

# City and County of San Francisco

Office of the Controller

## **FY 2008-09 Nine-Month Budget Status Report**



*May 5, 2009*





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### Summary

The Controller's Office provides periodic budget status updates to the City's policy makers during the course of each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of March 31, 2009. This report updates the projections provided in the Controller's FY 2008-09 Six-Month Budget Status Report (Six-Month Report), published February 10, 2009.

- **General Fund revenue shortfall increased by \$10.8 million to \$137.7 million, excluding Federal Stimulus Funds.** The economic downturn has caused current year revenues to weaken further, resulting in our projected revenue shortfall (excluding federal stimulus funds) to grow to \$137.7 million. This is \$10.8 million worse than the level projected in the Controller's Six-Month Report.
- **\$35.8 million in Federal Stimulus Funds and \$5.6 million in further expenditure savings offset the revenue shortfall.** The extra \$10.8 million revenue weakness since the Six-Month Report is more than offset by confirmation that the City is expected to receive \$35.8 million in Federal formula-based Stimulus funds earned in FY 2008-09, and a further net \$5.6 million in Departmental expenditure reductions and baseline contributions.
- **The current year forecast affects reserves as follows:**
  - \$0.9 million additional withdrawal from the General Reserve to fund a supplemental appropriation for the Department of Elections for the May 19<sup>th</sup> election;
  - A withdrawal is no longer expected to be required from the Rainy Day Reserve in FY 2008-09 (compared to a \$6.3 million withdrawal assumed in the Six-Month Report); and
  - \$20.3 million additional deposit into the City's Budget Savings Incentive Reserves, resulting in a fiscal year-end balance of \$28.9 million available for appropriation in 2009-10. This is an increase of \$23.3 million compared to the Six-Month Report projection. This assumes that the Controller uses discretionary authority to limit deposits to the Citywide Budget Savings Incentive Reserve to an amount that

maintains a minimum year-end available General Fund balance equal to the budgeted \$20.1 million General Reserve.

- **Projected General Fund Year-End Balance Remains \$20.1 Million.** Given the revenue and spending projections outlined above and detailed in this report, we project an ending General Fund balance for FY 2008-09 of \$20.1 million. This is \$85.0 million lower than the General Fund ending balance of \$105.1 million at the end of last fiscal year (FY 2007-08) and equal to the amount projected in the Six-Month Report.
- **Projection Uncertainty Remains.** The potential for continued fluctuations in tax revenues in the final three months of the fiscal year means that uncertainty remains in our projections for both the current and next fiscal year. We will update the year-end fund balance and budget year revenue projections in the Controller's Discussion of the Mayor's Fiscal Year 2009-10 Proposed Budget (also known as the "Revenue Letter"), scheduled for issuance in mid-June.

## Summary of General Fund Budget

The Controller's Office projects an available General Fund balance of \$20.1 million at the end of FY 2008-09, as summarized below.

**Table 1. FY 2008-09 Projected General Fund Ending Balance (\$ Millions)**

<b>A. Starting Balance</b>	<b>6-Month</b>	<b>9-Month</b>	<b>Variance</b>
Better than anticipated starting balance	\$ 23.4	\$ 23.4	\$ -
Budgeted General Fund reserve	20.1	20.1	-
	<u>43.5</u>	<u>43.5</u>	<u>-</u>
<b>B. Revenues</b>			
Citywide Revenues excluding Federal Stimulus Package	(116.8)	(124.6)	(7.8)
Departmental Revenues	(10.1)	(13.1)	(3.0)
	<u>(126.9)</u>	<u>(137.7)</u>	<u>(10.8)</u>
<b>C Federal Stimulus Package</b>			
Federal Stimulus Funds allocated to General Fund	-	20.6	20.6
Federal Stimulus Funds allocated to GF Supported Departments	-	15.2	15.2
	<u>-</u>	<u>35.8</u>	<u>35.8</u>
<b>D Expenditures</b>			
Mid-year reductions	84.4	88.2	3.8
Other net departmental operating savings / (shortfalls)	(12.2)	(13.0)	(0.8)
Reduced Baseline Contributions & Parking Tax Set-Aside	22.5	25.1	2.6
	<u>94.7</u>	<u>100.3</u>	<u>5.6</u>
<b>E. Use of Reserves</b>			
Uses of General Fund Reserve	(0.5)	(1.4)	(0.9)
Rainy Day Reserve Withdrawal	6.3	-	(6.3)
Budget Savings Incentive Reserves Net Withdrawal / (Deposit)	3.0	(20.3)	(23.3)
	<u>8.8</u>	<u>(21.8)</u>	<u>(30.6)</u>
<b>F. Ending Balance</b>	<u>\$ 20.1</u>	<u>\$ 20.1</u>	<u>\$ 0.0</u>

### A. General Fund Starting Balance = \$43.5 Million

The General Fund unreserved fund balance at the end of FY 2007-08 was \$105.1 million. The FY 2008-09 budget assumed and appropriated \$81.7 million of this balance, leaving a surplus of \$23.4 million available for use in the current fiscal year. Combined with a budgeted General Fund Reserve of \$20.1 million in the adopted budget, the starting balance available for appropriation in FY 2008-09 was \$43.5 million.

## B. General Fund Revenue Shortfall Excluding Federal Stimulus = \$(137.7) million

The adopted FY 2008-09 budget assumed continued local economic growth and moderate growth in General Fund tax revenues. On October 31, 2008, the Controller's Office issued revised projections of major tax revenues given the sudden and dramatic change in the national, state and local economic outlook after significant shocks in the financial markets in September. Our Six-Month Report confirmed that shortfalls would likely be at the high end of the initial range provided. The revenue projections in this report reflect additional weakness in property transfer tax, hotel tax, and sales tax-related revenue from the six-month update.

**Table 2. FY 2008-09 Projected General Fund Revenue Changes**  
**Excluding Federal Stimulus**

(\$ Millions)	6-Month Estimate	9-Month Estimate	Variance
Property Tax	(4.1)	(4.1)	(0.0)
Property Transfer Tax	(49.5)	(51.2)	(1.7)
Payroll Tax	11.7	4.1	(7.5)
Sales Tax Related	(37.0)	(44.4)	(7.4)
Hotel Tax	(39.8)	(43.5)	(3.7)
Other (Fees, Grants, etc.)	(8.2)	1.3	9.5
<b>Total</b>	<b>(126.9)</b>	<b>(137.7)</b>	<b>(10.8)</b>

These revised projections are informed with more recent information on the performance of the local economy in the first three months of calendar year 2009.

- **Property Tax.** General Fund property tax revenues are projected to be \$4.1 million under budget, unchanged from the Six-Month Report projection. This still represents 7.6% growth over prior year actual receipts (the budget had assumed 8.0% growth). These revenues remain strong because they are primarily based on assessments of property values as of January 1, 2008, when values in most areas of the City were at historically high levels. In addition, the City continues to work through a backlog of roll changes from prior years that result in substantial amounts of supplemental taxes being paid to the City. For the budget year FY 2009-10, the City is evaluating the extent to which residential and nonresidential property values may have declined as of January 1, 2009, and the potential effect on property tax receipts. The Controller's Office will discuss the FY 2009-10 budget for property taxes in the Discussion of the Mayor's Fiscal Year 2009-10 Proposed Budget (also known as the "Revenue Letter"), scheduled to be published in mid-June 2009.
- **Property Transfer Tax.** Total taxes paid in the first nine months of the year were 46.7% below prior year levels, and transaction counts declined 24.7%. This revenue is highly dependent on investor interest, economic cycles, interest rates, credit availability, and the strength of the dollar against other currencies. The current year budget assumed a 24.0% reduction versus the prior fiscal year budget, however, experience during the year to date indicates much larger declines than initially projected. The projected shortfall of \$51.2 million is the result of assuming a 61% year over year decline for the fourth quarter.
- **Payroll Tax.** Payroll tax revenues are projected to increase 2.9% over prior year actual and \$4.1 million above budget, due to moderate overall growth in jobs and wages during the first three quarters of calendar year 2008 and collections of delinquent taxes. Local job

losses at the end of 2008 and continuing into 2009 will affect this revenue source in FY 2009-10.

- **Sales Tax-Related.** Revenues related to sales tax receipts at both the state and local levels, including the local 1% sales tax, Health and Welfare Realignment, and Public Safety Sales Tax, are projected to be \$44.4 million below budget. Local sales tax revenues are projected to be \$14.8 million below budget due to declining gasoline prices, a decline in second quarter performance of 8.6%, and projected third and fourth quarter declines of 10.0% and 12.3%, respectively. Statewide sales tax is expected to decline 11.0% during the year, affecting Realignment and Public Safety Sales Tax.
- **Hotel Tax.** Given a significant and abrupt worsening of occupancy and average daily room rates for local hotels through February 2009 and our expectation that this trend will continue through the current fiscal year, we project a FY 2008-09 shortfall versus the adopted budget of \$43.5 million.
- **Other Sources.** All other sources of General Fund revenue are projected to end the year at \$1.3 million above budgeted levels. This includes the net effect of changes in departmental grant, fee, license, permit, and other intergovernmental revenue.

