MISSION HOUSING DEVELOPMENT CORP	360,000.00
Mayor	MOCD HOMELESS ADMINISTRATION BUDGET	50,000.00
Mayor	MOH PLANNING & CAPACITY BLDG POOL	3,133.00
Mayor	ADMINISTRATION BUDGET	774,245.00
Mayor	CBO'S MASTER POOL ACCOUNT	57,271.00
Mayor	COOPERATIVE HOUSING BUDGET	1,000,000.00
Mayor	HOME-CHDO COMMUNITY HSNG CORP ADMIN COST	50,000.00
Mayor	HOME-MOH ADMINISTRATION BUDGET	10,025.00
Mayor	MOH ADMINISTRATION BUDGET	109,384.00
Mayor	SEISMIC SAFETY LOAN DISBURSEMENT	15,000.00
Mayor	2006 MOH-HOME INVESTMENT PARTNERSHIP	5,000,000.00
Mayor Total		7,429,058.00
Municipal Transportation	0038J-GRANITE EXCAVATION	14.74
Municipal Transportation Total		14.74
Police	FIELD OPERATIONS	1,880,548.00
Police	S F TRAFFIC OFFENDER PROGRAM	20,850.00
Police Total		1,901,398.00
Port Commission	BSW CONSTRUCTION	9,000,000.00
Port Commission	SOUTHERN WATERFRONT ENVIRONMENTAL	159,549.00
Port Commission Total		9,159,549.00
Public Works	0757J-RESERVE	46,633.00
Public Works	1990N - ALLOC 4TH ST BRDGE RETRO PE PH2	4,000,000.00
Public Works	CHINATOWN ALLEWAY IMPROVEMENT	598,828.00
Public Works	DPW-BBR HOJ EMERGENCY GENERATOR 05/06	1,010,250.00
Public Works	DPW-BBR HOJ FIRE ALARM PANEL 05/06	573,000.00
Public Works	GEN 6618E THIRD ST BRIDGE RETROFIT	90,000.00
Public Works	MISC FAC MAINT PROJ	15,636.22
Public Works	MSTR PRJ-ESP1 SFFD ORG 310300/IC 310132	173,360.00
Public Works	STREETSCAPE IMP PROJECTS BUDGET	16,500,000.00
Public Works	0809J-BOS RESERVE	2,507,800.00
Public Works Total		25,515,507.22
Recreation & Park	INTEREST EARNED	54,865.31
Recreation & Park	MACAULAY PARK	8,594.25
Recreation & Park	MID-EMBARCADERO MUSIC CONCOURSE	309,000.00
Recreation & Park	OS CAPITAL PROGRAM MGMT-BUDGET	3,464,972.00
Recreation & Park	SAVA POOL	100,000.00
Recreation & Park Total		3,937,431.56
Telecommunication & Info Svcs	CABLE FRANCHISE NEGOTIATION	250,000.00
Telecommunication & Info Svcs Total		250,000.00
Treasurer/Tax Collector	TTX-INVESTMENT PROGRAM BU	1,071,000.00
Treasurer/Tax Collector Total		1,071,000.00
Public Utilities Commission	SOLAR POWER PROJECT	12,500,000.00
Public Utilities Commission Total		12,500,000.00
Sheriff	JAIL NO. 7	667,530.00
Sheriff	VIOLENCE PREVENTION	60,000.00
Sheriff Total		727,530.00
Grand Total		\$ 111,985,198.85

Appendix C: MOU Reserve Update

FY 2006-07 2nd Quarter MOU Reserve Update

SOURCES

MOU Reserve

Adopted AAO MOU Reserve	\$ 24,376,841
Carryforward from FY 2005-06	14,097,014
Total Sources (MOU Reserve)	\$ 38,473,855

USES

Transferred to Departments

Public Health - 22.2 Nurses and Temporary Staff	\$ 3,253,853
Various - Visual Display Terminal Insurance - Quarter 1 & Quarter 2	70,235
Various - Local 21 Life Insurance	283,543
Various - SEIU Training Fund - 1st payment	217,954
Sheriff - Deputy Sheriff's Association - Market increase	806,939
City Attorney - Severance Pay	114,840
City Attorney - Wellness Pay	40,767
Public Health - Step Adjustment Correction	2,781,791
Police - Wellness	737,500
Various - Management Classification & Compensation Pay (MCCP) Adjustment	30,399
Subtotal - Transfers through January 31, 2007	\$ 8,337,822

