

City and County of San Francisco

Budget Update

FY 2007-08 Quarter 1 Update

December 3, 2007

BUDGET: FY 2007-08 Update, \$ millions

GENERAL RESERVE - Beginning Balance			\$ 21.0
SOURCES			
Prior-Year Fund Balance (pre-audit)		\$ 13.0	\$ 13.0
Current-Year Revenues	\$ 3.5		
less Baselines Offsets	\$ (3.4)		
		\$ 0.1	
USES			
Supplemental Appropriations	\$ (0.1)		
Workers Compensation	\$ 1.6		
Expenditure Savings (DHS)	\$ 13.7		
Expenditure Overruns (DPH, SHF, JUV, CAT)	\$ (24.0)		
		\$ (8.7)	
Subtotal - FY 2007-08 Operations			\$ (8.6)
Projected Fund Balance*			\$ 25.4

*Already assumed in Mayor's Office \$229 projected budget shortfall.

BUDGET: FY 2007-08 Sources ... +\$3.5 M

\$ millions

	FY 2005-06	FY 2006-07	FY 2007-08	<i>sort order</i>	
Revenues & Transfers-In, US\$ Millions	Year-End Actuals	Year-End Pre-Audit Actuals	Original Budget	4-Month Projection	Surplus (Shortfall)
Property Tax	\$ 782.7	\$ 894.8	\$ 934.7	\$ 946.8	\$ 12.1
Hotel Room Tax	\$ 130.8	\$ 143.1	\$ 148.9	\$ 157.9	\$ 9.0
Sales Tax	\$ 103.1	\$ 107.8	\$ 111.5	\$ 113.2	\$ 1.7
Rents & Concessions	\$ 20.0	\$ 18.4	\$ 19.8	\$ 20.8	\$ 1.0
Parking Tax	\$ 36.2	\$ 64.8	\$ 64.8	\$ 65.7	\$ 0.9
Interest	\$ 31.0	\$ 40.1	\$ 35.5	\$ 36.3	\$ 0.8
Franchise Tax	\$ 13.7	\$ 14.9	\$ 14.8	\$ 15.2	\$ 0.4
Utility Users Tax	\$ 76.4	\$ 78.7	\$ 80.2	\$ 80.3	\$ 0.1
Real Property Transfer Tax	\$ 131.3	\$ 144.0	\$ 123.5	\$ 123.5	\$ -
Subtotal - Key Surpluses	\$ 1,325.2	\$ 1,546.8	\$ 1,569.2	\$ 1,596.1	\$ 26.0
State Social Service Subventions (DHS)	\$ 124.0	\$ 126.1	\$ 133.8	\$ 126.9	\$ (6.9)
Business Taxes	\$ 322.4	\$ 336.8	\$ 359.7	\$ 355.3	\$ (4.4)
Federal Grants & Subventions	\$ 182.4	\$ 183.6	\$ 214.1	\$ 210.6	\$ (3.5)
Prop 172 Public Safety Sales Tax	\$ 69.3	\$ 69.3	\$ 73.3	\$ 70.0	\$ (3.3)
Health & Welfare Realignment	\$ 157.9	\$ 172.4	\$ 170.2	\$ 168.1	\$ (2.1)
Public Safety Service Charges	\$ 24.9	\$ 25.6	\$ 27.0	\$ 25.7	\$ (1.3)
Medicare, Medical & Health Charges (DPH)	\$ 55.5	\$ 47.0	\$ 51.3	\$ 50.5	\$ (0.8)
Other Revenues	\$ 177.2	\$ 148.6	\$ 165.2	\$ 163.9	\$ (0.5)
Motor Vehicle In Lieu	\$ 35.8	\$ 4.7	\$ 5.3	\$ 4.9	\$ (0.4)
Subtotal - Other Key Revenues	\$ 1,149.5	\$ 1,114.2	\$ 1,199.9	\$ 1,175.9	\$ (23.2)
Total Revenues	\$ 2,474.6	\$ 2,661.0	\$ 2,769.2	\$ 2,772.0	\$ 2.8
Transfers In	\$ 58.0	\$ 62.3	\$ 62.3	\$ 63.0	\$ 0.8
Total Revenues & Transfers In	\$ 2,532.6	\$ 2,723.3	\$ 2,831.5	\$ 2,835.0	\$ 3.5
<i>Revenues Better from Prior Year Actual by...</i>	\$ 229.3	\$ 186.3		\$ 111.0	
<i>% Increase</i>	10.2%	7.5%		4.2%	