**C. Federal Stimulus Package = \$35.8 million**

The American Recovery and Reinvestment Act (Federal Stimulus Package) passed by Congress in February 2009 provides for new funding to federal, state, and local agencies in a wide variety of programmatic areas. As part of the Federal Stimulus Package, the Federal Medical Assistance Percentage (FMAP) was increased from a 50.0% reimbursement rate in the first three months of the fiscal year to 61.6% for the last three quarters of the fiscal year. The Department of Public Health projects \$21.9 million in additional revenue, of which \$10.3 million is projected for San Francisco General Hospital, \$8.4 million is for the General Fund, and \$3.1 million is for Laguna Honda Hospital. The Human Services Agency projects \$12.2 million in additional revenue from the increase of the FMAP. Additionally, the Department of Public Health projects \$1.7 million in additional Medi-Cal Intergovernmental Transfer as part of the Federal Stimulus Package. A summary of the Federal Stimulus Package is provided in Table 3 below.

**Table 3. FY 2008-09 Projected Federal Stimulus Funds (\$ Millions)**

	<b>FY 2008-09 Projected Federal Stimulus Amount</b>	
Federal Medical Assistance Percentage (FMAP)		
Department of Public Health - General Fund	\$	8.4
Department of Public Health - San Francisco General Hospital		10.3
Department of Public Health - Laguna Honda Hospital		3.1
Human Services Agency - General Fund		12.2
Subtotal - FMAP	\$	34.1
Medi-Cal Intergovernmental Transfer		
Department of Public Health - San Francisco General Hospital		1.7
	<b>\$</b>	<b>35.8</b>



**D. General Fund Expenditures Savings Excluding Federal Stimulus = \$100.3 Million**

We project net expenditure savings of \$100.3 million, which is summarized in Table 4 below and further detailed and discussed in Appendix 2 of this report.

**Table 4. FY 2008-09 Departmental Budget Summary of Sources and Uses  
Excluding Federal Stimulus**

**General Fund (\$ Millions)**

	<b>Revenue Surplus / (Shortfall)</b>	<b>Uses Savings / (Deficit)</b>	<b>Net Surplus / (Deficit)</b>
<b>Net Deficit Departments</b>			
City Attorney	\$ -	\$ (1.1)	\$ (1.1)
<b>Subtotal Departments with Net Deficits</b>	<b>\$ -</b>	<b>\$ (1.1)</b>	<b>\$ (1.1)</b>
<b>Net Surplus Departments</b>			
Human Services	\$ (3.9)	\$ 21.9	\$ 18.0
Public Health	1.9	13.1	14.9
SF General and Laguna Honda Hospital	-	(2.6)	(2.6)
Total Public Health	1.9	10.4	12.3
Police	0.3	9.1	9.4
City Administrator	(0.6)	7.0	6.4
Fire Department	(1.7)	7.3	5.6
Public Works	(1.3)	6.2	4.9
Assessor / Recorder	-	2.4	2.4
Recreation and Parks	(3.3)	5.3	2.0
Technology	-	1.1	1.1
Economic & Workforce Development	-	1.0	1.0
Sheriff	(0.2)	1.2	1.0
Juvenile Probation	(1.2)	2.2	1.0
District Attorney	(0.2)	1.1	1.0
Children, Youth & Their Families	-	0.8	0.8
Controller	-	0.7	0.7
Mayor	-	0.6	0.6
Arts Commission	-	0.6	0.6
Fine Arts Museum	-	0.6	0.6
All Other Net Surplus Departments	(3.0)	5.0	2.0
<b>Subtotal Departments with Net Surpluses</b>	<b>\$ (13.1)</b>	<b>\$ 84.5</b>	<b>\$ 71.4</b>
Baselines - Municipal Transportation Agency (MTA)		\$ 19.6	\$ 19.6
Parking Tax in lieu Transfer - MTA		1.0	1.0
Baselines - Library		4.5	4.5
Subsidy Transfer to SF General Hospital for Realignment		(7.3)	(7.3)
Transfers to General Fund Supported Funds		(0.9)	(0.9)
<b>Subtotal Non-Departmental</b>	<b>\$ -</b>	<b>\$ 16.9</b>	<b>\$ 16.9</b>
<b>Total Current Year Operations</b>	<b>\$ (13.1)</b>	<b>\$ 100.3</b>	<b>\$ 87.2</b>

As summarized above, the majority of City departments are projected to achieve significant savings versus the revised budget, primarily given spending reductions made at the direction of the Mayor’s Office this past December and February to offset projected General Fund tax revenue shortfalls.

We project that two General Fund departments will require supplemental appropriations or additional expenditure reductions given projected overspending or under-recovery compared to the revised budget:

- **City Attorney.** The Department is projected to under-recover from services with other departments and does not have additional revenue available to cover the shortfall. The Mayor’s Office and the Controller’s Office will continue to work with the Department to develop a plan to bring expenditures in line with revenues by year end, without requiring a supplemental appropriation.
- **Public Health.** The Department plans to request a supplemental appropriation of \$14.9 million to cover projected spending in excess of budget at San Francisco General Hospital (\$8.0 million) and Laguna Honda Hospital (\$6.9 million). This supplemental will be funded by additional net patient revenue related to higher census levels than were assumed in the budget.

Additionally, the San Francisco Charter establishes baseline funding levels for a number of city services. These baselines are indexed to overall growth or reduction in aggregate General Fund discretionary revenues. The Controller’s Office updated the formula used to calculate aggregate discretionary revenue to ensure consistent year-over-year exclusion of non-discretionary fee revenues. The combined effect of the formula update and the revenue shortfalls discussed above result in a projected \$25.1 million decrease in required revenue-driven transfers, as summarized in Table 5 below.

**Table 5. FY 2008-09 Revenue-Driven Transfers**

(\$ Millions)	Original Budget	9-Month Projection	General Fund Savings/(Deficit)
Municipal Railway Baseline	\$ 143.3	\$ 127.9	\$ 15.4
Parking and Traffic Baseline	52.5	48.2	4.2
Parking Tax in Lieu Transfer to MTA	52.3	51.3	1.0
<b>Municipal Transportation Agency</b>	<b>\$ 248.0</b>	<b>\$ 227.4</b>	<b>\$ 20.6</b>
Library Preservation Baseline	46.3	41.7	4.5
<b>Total Revenue Driven Transfers</b>	<b>\$ 294.3</b>	<b>\$ 269.2</b>	<b>\$ 25.1</b>

In addition, the Children’s Services and Public Education minimum required baseline appropriations have decreased. However, these baselines remain funded beyond their minimum requirements, as shown below.

Appropriation Baselines	Original Budget Appropriation	Original Budget - Minimum Requirement	9-Month Projection Minimum Requirement
Children's Services Baseline	\$ 126.7	\$ 106.3	\$ 95.7
Public Education Baseline	6.0	5.9	5.6
<b>Total Appropriation Baselines</b>	<b>\$ 132.7</b>	<b>\$ 112.2</b>	<b>\$ 101.3</b>

### E. Use of Reserves = \$21.8 Million

Our projection assumes the following uses of and deposits into various reserves during the current fiscal year. In total, the net effect of these actions is a projected deposit of \$21.8 million from the General Fund during FY 2008-09.

**Table 6. FY 2008-09 General Fund Impact of Reserves (\$ Millions)**

	Starting Balance	General Fund Withdrawal / Deposit	9-Month Proj. Ending Balance	6-Month Proj. Ending Balance	Change from 6- Month
Citywide Budget Savings Incentive Reserve	\$ 8.2	\$ (15.1)	\$ 23.3	\$ 0.4	\$ 22.9
Recreation & Park Budget Savings Incentive Reserve	0.4	(5.3)	5.6	5.2	0.4
Subtotal Budget Saving Incentive Reserves	8.6	(20.3)	28.9	5.6	23.3
Rainy Day Reserve	\$ 98.3	\$ -	\$ 98.3	\$ 92.0	\$ 6.3
General Fund Reserve	20.1	(1.4)	18.7	19.6	(0.9)
Total General Fund Impact		<b>\$ (21.8)</b>			

- **Citywide Budget Savings Incentive Reserve Deposit**

As required under Administrative Code Section 10.20, up to 25% of the total appropriation savings by General Fund departments and the Department of Public Health's hospital funds are deposited into the Citywide Budget Savings Incentive Reserve. This reserve is subsequently allocated in the next fiscal year to departments that generated net year-end expenditure savings in the current fiscal year. At the end of FY 2007-08 there was a \$16.2 million balance in the reserve, of which \$7.9 million was appropriated in the FY 2008-09 budget, leaving a current unappropriated balance in the reserve of \$8.2 million. The Administrative Code states that the Controller may suspend the carry forward of reserve balances in years when the Controller determines that the City's financial condition cannot support deposits into the fund. Based on current projections, this report assumes that the Controller would limit deposits into the fund to \$15.1 million at the end of FY 2008-09, in order to maintain a year-end budgeted General Reserve of \$20.1 million. This would result in a projected year-end balance in the Budget Savings Incentive Reserve of \$23.3 million, an increase of \$22.9 million compared to the Six-Month Report projections.