Remaining Allocations

MOU increases and other salary adjustments (Fire Fighters, Local 21, Nurses, Supervising Nurses, Police Officers)	\$ 10,347,656
Retirement Payout (Fire Fighters, Police Officers, etc.)	10,943,455
Wellness Program Pay-Outs (Fire Fighters, Police Officers, SEIU)	3,604,829
Salary and Benefits Increase (Elected Officials, MEA, Deputy Probation Officers, specific job classes as identified in MOU contracts)	688,236
Training (Crafts, Fire Fighters, Laborers, Attorneys, Nurses, Police Officers, Sheetmetal workers, SEIU employees, tuition reimbursent)	3,324,093
Recruitment and Retention (Physicians and Dentists Settlement Retention Pay, Nurses, Police Officers, SEIU employees)	1,138,000
Visual Display Terminal Insurance - FY 2006-07 Quarters 3 - 4	89,765
Subtotal - Remaining Allocations	\$ 30,136,033
Total Uses	\$ 38,473,855

APPENDIX D: Other Fund Highlights, (millions)

	Prior Year			Current Year			
	FY 2005-06 Year-End Fund Balance	Fund Balance Used in FY 2006-07 Budget	Surplus / (Shortfall)	Sources Better / (Lower) than Budget	Uses Savings / (Shortfall) from Budget	Net Operating Surplus / (Deficit)	Estimated Year-end Fund Balance
<u>Special Revenue Funds</u>							
(1) 911 Fund	\$6.72	\$2.19	\$4.53	\$2.78	\$0.00	\$2.78	\$7.31
(2) Building Inspection Fund	\$25.12	\$8.42	\$16.70	(\$4.35)	\$1.19	(\$3.16)	\$13.54
(3) Child Support Services Fund	\$0.56	\$0.13	\$0.43	(\$0.17)	\$0.17	\$0.00	\$0.43
(4) Children's Fund	\$5.31	\$3.55	\$1.76	\$0.96	(\$1.00)	(\$0.04)	\$1.72
(5) Convention Facilities Fund	\$5.66	\$0.00	\$5.66	\$0.00	\$0.00	\$0.00	\$5.66
(6) Culture & Rec - Marina Yacht Harbor Fund	\$1.75	\$0.13	\$1.62	\$0.20	\$0.00	\$0.20	\$1.82
(7) Gas Tax Fund	(\$0.16)	\$0.00	(\$0.16)	\$0.00	\$0.00	\$0.16	\$0.00
(8) Golf Fund	\$0.46	\$0.11	\$0.35	\$0.00	(\$0.15)	(\$0.15)	\$0.20
(9) Library Preservation Fund	\$14.58	\$5.54	\$9.05	\$1.72	\$0.00	\$1.72	\$10.77
(10) Neighborhood Beautification Fund	\$0.20	\$0.00	\$0.20	\$0.02	\$0.00	\$0.02	\$0.22
(11) Open Space Fund	\$7.59	\$2.43	\$5.16	\$1.30	\$0.62	\$1.92	\$7.08
(12) War Memorial Fund	\$0.97	\$0.19	\$0.79	\$0.00	\$0.00	\$0.00	\$0.79
<u>Enterprise Funds</u>							
(13) Airport Operating Fund	\$106.50	\$8.26	\$98.23	\$3.54	\$14.96	\$18.49	\$116.73
(14) MTA – MUNI Operating Fund	\$32.89	\$20.96	\$11.92		pending further review		
(15) MTA - MUNI Transit Impact Fund	\$19.86	\$10.16	\$9.70	\$1.60	\$0.00	\$1.60	\$11.30
(16) MTA – Parking & Traffic Operating Fund	\$12.33	\$4.14	\$8.19	(\$1.10)	\$0.00	(\$1.10)	\$7.09
(17) Port Operating Fund	\$22.10	\$7.92	\$14.18	\$2.86	\$1.14	\$4.00	\$18.17
(18) PUC – Hetch Hetchy Operating Fund	\$62.06	\$32.22	\$29.84	\$5.66	\$21.37	\$27.02	\$56.86
(19) PUC – Wastewater Operating Fund	\$30.43	\$16.13	\$14.29	(\$2.05)	\$4.39	\$2.33	\$16.63
(20) PUC – Water Operating Fund	\$53.93	\$5.51	\$48.42	\$4.38	(\$0.63)	\$3.76	\$52.18

APPENDIX D: Other Fund Highlights (continued)

Notes	Other Funds	Description
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Special Revenue Funds