BUDGET: FY 2007-08 Sources ... Good News

Property Tax

- 8.5% increase in Net Assessed Valuation
- + \$12.1M better than budget

Hotel Room Tax

- 7.8% Average Room Rate Growth, September
- 1.3% Average Occupancy Growth, September
- + \$9M better than budget

Sales Tax

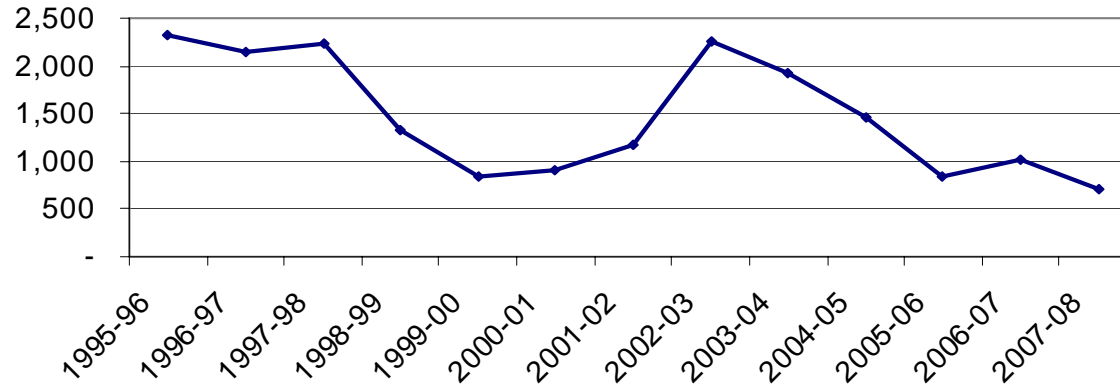
- Many CA counties had steep drops from the prior year for most recent quarter
- SF's revenue increased due to visitor volume and continued construction activity
- + \$1.7M better than budget

SFO Concessions

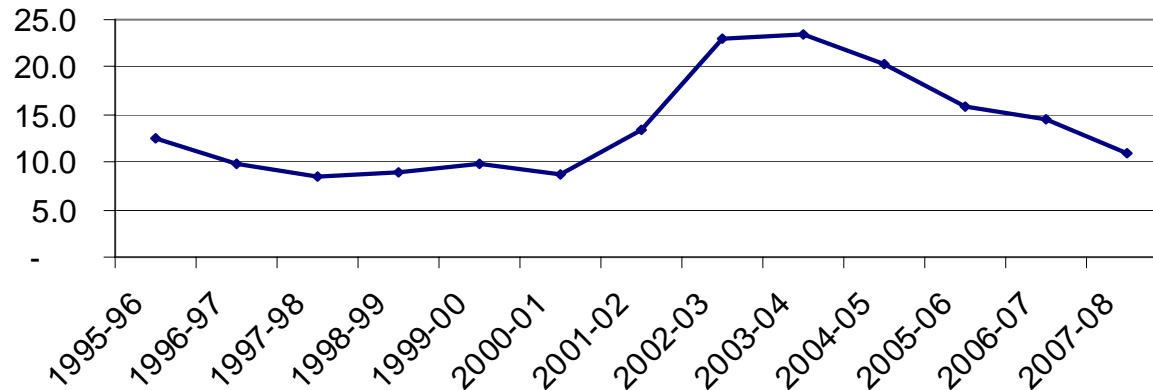
- + 6.2% Domestic Travel, calendar year-to-date through September
- + 5.0% International Travel, calendar year-to-date through September