- **Recreation & Park Budget Savings Incentive Reserve Deposit**

Charter Section 16.107 requires that overall Recreation & Park Department expenditure savings be retained by the Department to be dedicated to one-time expenditures. At the beginning of the fiscal year, there was a \$0.3 million balance in this reserve. Due to the Mayor's mid-year reductions, the Department projects to end the year with a \$5.3 million surplus in the General Fund, including departmental operating savings of \$3.7 million and \$1.6

million of capital project savings, which will be deposited into this reserve. This will result in a projected year-end balance of \$5.6 million, a \$0.4 million increase compared to the Six-Month Report projection.

- **General Reserve**

To date, \$1.4 million has been appropriated from the budgeted \$20.1 million General Reserve. This amount represents an increase of \$0.9 million from the Six-Month Report to reflect the Department of Elections supplemental appropriation, leaving a projected balance of \$18.7 million that will be available at the end of the current fiscal year. The Mayor's FY 2008-09 budget submission included a \$25.0 million General Reserve. The final FY 2008-09 budget passed by the Board of Supervisors included policy changes that added \$4.9 million in costs, reducing the General Reserve to \$20.1 million. The Mayor's first round of mid-year expenditure reductions was designed to restore the General Reserve to \$25.0 million.

This report assumes that there will be no further appropriations from the General Reserve, so that the remaining \$18.7 million appropriation may close to fund balance at the end of the fiscal year.

- **Rainy Day Economic Stabilization Reserve**

City Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$117.6 million. As prescribed in the FY 2008-09 budget, \$19.3 million from the Rainy Day Economic Stabilization Reserve has been allocated to the San Francisco Unified School District to offset the impact of declining State aid, resulting in a current balance of \$98.3 million. If actual revenues at the end of the fiscal year are realized at projected levels, the City would not withdraw from the Reserve, leaving a balance of \$98.3 million.

- **Salary and Benefits Reserve**

Administrative Provisions Section 10.3 of the FY 2008-09 Annual Appropriation Ordinance (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 2008-09 the budgeted Salary and Benefits Reserve, or Memorandum of Understanding (MOU) Reserve, is equal to \$14.4 million. As of April 30, 2009, the Controller's Office anticipates transfers of \$13.4 million to individual City departments as detailed in Appendix 3, which also outlines the projected need for the remaining \$1.0 million reserve. No surplus balance is projected at this time.

## **F. Ending Available General Fund Balance = \$20.1 Million**

The Controller's Office currently projects an ending available General Fund balance of \$20.1 million for FY 2008-09. This is unchanged from the Six-Month Report Projection, since net savings from additional revenues and expenditure reductions are assumed to be retained in the Budget Savings Incentive Reserve and Recreation and Park Budget Savings Incentive Reserve.

## **G. Other Funds**

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds received General Fund baseline transfers and other subsidies in the FY 2008-09 budget, including the Public Library Fund (\$46.3 million), Children's Fund (\$43.1 million), Gasoline Tax Fund (\$12.0 million), Public Protection/911 Project Fund (\$11.0 million), Convention Facilities Fund (\$10.8 million), and Human Welfare Fund (\$1.0 million).

Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency received a significant General Fund subsidy in FY 2008-09 of \$195.7 million.

Projected General Fund Support requirements for these funds are included in the Department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund balance projections and a discussion of significant issues associated with their operations.

## **H. Scheduled Year-end General Fund Balance Update: Revenue Letter**

The Controller's Office will update the year-end General Fund balance projection in the Discussion of the Mayor's Fiscal Year 2009-10 Proposed Budget (also known as the "Revenue Letter"), scheduled to be published in mid-June 2009.

## **I. Appendices**

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Salaries and Benefits Reserve Update
4. Other Funds Highlights

## Appendix 1. General Fund Revenues and Transfers In

Total General Fund revenues excluding Federal Stimulus funds are projected to be \$137.7 million under budget by year end, slightly more than the \$126.9 million shortfall projected in the Six-Month Report. These higher projected shortfalls in tax revenues are offset by \$20.6 million in Federal Stimulus revenues to the General Fund, bringing the total shortfall to \$117.1 million. The FY 2008-09 budget assumed continued local economic growth and moderate growth in General Fund tax revenues. Some of these assumptions were met or exceeded in the first quarter, notably in Hotel Tax. However, the global financial market upheavals and credit crunch that began in September caused the City's economic outlook to worsen significantly. Nine-Month projections reflect this change, with most tax revenues projected to decline over prior year actuals. As previously reported, the greatest shortfalls are in the areas most sensitive to the recent changes in economic conditions, including Real Property Transfer Tax, Hotel Room Tax, state and local Sales Tax-related items, and Interest Income. Projection uncertainties remain, particularly related to economic volatility affecting tax revenues.

General Fund Revenues & Transfers-In (\$ Millions)	FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-09	FY 2008-09
	Year-End Actuals	Revised Budget	6-Month Projection	9-Month Projection	Surplus (Shortfall)
Federal Stimulus - FMAP*	\$ -	\$ -	\$ -	\$ 20.6	\$ 20.6
Access Line Tax	-	-	10.7	10.7	10.7
Other State Grants & Subventions	33.7	22.2	17.1	29.3	7.1
Utility Users Tax	87.0	82.8	87.8	87.8	5.1
Business Taxes	394.3	394.6	404.9	397.4	2.8
<b>Subtotal - Key Surpluses</b>	<b>\$ 514.9</b>	<b>\$ 499.5</b>	<b>\$ 520.6</b>	<b>\$ 545.8</b>	<b>\$ 46.3</b>
Real Property Transfer Tax	\$ 86.2	\$ 94.3	\$ 44.8	\$ 43.1	\$ (51.2)
Hotel Room Tax	165.5	188.7	148.9	145.2	(43.5)
Health & Welfare Realignment	166.6	170.2	153.4	149.3	(20.8)
Sales Tax	111.4	119.3	106.3	104.5	(14.8)
Interest Income	31.2	21.4	12.5	12.5	(8.9)
Prop 172 Public Safety Sales Tax	69.7	73.8	66.6	65.1	(8.7)
Charges for Services	126.1	136.3	24.6	129.3	(6.9)
Property Tax	943.5	1,018.9	1,014.8	1,014.8	(4.1)
Motor Vehicle In Lieu	3.5	5.0	84.7	1.4	(3.5)
Federal Grants & Subventions (excl. Stimulus)	182.1	205.6	204.3	202.1	(3.5)
Other Revenues	340.4	348.3	252.6	346.7	(1.6)
Rents & Concessions	20.1	21.1	132.2	19.8	(1.3)
<b>Subtotal - Key Shortfalls</b>	<b>\$ 2,246.4</b>	<b>\$ 2,402.8</b>	<b>\$ 2,245.6</b>	<b>\$ 2,233.9</b>	<b>\$ (168.9)</b>
<b>Total Revenues</b>	<b>\$ 2,761.3</b>	<b>\$ 2,902.3</b>	<b>\$ 2,766.2</b>	<b>\$ 2,779.7</b>	<b>\$ (122.6)</b>
Transfers In	\$ 68.9	\$ 118.2	\$ 117.7	\$ 123.8	\$ 5.5
<b>Total Revenues &amp; Transfers In</b>	<b>\$ 2,830.2</b>	<b>\$ 3,020.5</b>	<b>\$ 2,883.9</b>	<b>\$ 2,903.5</b>	<b>\$ (117.1)</b>

\*An additional \$15.2 million Stimulus-related FMAP funding to San Francisco General and Laguna Honda Hospitals will reduce General Fund transfers to these entities, as reflected in Appendix 2.

**Property Tax.** General Fund property tax revenues are projected to be \$4.1 million under budget, unchanged from the Six-Month Report projection. This still represents 7.6% growth over prior year actual receipts (the budget had assumed 8.0% growth). These revenues remain strong because they are primarily based on assessments of property values as of January 1, 2008, when values in most areas of the City were at historically high levels. In addition, the City continues to work through a backlog of roll changes from prior years that result in substantial amounts of supplemental taxes being paid to the City. For the budget year FY 2009-10, the City is evaluating the extent to which residential and nonresidential property values may have declined as of January 1, 2009, and the potential effect on property tax receipts. The Controller's office will discuss the FY 2009-10 budget for property taxes in the Discussion of the Mayor's Fiscal Year 2009-10 Proposed Budget (also known as the "Revenue Letter"), scheduled to be published in mid-June 2009.

**Business Tax** revenues are projected to be \$2.8 million over budget due to collections of delinquent Payroll Tax revenue by the Tax Collector's Office partly offset by declining Business Registration Tax from fewer business formations. Aside from delinquent collections, Payroll Tax revenues are projected to increase 2.9% over prior year actuals due to moderate overall growth in jobs and wages during 2008, as gains in the first three quarters of 2008 offset the declines that began in the fourth quarter. The budget assumed 4% growth in wages and jobs before correcting for one-time, prior year receipts. Decreases in employment and earnings during tax year (i.e. calendar year) 2009 will largely affect FY 2009-10 Payroll Tax receipts.