- | | | |
|-----|---|---|
| (1) | 911 Fund | The 911 Fund began the current year with an additional \$4.53 M over the \$2.19 M appropriated in the budget. Additionally, sources are projected to be \$2.78 M better due to \$2.24 M in 911 Access Fees, \$0.55 M in Interest Income, less a partially offsetting \$0.01 M shortfall in miscellaneous fee collections. Expenditures are on track to be on budget overall; however, the department is projected to exceed its overtime budget by \$1.63 M with offsetting savings in permanent salary and fringe benefits costs. 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 these overtime costs. The 911 Fund is projected to have a \$2.78 M net current year operating surplus, which then results in a projected year-end fund balance to \$7.31 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 \$16.70 M over and above the \$8.42 M appropriated in the budget. However, current year revenues are projected to be \$4.35 M less than budget due primarily to lower than anticipated Building Permit and Plan Check activities. Expenditure savings of \$1.19 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 \$3.16 M net operating deficit, resulting in an \$13.54 M projected year-end fund balance. |
| (3) | Child Support Services Fund | The Child Support Services Fund began the current year with an additional \$0.43 M in fund balance over the \$0.13 M appropriated in the budget. Uses are projected to be \$0.17 M under budget due to personnel vacancies. Additionally, sources are projected to be \$0.17 M under budget since the department is only reimbursed for its expenditures. This results in a \$0.00 M net operating budget and a \$0.43 M year-end fund balance. |
| (4) | Children's Fund | The Children's Fund began the current year with an additional \$1.76 M in fund balance over and above the \$3.55 M appropriated in the budget. Subsequently, a supplemental appropriation for violence prevention was partially funded with \$1.00 M of this surplus. Additionally, sources are projected to be \$0.96 M better than budget due to higher Property Tax revenue. After factoring in the \$1.00 M supplemental, expenditures are projected to be on budget resulting in a \$1.72 M estimated year-end fund balance. |
| (5) | Convention Facilities Fund | The Convention Facilities Fund began the current year with \$5.66 M of additional fund balance available for appropriation. Current year revenues and expenditures are expected to be on budget, resulting in a projected \$5.66 M year-end fund balance available for appropriation. |

Notes	Other Funds	Description
(6)	Culture & Recreation – Marina Yacht Harbor Fund	The Marina Yacht Harbor Fund began the year with \$1.62 M in fund balance over the \$0.13 M appropriated in the budget. Sources are projected to be better by \$0.20 M due to a new lease agreement with the St. Francis clubhouse and increases in berthing fees. Expenditures will be on be on budget resulting in a \$0.20 M operating surplus, resulting in a projected year-end fund balance of \$1.82 M.
(7)	Gas Tax Fund	The Gas Tax Fund began the current year with a \$0.16 M shortfall in available fund balance. Revenues are projected to be on budget and expenditures will be controlled to bring the fund back into balance by fiscal year end. This results in a \$0.16 M net operating budget surplus and a \$0.00 M projected year-end fund balance.
(8)	Golf Fund	The Golf Fund began the current year with an additional \$0.35 M in fund balance over and above the \$0.11 M appropriated in the current-year budget. At this time, revenues are not projected to vary from budget. Expenditures are projected to be \$0.15 M over budget resulting in an end of year projected fund balance of \$0.20 M assuming present trends continue.
(9)	Library Preservation Fund	The Public Library began the current year with \$9.05 M of additional fund balance available for appropriation over and above the \$5.54 M appropriated in the current-year budget. Additionally, current-year sources are projected to be \$1.72 M better as a result of \$0.80 M in higher Property Tax revenue, \$0.72 M in additional Baseline funding, and \$0.20 M in higher Interest Income. Expenditures are projected to show no major variation from budget. This fund is projected to have a \$1.72 M net operating surplus and a \$10.77 M projected year-end fund balance.
(10)	Neighborhood Beautification Fund	The Neighborhood Beautification Fund began the current year with a \$0.20 M fund balance available for appropriation. Payroll Tax revenues are projected to be \$0.02 M better than budget, while expenditures are projected to be on budget. This results in a \$0.02 M net operating surplus and a \$0.22 M estimated fund balance by fiscal year-end.
(11)	Open Space Fund	The Open Space Fund began the year with \$5.16 M of additional fund balance over the originally appropriated \$2.43 M. Current year sources are projected to be \$1.30 M better than budget due to \$0.80 M in higher Property Tax revenues and \$0.50 M in Interest income. Expenditures savings of \$0.62 M are projected. This projection reflects a transfer of \$0.58 M in position costs for the General Fund (as discussed previously). This results in an operating surplus of \$1.92 M and a year-end fund balance of \$7.08 M.
(12)	War Memorial Fund	The War Memorial Fund began the current year with an additional \$0.79 M fund balance over the originally appropriated \$0.19 M budget. Sources and uses are projected to be on budget. Overall, this fund is projected to have year-end fund balance of \$0.79 M.