BUDGET: FY 2007-08 Sources ... Property Appeals Down

Total Number of Assessment Appeal Filings by Fiscal Year Affected

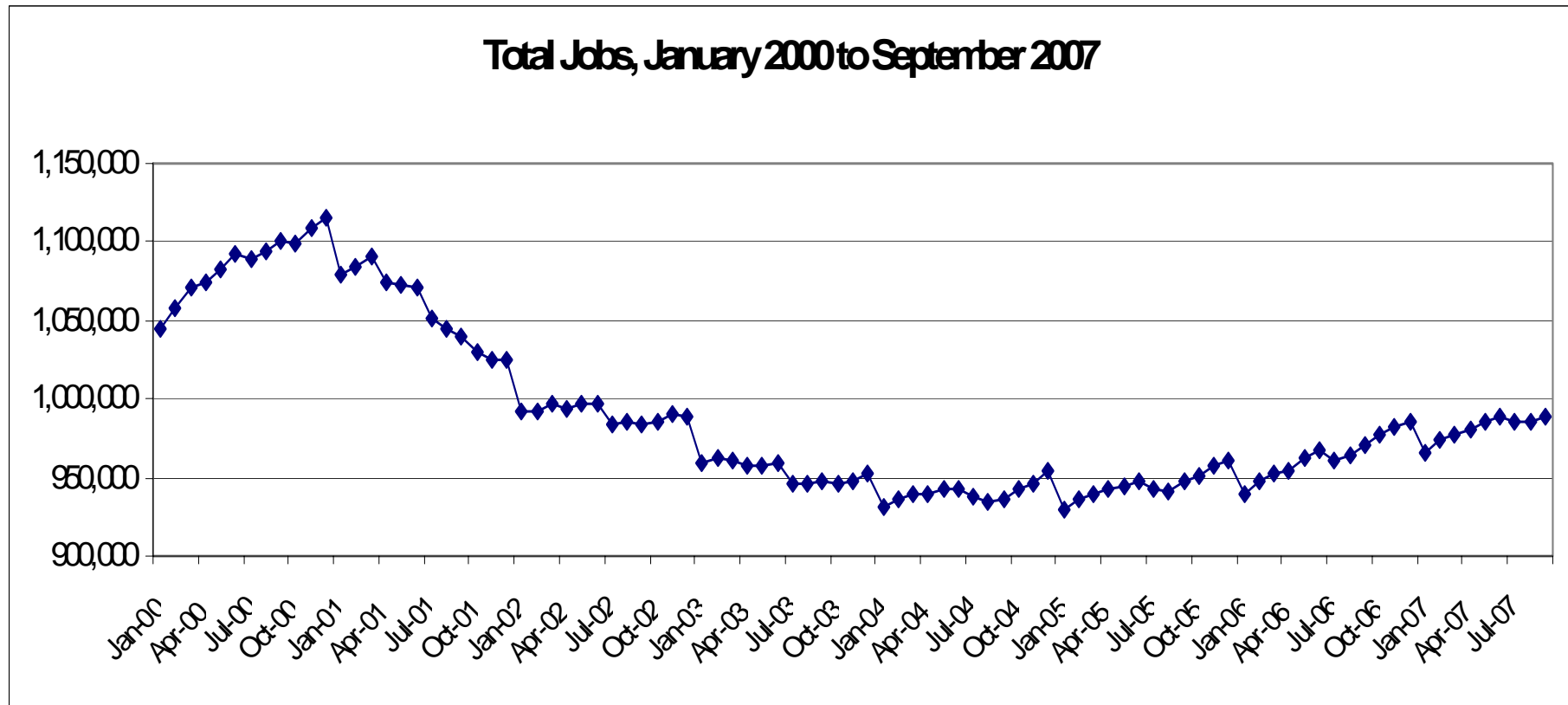


Total Value of Assessment Appeals by Fiscal Year Affected, US\$ Billions



BUDGET: FY 2007-08 Sources...Jobs + 1.8% YTD

San Francisco – Marin- San Mateo PMSA



BUDGET: FY 2007-08 Sources...Jobs +1.8% YTD

San Francisco – Marin- San Mateo PMSA

CY	Jobs	Change	
		Count	%
2000	1,085,767		
2001	976,078	-109,689	-10.1%
2002	990,533	14,456	1.5%
2003	880,270	-110,263	-11.1%
2004	940,250	59,980	6.8%
2005	944,917	4,667	0.5%
2006	963,883	18,967	2.0%
2007 YTD	981,478	17,594	1.8%