#### Jobs Growth

San Francisco PMSA (Marin, San Francisco, San Mateo)

Source: California Economic Development Department Monthly Jobs Data through March 2009

Calendar Year	Jobs		
	Average Annual Jobs	Growth / (Decline)	% Change
2000	1,085,767		
2001	1,057,417	(28,350)	-2.6%
2002	990,533	(66,883)	-6.3%
2003	954,167	(36,367)	-3.7%
2004	942,450	(11,717)	-1.2%
2005	948,583	6,133	0.7%
2006	967,242	18,658	2.0%
2007	991,808	24,567	2.5%
2008	997,667	5,858	0.6%
2009 through 3/09	964,567	(33,100)	-3.3%
2008 Jan-Mar	994,233		
2009 Jan-Mar	964,567	(29,667)	-3.0%

**Local Sales Tax** revenues are projected to be \$14.8 million under budget, or 6.2% under prior year actuals. Cash collections for the first quarter of 2008-09 were up 6.5% over the same quarter prior year, while statewide collections declined 3.2%. San Francisco fared better largely because of strong summer tourism and less exposure to the declines in general retail and construction caused by the housing market downturn in other parts of the state. However, cash collections in the second quarter fell 8.6%, as the economic downturn spread to all areas of the nation and state

and nearly all economic sectors. Statewide sales were down 10.8% in the second quarter, due in large part to plummeting auto sales and falling gasoline prices.

A total of \$2.5 million in adjustments to the sales tax base due to the reallocation of jet fuel taxes, the nearly 50% reduction in gasoline prices, and for a number of small audit adjustments and business closures is projected. Together with projected declines of 7.5% for General retail and restaurants, the General Fund 1% allocation of sales taxes is projected to decline 10% in the third quarter and 12% in the fourth.

### Sales Tax Revenue, Local 1% Portion – Including ‘Triple Flip’

(\$ Millions)

	Fiscal Year	Direct Allocation	Triple Flip Shifts	Total GF Revenue	\$ Change	% Change
<b>Prior Peak</b>	FY 2000-01	\$ 138.3		\$ 138.3	\$ 4.9	3.7%
	FY 2001-02	116.8		116.8	(21.5)	(15.5%)
	FY 2002-03	115.6		115.6	(1.2)	(1.1%)
	FY 2003-04	120.6		120.6	5.1	4.4%
	FY 2004-05	94.7	\$ 23.6	118.3	(2.4)	(2.0%)
	FY 2005-06	103.1	33.8	136.8	18.6	15.7%
	FY 2006-07	107.8	35.6	143.5	6.6	4.8%
	FY 2007-08	111.4	37.3	148.7	5.3	3.7%
	Budget FY 2008-09	119.3	40.0	159.3	10.5	7.1%
	9-Month Projection FY 2008-09	104.5	40.6	145.1	(3.6)	(2.3%)

**Hotel Room Tax** revenues are projected to be \$43.5 million under budget in the General Fund. This includes the payment of \$5.3 million for Redevelopment Agency revenue bonds from Hotel Taxes that were originally budgeted to be paid from Property Tax revenues. Hotel Tax receipts through March 2009 were up 1.1% over the prior year due to high first quarter revenues and increasing declines thereafter. February occupancy and average daily room rates (ADR) dropped 19.4% and 20.5% from February 2008, respectively. Adjusting for monthly variation in occupancy and room rate changes, we project declines of 18.5% and 30.0% for the final two quarters of the fiscal year, resulting in a decline in total revenue of 9.3% over prior year actuals. This includes unanticipated revenue of approximately \$6.0 million due to administrative actions by the Tax Collector on Hotel Tax paid by airlines for their crews. This shortfall is entirely reflected in the General Fund unallocated portion of Hotel Tax as the allocation stipulated in the FY 2008-09 Annual Appropriation Ordinance (AAO) overrides the Municipal Code allocation and can only be changed legislatively.

Shortly before the publication of this report, federal health officials declared a public health emergency to control swine flu. This could further reduce Hotel Room Tax and related revenues if it leads to voluntary or mandated reductions in travel. This potential reduction is not included in our projections.



## Hotel Occupancy Rates

MONTH	FY 2006-07	FY 2007-08	FY 2008-09	Change - Value	Change - %
July	82.0%	84.9%	90.0%	5.1%	6%
August	82.7%	87.1%	93.0%	5.9%	7%
September	86.5%	86.9%	87.3%	0.4%	0%
October	85.7%	86.4%	83.1%	-3.3%	-4%
November	71.8%	76.0%	67.6%	-8.4%	-11%
December	62.4%	64.0%	69.1%	5.1%	8%
January	61.8%	64.5%	61.3%	-3.2%	-5%
February	72.1%	73.9%	59.6%	-14.3%	-19%
March	75.4%	76.9%			
April	77.0%	78.1%			
May	82.8%	79.6%			
June	82.4%	85.8%			
<b>AVG. OCC. RATE - ANNUAL (YTD)</b>	<b>76.9%</b>	<b>78.7%</b>	<b>76.4%</b>		
% Rate Chg from PY	<b>0.7%</b>	<b>1.8%</b>	<b>-2.3%</b>		
% Change from PY	<b>1.0%</b>	<b>2.3%</b>	<b>-2.9%</b>		

## Average Daily Room Rates (ADRs)

MONTH	FY 2006-07	FY 2007-08	FY 2008-09	Change - Value	Change - %
July	\$ 163.57	\$ 183.85	\$ 185.72	\$ 1.87	1%
August	\$ 162.20	\$ 185.94	\$ 186.51	\$ 0.57	0%
September	\$ 179.76	\$ 200.86	\$ 210.55	\$ 9.69	5%
October	\$ 201.01	\$ 213.31	\$ 209.82	\$ (3.49)	-2%
November	\$ 166.18	\$ 192.62	\$ 177.10	\$ (15.52)	-8%
December	\$ 150.90	\$ 156.01	\$ 167.39	\$ 11.38	7%
January	\$ 168.82	\$ 182.11	\$ 171.33	\$ (10.78)	-6%
February	\$ 182.61	\$ 192.56	\$ 153.03	\$ (39.53)	-21%
March	\$ 186.05	\$ 200.96			
April	\$ 179.46	\$ 187.87			
May	\$ 188.66	\$ 190.46			
June	\$ 176.85	\$ 203.73			
<b>AVERAGE ADR - ANNUAL (YTD)</b>	<b>\$ 175.51</b>	<b>\$ 190.86</b>	<b>\$ 182.68</b>		
\$ Change from PY	<b>\$ 14.98</b>	<b>\$ 15.35</b>	<b>\$ (8.18)</b>		
% Change from PY	<b>9.3%</b>	<b>8.7%</b>	<b>-4.3%</b>		

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

**Real Property Transfer Tax** revenues are projected to be \$51.2 million under budget, or 50.0% below prior year levels. Total taxes paid through March were 46.7% below prior year levels, and transaction counts declined 24.7%. This revenue has traditionally been one of the General Fund's most volatile taxes and is highly dependent on investor interest, economic cycles, interest rates, credit availability, and in the past several years, the strength of the dollar against other currencies. Low mortgage, capitalization, and exchange rates fueled an unsustainable level of transactions in fiscal years 2004-05 through 2006-07. The current year budget assumed a 24.0% reduction versus the prior fiscal year budget. However, experience during the year to date indicates a much larger decline than initially projected.

**Real Property Transfer Tax Revenue (\$ millions)**

Fiscal Year	@ 0.50%		@ 0.68%		@ 0.75%		@ 1.5%		Timing Differences	Total Revenue*
	<\$250K	>\$250K	>\$1 M	>\$5 M						
FY 2004-05	\$ 0.6	\$ 37.2	\$ 78.9	N/A	\$ 0.10	\$ 116.8				
FY 2005-06	\$ 0.5	\$ 31.4	\$ 98.3	N/A	\$ 1.05	\$ 131.3				
FY 2006-07	\$ 0.4	\$ 29.3	\$ 114.3	N/A	\$ 0.00	\$ 144.0				
FY 2007-08	\$ 0.5	\$ 24.7	\$ 61.0	N/A	\$ (0.00)	\$ 86.2				
FY 2008-09 Budget	\$ 0.5	\$ 25.5	\$ 65.6	\$ -	\$ -	\$ 91.6				

**Through March Actuals**

FY 2007-08 YTD	\$ 0.3	\$ 18.0	\$ 47.6	N/A	\$ 66.0
FY 2008-09 YTD	\$ 0.3	\$ 14.4	\$ 19.7	\$ 0.7	\$ 35.2
YTD Change	1.1%	-20.0%	-58.6%	N/A	-46.7%

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

**Transaction Count**

Fiscal Year	@ 0.50%		@ 0.68%		@ 0.75%		@ 1.5%		Total
	<\$250K	>\$250K	>\$1 M	>\$5 M					
FY 2004-05	1,176	8,699	3,056	N/A	12,931				
FY 2005-06	931	7,400	3,355	N/A	11,686				
FY 2006-07	800	7,225	3,003	N/A	11,028				
FY 2007-08	810	6,498	2,951	N/A	10,259				
FY 2008-09 Budget	851	6,494	3,070	N/A	10,414				

**Through March Actuals**

FY 2007-08 YTD	633	4,758	2,123	7,514
FY 2008-09 YTD	578	3,859	1,219	5,656
YTD Change	-8.7%	-18.9%	-42.6%	-24.7%

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

Proposition N, passed by the voters in November 2008, increased the Property Transfer Tax rate on transactions valued at over \$5 million from 0.75% to 1.5%. Five transactions in this new tax bracket occurred through March, generating \$0.7 million, an additional indication of the decline in large commercial transactions.