Notes	Other Funds	Description
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Enterprise Funds

- | | |
|--|--|
| (13) Airport
Operating
Fund | The Airport Operating Fund ended prior year with additional \$98.23 M over the \$8.26 M appropriated in the budget. Current year revenues are projected to be \$3.54 M better than budget due to \$1.25 M better in Terminal Rental revenues, \$1.91 M better in Interest Income, and \$0.38 M better in all other revenues. Air passenger enplanements and airline landed weight have been lower than assumed in the budget, projected to be 0.70% and 0.60% below budget, respectively. The department is projected to have \$14.96 M in expenditure surplus due to a projected \$5.51 M savings in salaries and fringe benefits costs for position vacancies of which \$2.24 M is attributable to Fire and Police Department's personnel, a projected \$5.26 M for delays in vendor selection for professional service contracts, \$2.63 M in debt service savings, and \$1.56 M in materials and supplies savings. The net result is a projected net operating surplus of \$18.49 M for the current year, resulting in an estimated fund balance of \$116.73 M by fiscal year-end. |
| (14) MTA-MUNI
Operating
Fund | The Municipal Railway Operating Fund ended the prior year with an additional \$11.92 M over the \$20.96 M appropriated in the budget. We will continue to work with the department to review their current year activity. A projected year-end fund balance will be included in our Nine-Month Report. |
| (15) MTA-Transit
Impact
Development
Fund | The Transit Impact Development Fund ended the prior year with \$9.70 M of fund balance of which \$10.16 M was appropriated in the current-year budget. Revenues are projected to be \$1.60 M better than budget due to Interest savings. This fund is projected to have a net operating surplus of \$1.60 M, which will result in a projected \$11.30 M fiscal year-end balance. |
| (16) MTA-Parking
& Traffic
Operating
Fund | The Parking & Traffic Operating Fund ended the prior year with an additional \$8.19 M over the \$4.14 M appropriated in the budget. Current year sources are projected to be \$1.10 M lower than budget due to \$1.90 M in lower parking meter collections plus \$0.80 M in higher baseline funding. Expenditures are projected to be at budget; however, salaries are projected to exceed budget by \$3.20 million and overtime by \$0.62 M. This is due to a combination of vacancies and previously unbudgeted initiatives such as the 1 California Project. Savings from other areas will be used to cover these overages. This fund is projected to have a net operating loss of \$1.10 M and an estimated fund balance of \$7.09 M by fiscal year-end. |
| (17) Port
Operating
Fund | The Port Operating Fund began the current year with additional \$14.18 M over and above the \$7.92 M appropriated in the budget. Current-year revenues are also anticipated to be higher than budget by \$2.86 M. This is mainly due to Parking revenues projected to be 12% over budget, and Interest revenue being higher due to higher interest rates, and greater fund balance. Expenditures are also anticipated to have savings of \$1.14 M due to salary savings resulting from resignations, retirements, and delays in hiring are also projected. The Port is |

Notes	Other Funds	Description
	Port Operating Fund (cont.)	therefore projecting an operating surplus of \$4.0 M and an estimated year-end fund balance of \$18.17 M.
(18)	PUC-Hetch Hetchy Operating Fund	The Hetch Hetchy Operating Fund began the current year with an additional \$29.84 M over and above the \$32.22 M appropriation in the budget. Additionally, current year revenues are projected to be \$5.66 M better than budget mainly as a result of higher than anticipated Interest Income. Expenditures are projected to be under budget by \$21.37 M due mainly to using banked energy rather than purchasing power as anticipated. Overall, a net operating surplus of \$27.02 M is projected, with a resulting estimated fund balance of \$56.86 M by fiscal year-end.
(19)	PUC-Wastewater Operating Fund	The Wastewater Operating Fund began current year with an additional \$14.29 M fund balance over and above the \$16.13 M appropriated in the budget. Current-year revenues are projected to be \$2.05 M under budget due mainly to lower consumption and associated lower Sewer Service Charge revenues. This is more than offset by a projected savings of \$4.39 M primarily attributable to salary savings due to hiring delays for a resulting net current-year operating surplus of \$2.33 M and an estimated fund balance of \$16.63 M by fiscal year-end.
(20)	PUC-Water Operating Fund	The Water Operating Fund began current year with additional \$48.42 M over and above \$5.51 M appropriated in the budget. Current-year revenues are projected to be \$4.38 M over budget. Wholesale Water Sales revenue are lower than budget due to lower usage; however, this was more than offset by higher than budgeted Interest Income. Expenditures are projected to be over budget by \$0.63 M due mainly to chemicals costing more than anticipated. A supplemental request to use fund balance is anticipated to cover this overage. The net current-year operating surplus is projected to be \$3.76 M and results in an estimated fund balance of \$52.18 M by fiscal year-end.

CITY AND COUNTY OF SAN FRANCISCO - CONTROLLER'S OFFICE

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<input type="checkbox"/> Media Reporter					<input type="checkbox"/> Other: _____
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How do you rate this report?					
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