**Utility Users Tax** revenues are projected to be \$5.1 million better than budget, or 1.0% over prior year actuals, which were higher than expected due to a spike in natural gas prices in the final quarter of the year and prior year revenue from unregistered businesses identified by the Tax Collector. A decline in gas and electric user tax of approximately 3.0% is projected to be offset by increases in telephone user tax, given continued substitution of cell phones for residential landlines, and to a slight increase in water bills, given the net effect of a 15.0% rate increase tempered by conservation efforts.

**Interest & Investment Income** is projected to be \$8.9 million under budget, or 60.0% below prior year actuals. The budget assumed a 32.0% decline in average monthly interest rates, to 2.7%, due to successive cuts in the Federal Funds rate in the prior year. However, average interest rates through March were 47.4% below the prior year and earnings declined by 59.0%. Projected revenues assume average monthly interest rates of 1.57% through year end and a reduction in cash balances.

**Health & Welfare Realignment** revenues in the General Fund are projected to be under budget by a total of \$20.8 million. Current year trends in the Sales Tax portion of Realignment revenues, which are based on statewide Sales Tax receipts, show the City 10.1% below prior year actual revenues at year end. Given year to date statewide sales tax receipts through March, which were 10.8% below the prior year, the City's Sales Tax Realignment revenue is projected to be 10.4% below prior year actuals. Current trends in receipts of the Vehicle License Fee (VLF) portion of Realignment revenues show the City 9.0% below prior year actual revenues at year end, or \$6.3 million under budget. The portion of a vehicle's value that is subject to the 0.65% fee ranges from 100% for new vehicles to 15% for vehicles 11 years or older, thus the value of new car sales is the most important variable in determining VLF revenue. Statewide VLF revenue from new car registrations fell 47.0% in November from the prior year, and this level of decline is expected to continue through fiscal year end.

**Public Safety Sales Tax** revenues are projected to be \$8.7 million under budget, or 6.6% below prior year actuals. This is due to the estimated 11% decline in statewide sales tax receipts offset in part by a 4.9% increase in San Francisco's share of taxable sales.

## Detail of General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2007-08	FY 2008-09		9-Month Projection	Surplus / (Shortfall)
	Year End Actual	Original Budget	Revised Budget		
<b>PROPERTY TAXES</b>	\$ 943.5	\$ 1,018.9	\$ 1,018.9	\$ 1,014.8	\$ (4.1)
<b>BUSINESS TAXES</b>					
Business Registration Tax	9.1	10.0	10.0	8.6	(1.3)
Payroll Tax	385.2	384.6	384.6	388.8	4.1
<b>Total Business Taxes</b>	<b>394.3</b>	<b>394.6</b>	<b>394.6</b>	<b>397.4</b>	<b>2.8</b>
<b>OTHER LOCAL TAXES</b>					
Sales Tax	111.4	119.3	119.3	104.5	(14.8)
Hotel Room Tax	165.5	188.7	188.7	145.2	(43.5)
Utility Users Tax	87.0	82.8	82.8	87.8	5.1
Parking Tax	67.3	65.4	65.4	64.1	(1.2)
Real Property Transfer Tax	86.2	94.3	94.3	43.1	(51.2)
Stadium Admission Tax	2.4	2.5	2.5	2.2	(0.3)
Access Line Tax	-	-	-	10.7	10.7
<b>Total Other Local Taxes</b>	<b>519.9</b>	<b>553.0</b>	<b>553.0</b>	<b>457.7</b>	<b>(95.2)</b>
<b>LICENSES, PERMITS &amp; FRANCHISES</b>					
Licenses & Permits	7.5	9.2	9.2	9.2	-
Franchise Tax	15.7	15.8	15.8	16.5	0.7
<b>Total Licenses, Permits &amp; Franchises</b>	<b>23.2</b>	<b>25.0</b>	<b>25.0</b>	<b>25.7</b>	<b>0.7</b>
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>8.4</b>	<b>3.9</b>	<b>4.4</b>	<b>4.3</b>	<b>(0.1)</b>
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>31.2</b>	<b>21.4</b>	<b>21.4</b>	<b>12.5</b>	<b>(8.9)</b>
<b>RENTS &amp; CONCESSIONS</b>					
Garages - Rec/Park	10.1	9.8	9.8	8.5	(1.3)
Rents and Concessions - Rec/Park	7.9	9.4	9.4	9.4	-
Other Rents and Concessions	2.1	1.9	1.9	1.9	-
<b>Total Rents and Concessions</b>	<b>20.1</b>	<b>21.1</b>	<b>21.1</b>	<b>19.8</b>	<b>(1.3)</b>
<b>INTERGOVERNMENTAL REVENUES</b>					
<b>Federal Government</b>					
Social Service Subventions	179.9	201.9	201.2	197.1	(4.0)
Other Grants & Subventions	2.2	4.5	4.5	5.0	0.5
Federal Stimulus - FMAP*	-	-	-	20.6	20.6
<b>Total Federal Subventions</b>	<b>182.1</b>	<b>206.4</b>	<b>205.6</b>	<b>222.7</b>	<b>17.1</b>
<b>State Government</b>					
Social Service Subventions	140.7	135.2	136.1	134.1	(2.0)
Health & Welfare Realignment - Sales Tax*	115.3	117.2	117.2	102.6	(14.6)
Health & Welfare Realignment - VLF**	51.3	53.0	53.0	46.7	(6.3)
Health/Mental Health Subventions	79.0	88.1	88.1	89.2	1.1
Public Safety Sales Tax	69.7	73.8	73.8	65.1	(8.7)
Motor Vehicle In-Lieu	3.5	5.0	5.0	1.4	(3.5)
Other Grants & Subventions	33.7	15.3	22.2	29.3	7.1
<b>Total State Subventions</b>	<b>493.2</b>	<b>487.5</b>	<b>495.3</b>	<b>468.4</b>	<b>(26.9)</b>
<b>CHARGES FOR SERVICES:</b>					
General Government Service Charges	30.2	35.7	35.8	33.1	(2.6)
Public Safety Service Charges	24.9	26.8	26.8	24.5	(2.4)
Recreation Charges - Rec/Park	8.1	7.4	7.4	5.5	(1.9)
MediCal, MediCare & Health Service Charges	55.1	53.0	54.3	54.3	-
Other Service Charges	7.9	11.9	11.9	11.9	-
<b>Total Charges for Services</b>	<b>126.1</b>	<b>134.9</b>	<b>136.3</b>	<b>129.3</b>	<b>(6.9)</b>
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>9.5</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>-</b>
<b>OTHER REVENUES</b>	<b>9.9</b>	<b>13.2</b>	<b>14.0</b>	<b>14.2</b>	<b>0.2</b>
<b>TOTAL REVENUES</b>	<b>2,761.3</b>	<b>2,892.6</b>	<b>2,902.3</b>	<b>2,779.7</b>	<b>(122.6)</b>
<b>TRANSFERS INTO GENERAL FUND:</b>					
Airport	25.9	26.4	26.4	26.5	0.0
Other Transfers	42.9	91.8	91.8	97.3	5.5
<b>Total Transfers-In</b>	<b>68.9</b>	<b>118.2</b>	<b>118.2</b>	<b>123.8</b>	<b>5.5</b>
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 2,830.2</b>	<b>\$ 3,010.8</b>	<b>\$ 3,020.5</b>	<b>\$ 2,903.5</b>	<b>\$ (117.1)</b>

\*An additional \$15.2 million Stimulus-related FMAP funding to San Francisco General and Laguna Honda Hospitals will reduce General Fund transfers to these entities, as reflected in Appendix 2.

\*\*General Fund portion only.

## Appendix 2. General Fund Department Budget Projections

GENERAL FUND (\$ millions)	Revised Budget	Projected Year-End	Uses Savings / (Deficit)	Revenue* Surplus / (Shortfall)	Net Surplus / (Deficit)	Notes
<b>PUBLIC PROTECTION</b>						
Adult Probation	\$ 12.3	\$ 12.2	\$ 0.0	\$ 0.2	\$ 0.2	
Superior Court	33.1	33.1	-	-	-	
District Attorney	34.1	33.0	1.1	(0.2)	1.0	
Emergency Management	4.0	3.6	0.4	-	0.4	
Fire Department	257.6	250.3	7.3	(1.7)	5.6	1
Juvenile Probation	39.0	36.8	2.2	(1.2)	1.0	
Public Defender	23.7	23.5	0.2	-	0.2	2
Police	380.6	371.5	9.1	0.3	9.4	3
Sheriff	141.4	140.2	1.2	(0.2)	1.0	
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Public Works	\$ 78.5	\$ 72.3	\$ 6.2	\$ (1.3)	\$ 4.9	4
Economic & Workforce Development	15.7	14.7	1.0	-	1.0	
Board of Appeals	0.8	0.8	0.1	(0.2)	(0.1)	
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>						
Children, Youth & Their Families	\$ 32.7	\$ 31.9	\$ 0.8	\$ -	\$ 0.8	
Human Services	641.0	619.1	21.9	(3.9)	18.0	5
Environment	3.7	3.7	-	-	-	
Human Rights Commission	1.0	1.0	-	-	-	
County Education Office	0.1	0.1	-	-	-	
Status of Women	3.5	3.3	0.2	-	0.2	
<b>COMMUNITY HEALTH</b>						
Public Health	\$ 544.2	\$ 531.2	\$ 13.1	\$ 1.9	\$ 14.9	6
<b>CULTURE &amp; RECREATION</b>						
Asian Art Museum	\$ 6.7	\$ 6.5	\$ 0.2	\$ -	\$ 0.2	
Arts Commission	10.3	9.7	0.6	-	0.6	
Fine Arts Museum	11.0	10.4	0.6	-	0.6	
Law Library	0.6	0.5	0.1	-	0.1	
Recreation and Parks	81.7	76.5	5.3	(3.3)	2.0	7
Academy of Sciences	4.8	4.6	0.2	-	0.2	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
City Administrator	\$ 67.2	\$ 60.2	\$ 7.0	\$ (0.6)	\$ 6.4	8
Assessor / Recorder	15.6	13.2	2.4	-	2.4	9
Board of Supervisors	12.5	12.3	0.2	(0.1)	0.1	
City Attorney	10.0	11.1	(1.1)	-	(1.1)	10
Controller	17.8	17.0	0.7	-	0.7	
City Planning	25.7	23.3	2.4	(2.3)	0.1	
Civil Service Commission	0.6	0.6	-	-	-	
Ethics Commission	6.3	6.2	0.1	(0.1)	0.0	
Human Resources	18.8	18.5	0.3	-	0.3	
Health Service System	0.1	0.1	-	-	-	
Mayor	25.6	25.0	0.6	-	0.6	
Elections	15.5	15.5	-	-	-	
Retirement System	1.6	1.6	-	-	-	
Technology	5.4	4.3	1.1	-	1.1	
Treasurer/Tax Collector	23.3	22.8	0.5	(0.5)	(0.0)	
<b>GENERAL CITY RESPONSIBILITIES</b>						
	\$ 96.5	\$ 96.5	\$ -	\$ -	\$ -	
<b>TOTAL GENERAL FUND</b>						
	\$ 2,704.8	\$ 2,618.8	\$ 86.0	\$ (13.1)	\$ 72.9	
Baseline Transfer to Municipal Railway Fund	143.3	127.9	15.4	-	15.4	
Baseline Funding to Parking & Traffic Fund	52.5	48.2	4.2	-	4.2	
Baseline Funding to Library Preservation Fund	46.3	41.7	4.5	-	4.5	
Parking Tax In Lieu Transfer to Municipal Railway Fund	52.3	51.3	1.0	-	1.0	
Subsidy Transfer to SF General Hospital Fund	145.9	141.8	4.1	-	4.1	6
Subsidy Transfer to Laguna Honda Hospital Fund	51.5	58.2	(6.7)	-	(6.7)	6
Subsidy Transfer to SF General Hospital - Realignment	-	7.3	(7.3)	-	(7.3)	
Transfer to All Other Special Revenue Funds	12.0	12.9	(0.9)	-	(0.9)	11
<b>Total Baselines and Transfers</b>	<b>503.8</b>	<b>489.5</b>	<b>14.3</b>	<b>-</b>	<b>14.3</b>	
<b>Reserves</b>	<b>183.1</b>	<b>183.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL GENERAL FUND SUPPORTED IMPACT</b>						
	\$ 3,391.7	\$ 3,291.4	\$ 100.3	\$ (13.1)	\$ 87.2	
Federal Stimulus to SF General (reduction to GF Transfer)	-	(12.0)	12.0	-	12.0	
Federal Stimulus to Laguna Honda (reduction to GF Transfer)	-	(3.1)	3.1	-	3.1	
<b>TOTAL GENERAL FUND SUPPORTED IMPACT</b>						
	\$ 3,391.7	\$ 3,276.2	\$ 115.4	\$ (13.1)	\$ 102.3	

\*Excludes Citywide Tax Revenues

## ***Notes to General Fund Department Budget Projections***

### **1. Fire Department**

The Fire Department projects to end the fiscal year with a net \$5.6 million surplus. The total revenue shortfall is \$1.7 million, including \$1.3 million of lower plan check fee revenue related to decreased building construction and \$0.4 million of lower original filing fee revenue due to decreased requests for fire related permits. This revenue shortfall is offset by \$7.3 million in expenditure savings, which is comprised of \$3.8 million of savings in uniform salaries and fringe savings due to anticipated retirements and \$3.5 million in savings associated with the Mayor's mid-year reductions. Note that an additional shortfall of \$4.4 million allocated to the Fire Department in Proposition 172 Public Safety Sales Tax revenue is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection.

### **2. Public Defender**

The Public Defender is projected to end the fiscal year with a slight surplus of \$0.2 million, their portion of the Mayor's mid-year reductions. As of the Controller's Six-Month Report, the Department was expected to have a \$0.8 million deficit but since that time the Department has established a balancing plan including savings from voluntary furlough days, delayed hirings and retirements, professional service contracts, and other non-personnel services.

### **3. Police**

The Police Department projects to end the fiscal year with a net \$9.4 million surplus. The Department projects to have \$9.1 million in expenditure savings resulting from \$4.1 million from the Mayor's mid-year reductions related to freezing vacant civilian positions and delaying two Police Academy classes, and \$5.0 million in additional recovery of funds from the Municipal Transportation Agency for services performed by the Department related to transportation and transit. In addition, the department projects to end the year with a revenue surplus of \$0.3 million from higher than budgeted revenue in 10B Administrative Overhead Fees and Fingerprinting Fees. Note that an additional shortfall of \$4.4 million allocated to the Police Department in Proposition 172 Public Safety Sales Tax revenue is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection.

### **4. General Services Agency – Department of Public Works**

The Department of Public Works projects to end the fiscal year with net savings of \$4.9 million. The Department projects to have \$6.2 million in expenditure savings, including \$4.9 million from the Mayor's mid-year reductions (primarily from savings in capital projects), and \$1.3 million in additional expenditure savings. These expenditure savings are offset by a projected revenue shortfall of \$1.3 million related to the Asphalt Plant.

### **5. Human Services Agency**

The Human Services Agency projects to end the fiscal year with a \$18.0 million surplus. The Department projects expenditure savings of \$21.9 million, consisting of \$11.2 million of savings from the Mayor's mid-year reductions, \$8.2 million for CalWorks programs, and \$2.8 million for Child Welfare programs, offset by \$0.3 million of shortfalls for all other aid and operation savings. The savings are partially offset by reduced federal and state reimbursements of \$3.9 million.

Note that an additional shortfall of \$7.9 million in Health and Welfare Realignment revenue allocated to the Human Services Agency is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection. In addition, the Department projects \$12.2 million in additional revenue from the increase of the Federal Medical Assistance Percentage as part of the American Recovery and Reinvestment Act. This revenue is not displayed in this departmental projection but is instead reflected in the Federal Stimulus Package revenues.

**6. Public Health**

The Department of Public Health projects to end the fiscal year with a net surplus of \$12.3 million, including a \$14.9 million surplus for non-hospital operations in the General Fund, a \$4.1 million surplus for San Francisco General Hospital, and a \$6.7 million shortfall for Laguna Honda Hospital. The surplus includes \$31.2 million of expenditure savings from the Mayor’s mid-year reductions, of which \$16.9 million is from the General Fund, \$8.1 million is from the San Francisco General Hospital, and \$6.2 million is from Laguna Honda Hospital. The following table summarizes the Department’s projected surplus.

**Department of Public Health (DPH) Projected Surplus/(Deficit)**  
Fiscal Year Ending June 30, 2009

(\$ Millions)	Sources	Uses	Net
Division	Surplus/ (Shortfall)	Surplus/ (Deficit)	Surplus/ (Deficit)
Public Health General Fund	1.9	13.1	14.9
S.F. General Hospital	12.1	(8.0)	4.1
Laguna Honda Hospital	0.2	(6.9)	(6.7)
<b>Total All Funds</b>	<b>14.2</b>	<b>(1.9)</b>	<b>12.3</b>

An additional shortfall of \$20.1 million allocated to the Department of Public Health from Health and Welfare Realignment revenue is not displayed in this departmental projection but is instead reflected in the overall Citywide revenue projection. Of this projected shortfall, \$12.8 million is in the General Fund and \$7.3 million is in the San Francisco General Hospital Fund. Consequently, the General Fund subsidy to the San Francisco General Hospital Fund is increased by \$7.3 million to cover the projected Realignment revenue shortfall and decreased due to the net \$4.1 million surplus, resulting in a net subsidy to the Hospital of \$3.3 million more than budget.

In addition, the Department projects \$23.6 million in additional revenue from the increase of the Federal Medical Assistance Percentage as part of the American Recovery and Reinvestment Act (ARRA) and the increase of the Medi-Cal Intergovernmental transfer from the State, of which a projected \$12.0 million is for the San Francisco General Hospital, \$8.4 million is for the General Fund, and \$3.2 million is for Laguna Honda Hospital. This revenue is not displayed in this departmental projection but is instead reflected in the Federal Stimulus Package revenues and reduced General Fund transfer to the Hospital funds.

### ***Non-hospital operations in the General Fund***

The Department of Public Health projects a \$14.9 million surplus in its non-hospital operations in the General Fund, of which \$1.9 million is for additional revenues and \$13.1 million is for expenditure savings. The revenue surplus consists of an additional \$4.1 million in the Primary Care program for Health Care Coverage Initiative (HCCI) revenue, an additional \$1.5 million in the Public Health program, and an additional \$0.8 million in the Jail Health program for AIDS Drug Assistance Program reimbursements, offset by a \$4.5 million reduction from prior audit settlements of Short Doyle Medi-Cal revenue. The projected \$13.1 million in expenditure savings is largely due to savings in salary and fringe benefit costs as part of the Mayor's mid-year reductions.

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

The Department of Public Health projects a \$4.1 million surplus for the San Francisco General Hospital. The Department estimates a \$12.1 million revenue surplus due to \$6.5 million of additional anticipated net patient revenue, \$4.7 million of additional Safety Net Care Pool revenue, \$2.0 million in additional Medi-Cal Administrative Activities Targeted Case Management revenues, offset by a shortfall of \$1.1 million in State tobacco tax revenues. The additional net patient revenue is related to higher census levels than were assumed in the budget. For the first nine months of the fiscal year, the average daily census for the Acute Medical/Surgery Units was 4.9% higher than assumed in the budget. The revenue surplus is offset by an \$8.0 million deficit from cost overruns in salaries and fringe benefits, which includes \$8.1 million included as part of the Mayor's mid-year reductions. A supplemental appropriation of additional net patient revenue will be submitted to cover the projected expenditure deficit.

### ***Laguna Honda Hospital***

The Department projects a \$6.7 million deficit for Laguna Honda Hospital, made up of \$6.9 million in salary expenditures over budget, slightly offset by a \$0.2 million revenue surplus. The Department will submit a supplemental appropriation of additional net patient revenue from San Francisco General Hospital to cover the projected expenditure deficit.

## **7. Recreation and Park**

The Recreation and Park Department projects to end the fiscal year with a \$2.0 million net surplus due primarily to \$3.7 million in operating expenditure savings as part of the Mayor's mid-year reductions and \$1.6 million in capital budget reductions, offset by a \$3.3 million revenue shortfall. These savings will be reserved for the Department under the requirements of the Recreation and Park Budget Savings Incentive Reserve. The savings will be available for the Department to use on one-time expenditures in future years.

Of the revenue shortfall, \$2.4 million is due to the inability of the San Francisco Zoological Society to pay for utility and labor costs provided by the City per a contractual agreement. The Mayor's Office is working with the department and the Zoological Society to address this issue. The remaining \$0.9 million shortfall is primarily due to reduced net revenue from the Union Square Garage, partially offset by surpluses at the Portsmouth Square Garage and better than anticipated admission and program revenue.



**8. General Services Agency - City Administrator**

The General Services Agency – City Administrator projects to end the fiscal year with a net surplus of \$6.4 million. The Department projects \$6.4 million in expenditure savings resulting from the Mayor’s mid-year reductions, including \$1.5 million in reductions to Grants for the Arts, the 311 Call Center and the Entertainment Commission, and an additional \$4.9 million savings in capital projects. The Department projects a revenue shortfall of \$0.6 million due to lower than budgeted Farmer’s Market fees, Medical Examiner fees, and County Clerk fees; however, this shortfall will be offset by additional salary and fringe benefit savings. Note that this projection does not include the Convention Facilities Fund, which is discussed in Appendix 4.

**9. Assessor / Recorder**

The Assessor / Recorder projects to end the fiscal year with expenditure savings of \$2.4 million, of which \$1.6 million is due to Mayor’s mid-year reductions and another \$0.8 million is due to salary savings and reductions in non-personnel services.

**10. City Attorney**

The City Attorney projects to end the fiscal year with a deficit of \$1.1 million due to a projected shortfall in departmental recoveries. The Mayor’s Office and the Controller’s Office will continue to work with the Department to develop a plan to bring expenditures in line with revenues by year end, without a need for a supplemental appropriation.

**11. Transfer to All Other Special Revenue Funds**

Transfers to other Special Revenue Funds are expected to be over budget by \$0.9 million. This is due to the net effects of a \$6.4 million increased transfer to the 911 Emergency Communications Fund to backfill the loss of dedicated 911 fee revenues that were replaced by a general Access Line Tax effective April 2009, offset by a \$5.0 million reduced need for General Fund support to the Convention Facilities Fund. See Appendix 4 Special Revenue and Enterprise Funds for more detail.

## APPENDIX 3. SALARIES AND BENEFITS RESERVE UPDATE

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### SOURCES

#### Salary and Benefits Reserve

Adopted AAO Salary and Benefits Reserve	\$ 1.6
Remaining FY 2007-08 Salary and Benefits Reserve Balance	<u>12.8</u>
<b>Total Sources</b>	<b><u>\$ 14.4</u></b>

### USES

#### Transfers to Departments

Fire Fighters Retirement Payouts	\$ 4.6
Police Wellness, Premium, and Compensatory Time Payouts	6.0
Police Recruitment Committee (DHR)	0.3
Police Downpayment and Rental Assistance Program	0.1
SEIU "As-Needed" Temporary Healthcare (DHR)	1.0
Various Depts - Local 21 Life Insurance	0.3
Various Depts - Local 39 Apprenticeship Program	0.2
Various Departments - Training & Tuition Reimbursement	0.9
Visual Display Terminal Insurance - Quarters 1-3	<u>0.1</u>
<b>Total Transfers to Departments</b>	<b>\$ 13.4</b>

#### Remaining Allocations

Retirement Payouts, Wellness Payouts, Premium, Overtime & Compensation Pay, & All Other MOU-Related Salary and Fringe Benefit Costs	\$ 1.0
<b>Total Uses</b>	<b><u>\$ 14.4</u></b>

## APPENDIX 4. OTHER FUNDS HIGHLIGHTS

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	Prior Year	Current Year			Estimated Year-end Fund Balance	Notes
	Fund Balance Surplus / (Shortfall)	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Operating Surplus / (Deficit)		
<b><u>SELECT SPECIAL REVENUE FUNDS</u></b>						
911 Emergency Communications Fund	\$1.7	(\$1.8)	\$0.1	(\$1.7)	(\$0.0)	1
Building Inspection Fund	\$2.0	(\$8.7)	\$6.7	(\$2.0)	(\$0.0)	2
Children's Fund	(\$1.1)	(\$0.6)	\$1.8	\$1.1	\$0.0	3
Convention Facilities Fund	\$3.2	(\$5.0)	\$1.8	(\$3.2)	\$0.0	4
DPW Overhead Fund	\$5.0	\$0.0	(\$2.0)	(\$2.0)	\$3.0	5
Golf Fund	\$0.0	(\$0.7)	\$0.7	\$0.0	\$0.0	6
Library Preservation Fund	\$16.0	(\$4.8)	\$1.0	(\$3.8)	\$12.3	7
Open Space Fund	\$4.6	(\$0.6)	\$0.0	(\$0.6)	\$4.0	8
Rent Arbitration Board Fund	\$0.2	\$0.0	\$0.2	\$0.2	\$0.4	9
War Memorial Fund	\$1.7	\$0.1	\$0.0	\$0.1	\$1.8	10
<b><u>SELECT ENTERPRISE FUNDS</u></b>						
Airport Operating Fund	\$67.7	(\$25.9)	\$13.8	(\$12.1)	\$55.6	11
MTA – MUNI Operating Fund	\$28.1	(\$33.5)	\$40.6	\$7.2	\$35.3	12
MTA - MUNI Transit Impact Fund	\$7.8	\$2.9	\$0.1	\$3.0	\$10.8	13
<b>Subtotal MTA - MUNI</b>	<b>\$36.0</b>	<b>(\$30.6)</b>	<b>\$40.7</b>	<b>\$10.1</b>	<b>\$46.1</b>	
MTA – Parking & Traffic Operating Fund	\$7.8	(\$5.0)	\$4.4	(\$0.5)	\$7.3	14
Port Operating Fund	\$36.8	\$0.9	\$1.5	\$2.5	\$39.3	15
PUC – Hetch Hetchy Operating Fund	\$85.7	(\$11.1)	\$17.0	\$5.9	\$91.6	16
PUC – Wastewater Operating Fund	\$12.9	(\$12.9)	\$21.1	\$8.2	\$21.1	17
PUC – Water Operating Fund	\$28.5	\$2.3	\$4.4	\$6.7	\$35.2	18

## ***Notes to Special Revenue and Enterprise Funds***

### **Select Special Revenue Funds**

#### **1. 911 Emergency Communications Fund**

Effective April 1, 2009 the 911 Access Fee will be replaced by the Access Line Tax given the passage of Proposition O in November 2008. The 911 Special Revenue Fund began the year with \$1.7 million in available fund balance above the \$2.8 million appropriated in the budget. As of April 1, all Access Line Tax will be deposited in the General fund, requiring an increase in the General Fund transfer to the 911 Emergency Communications Fund to offset the decrease in revenue. At year end, enough General Fund dollars will be transferred to the Fund to bring the balance to zero. Beginning in July 1, 2009 all expenditures related to 911 activities will be expended from the General Fund.

#### **2. Building Inspection Fund**

The Building Inspection Fund began the year with \$2.0 million in available fund balance. The Department of Building Inspection projects a shortfall of \$11.6 million in permitting and other revenues due to severe reductions in construction activity, partially offset by \$2.9 million recognition of previously deferred revenues for a net projected revenue shortfall of \$8.7 million. The Department intends to offset the revenue shortfall with \$2.0 million in beginning available fund balance, \$3.2 million in salary reductions including layoffs, \$1.8 million savings in other operating expenditures including materials and supplies, professional services and workorders, and \$1.7 million reduction in project appropriations. The Department expects to end the fiscal year with no available fund balance.

#### **3. Children's Fund**

The Children's Fund began the fiscal year with a starting negative fund balance of \$1.1 million, after the \$3.0 million appropriated in the FY 2008-09 budget. Current year revenues are projected to be \$0.6 million under budget due to the projected decrease in Property Tax revenue. Current year uses are projected to be \$1.8 million under budget due to \$0.8 million of savings in city grants, \$0.7 million of savings in non-personnel services, and \$0.3 million of savings in salaries and fringe benefits. The fund is projected to end the year with no available fund balance.

#### **4. Convention Facilities Fund**

The Convention Facilities Fund began the fiscal year with \$3.2 million available fund balance. Expenditure savings are projected to be \$1.8 million due to \$1.6 million in lower debt service costs and \$0.2 million in lower operating contract costs. Current year sources are projected to be on budget. However, in light of these surpluses and the available fund balance, the General Fund subsidy to the fund will be reduced by \$5.0 million, resulting in a projected year-end fund balance of zero.

## **5. Department of Public Works Overhead Fund**

The Department of Public Works Overhead Fund began the fiscal year with \$5.0 million in available fund balance. The Department expects expenditures to exceed recoveries by \$2.0 million due to lower overhead rates, resulting in a projected fiscal year-end available fund balance of \$3.0 million that will be used to reduce overhead rates for FY 2009-10.

## **6. Golf Fund**

The Golf Fund began the fiscal year with \$0.7 million in available fund balance, all of which was appropriated in the budget. The fund is expected to have a revenue shortfall of \$0.7 million due to reduced usage at several courses and reduced concessions. This shortfall will be offset by \$0.7 million in expenditure savings due to salary savings, reductions in operating costs at Harding Park, and moving expenditures related to preparations for the October 2009 golf tournament to PGA funding.

## **7. Library Preservation Fund**

The Library Preservation Fund began the fiscal year with \$16.0 million in available fund balance, none of which was appropriated in the FY 2008-09 budget. The Department projects a revenue shortfall of \$4.8 million due to decreases in the Property Tax allocation and the General Fund baseline contribution, partially offset by better than expected interest income. The Department projects expenditure savings of \$1.0 million due to savings in salaries, equipment, facilities maintenance, and debt service. The net result is an operating shortfall of \$3.8 million and an expected fiscal year-end available fund balance of \$12.3 million.

## **8. Open Space Fund**

The Open Space Fund began the fiscal year with \$4.6 million in available fund balance above the \$4.7 million that was appropriated in the FY 2008-09 budget. Revenues are anticipated to be under budget by \$0.6 million due to reduced Property Tax allocation. With no expected expenditure savings the Department expects to end the fiscal year with \$4.0 million in available fund balance.

## **9. Rent Arbitration Board**

The Rent Arbitration Board Fund began the fiscal year with an additional \$0.2 million in fund balance over the \$0.5 million assumed in the FY 2008-09 budget. Revenues are projected to be on budget and expenditures are projected to be \$0.2 million under budget due to salary and fringe benefit savings, resulting in a projected fiscal year-end fund balance of \$0.4 million.

## **10. War Memorial Fund**

The War Memorial Fund began the fiscal year with \$1.7 million in available fund balance above the \$0.5 million assumed in the FY 2008-09 budget. Revenues are projected to be \$0.1 million over budget due to higher rental and concession revenue, and expenditures are projected to be on budget, resulting in a projected fiscal year-end available fund balance of \$1.8 million.

## **Select Enterprise Funds**

### **11. Airport Operating Fund**

The Airport Operating Fund began the fiscal year with \$67.7 million in available fund balance above the \$19.8 million appropriated in the FY 2008-09 budget. The Airport projects current year operating revenues shortfall of \$9.3 million due to a \$4.7 million shortfall in aviation revenues and a \$4.6 million shortfall in non-airline revenues. Non-operating revenues are projected to be \$16.6 million below budget due to appropriations carried forward from the prior year that are not covered by operating revenues. The Airport is projecting to have \$13.8 million in expenditure surplus due to a projected \$2.7 million in salaries and fringe benefit savings from position vacancies, and savings compared to budget of \$8.3 million in professional service expenditures, \$0.9 million in materials and supplies, \$13.2 million in debt service, and \$0.7 million in work orders. The Department also projects \$0.4 million spending above budget in San Francisco Fire Department expenditures and a \$11.5 million unbudgeted expense to cover a portion of its annual increased liability for retiree health benefits. The annual service payment to the General Fund tied to concession sales, rental car revenues, and parking revenues, is projected to be on budget. The result is a projected net operating shortfall of \$12.1 million for the current year, resulting in an estimated fiscal year-end available fund balance of \$55.6 million.

### **12. MTA – Municipal Railway Operating Fund**

The Municipal Railway Operating Fund began the fiscal year with \$28.1 million in available fund balance above the \$16.1 million appropriated in the FY 2008-09 budget. The Department projects a revenue shortfall of \$33.5 million due primarily to \$16.4 million lower than budgeted baseline funding from the General Fund, a \$15.2 million shortfall in State Transportation Assistance, a \$7.9 million shortfall in parking traffic fine collections, and a \$3.4 million shortfall in State and Local Grants, offset by surpluses of \$7.5 million in MUNI pass and cable car revenue and \$1.3 million in other operating revenue. The Department projects expenditure savings in the Fund of \$40.6 million due to reduced spending in professional services, materials and supplies, and capital outlay. This results in a projected net operating shortfall of \$7.2 million and a projected fiscal year-end available fund balance of \$35.3 million.

### **13. MTA – Transit Impact Development Fund**

The Transit Impact Development Fund began the fiscal year with \$7.8 million available fund balance above the \$8.0 million appropriated in the FY 2008-09 budget. The Department projects revenues of \$2.9 million greater than budget due to \$2.3 million higher non-operating revenue and \$0.6 million in higher interest income. Expenditures are projected to be \$0.1 million lower than budget due to salary and fringe benefit savings. This results in a projected net operating surplus of \$3.0 million and a projected fiscal year-end available fund balance of \$10.8 million.

### **14. MTA – Parking & Traffic Operating Fund**

The Parking & Traffic Operating Fund began the fiscal year with a \$7.8 available fund balance above the \$8.4 million appropriated in the FY 2008-09 budget. Current year sources are projected to be \$5.0 million lower than budget due to \$4.4 million in lower baseline funding from the General Fund and \$0.6 million in lower public safety service charges. Expenditures

are projected to be \$4.4 million lower than budget due to \$2.5 million in salary and fringe savings and \$4.0 million in over-recoveries, offset by deficits of \$1.1 million in overhead, \$0.8 million in non-personnel services, and \$0.2 million in materials and supplies. In addition, the Department intends to cover \$5.0 million in higher than budget workorder costs to the Police Department with additional savings in non-labor expenditures. This results in a projected net operating deficit of \$0.5 million and an estimated fiscal year-end available fund balance of \$7.3 million.

#### **15. Port Operating Fund**

The Port Operating Fund began the fiscal year with \$36.8 million in available fund balance above the \$6.1 million appropriated in the budget. The Port is projecting to have an operating surplus of \$2.5 million in the current year due to expenditure savings and better than expected commercial and industrial rents and other revenues. This results in a projected fiscal year-end available fund balance of \$39.3 million.

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

The Hetch Hetchy Operating Fund began the fiscal year with \$85.7 million in fund balance. The Department projects a net revenue shortfall of \$11.1 million due to \$16.3 million lower than budgeted electricity sales, partially offset by \$6.2 million in energy bond revenues. Expenditure savings are projected to be \$17.0 million due to under spending in salaries, lower power purchases and transmission fees, and a contingency reserve. This results in a projected net surplus of \$5.9 million and a fiscal year-end available fund balance of \$91.6 million.

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

The Wastewater Operations Fund began the fiscal year with \$12.9 million in available fund balance. The Department projects a revenue shortfall of \$12.9 million due to lower water consumption, lower cash balances and declining interest rates. Expenditures are projected to be lower than budget by \$21.1 million due to salary savings, lower departmental overhead costs and a budgeted reserve for a net operating surplus of \$8.2 million. The projected fiscal year-end available fund balance is \$21.1 million.

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

The Water Operating Fund began the fiscal year with an available fund balance of \$28.5 million above the \$35.2 million appropriated in the budget. Revenues are projected to be over budget by \$2.3 million, due to increased revenues from wholesale customers from a rate increase that was not reflected in the adopted budget. Expenditures are expected to be under budget by \$4.4 million due to savings from salaries, lower departmental overhead costs and reduced materials purchases. This results in a net operating surplus of \$6.7 million and a projected fiscal year-end available fund balance of \$35.2 million.

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