BUDGET: FY 2007-08 Sources ... Hotel Room Tax

	Occupancy Rate		Average Daily Room Rate	
	Most Recent Rate	% Chg from PY	Most Recent Rate	% Chg from PY
Sep-07	87.6%	1.3%	\$ 193.75	7.8%
Aug-07	88.2%	6.7%	\$ 179.69	10.8%
Jul-07	86.5%	5.5%	\$ 176.57	7.9%
Jun-07	81.1%	0.6%	\$ 172.53	1.8%
May-07	82.5%	8.0%	\$ 186.08	10.2%
Apr-07	76.9%	-0.9%	\$ 174.40	4.9%
Mar-07	74.7%	-0.7%	\$ 167.06	-1.8%
Feb-07	72.4%	9.9%	\$ 167.57	6.3%
Jan-07	61.8%	-0.5%	\$ 168.82	6.5%
Dec-06	62.3%	1.3%	\$ 150.90	4.0%
Nov-06	72.9%	2.8%	\$ 165.34	8.5%
Oct-06	86.6%	3.0%	\$ 187.63	9.3%
Sep-06	86.5%	-1.7%	\$ 179.76	8.2%
Aug-06	82.7%	-5.2%	\$ 162.20	8.5%
Jul-06	82.0%	-2.8%	\$ 163.57	8.6%

BUDGET: FY 2007-08 Sources ... Transfer Tax

Fiscal Year	Real Property Transfer Tax Revenue (\$ millions)				
	@ 0.50%	@ 0.68%	@ 0.75%	Timing	Total
	<\$250K	>\$250K	>\$1 M	Differences	Revenue*
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	\$ 0.41	\$ 29.25	\$ 114.31	\$ 0.00	\$ 143.98
FY 2007-08 Budget & Projection	\$ 0.42	\$ 27.18	\$ 95.92	\$ -	\$ 123.52

Fiscal Year	Real Property Transfer Tax Revenue (\$ millions)				Transaction Count				
	@ 0.50%	@ 0.68%	@ 0.75%	Total	@ 0.50%	@ 0.68%	@ 0.75%	Total	
	<\$250K	>\$250K	>\$1 M	Revenue*	<\$250K	>\$250K	>\$1 M	Total	
Thru October Actuals									
FY 2006-07 YTD	\$ 0.12	\$ 10.20	\$ 26.25	\$ 36.56	242	2,438	952	3,632	
FY 2007-08 YTD	\$ 0.20	\$ 9.28	\$ 24.14	\$ 33.62	341	2,363	1,083	3,787	
YTD Change	67.8%	-9.0%	-8.0%	-8.0%	40.9%	-3.1%	13.8%	4.3%	

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

BUDGET: FY 2007-08 Sources ... Bad News

Business Taxes

- Slightly lower wage Base as starting point for FY 2007-08

Federal Grants & Subventions

- Open Audits – Potential Findings & Revenue Disallowances
 - \$2.4M, Southwest Border Prosecution Initiative (District Attorney & Sheriff), annual \$ amount
 - \$1.1M, Title IVe (Juvenile Probation) – possible audit findings, annual \$ amount

Prop 172 Public Safety Sales Tax

- Sales Tax - Receipts Weakening Statewide

Health & Welfare Realignment

- Sales Tax - Receipts Weakening Statewide
- VLF - Weakness in Auto Sales Means Lower VLF Revenues

Other Departmental Concerns

- Sheriff, -\$1.3M, Lower Prisoner Boarding Charges
- Public Health, net costs of -\$15.1M (+\$10.5M sources and -\$25.6 M higher costs)
- Human Services, net savings of + \$6.8M (-\$6.9M sources and \$13.7 M savings)

BUDGET: Rainy Day – Economic Stabilization Account

\$ millions

	Beginning			Ending
	Balance	Uses	Deposits	Balance
FY 2004-05	\$ 55.1	\$7.0	\$ 0.0	\$ 48.1
FY 2005-06	\$ 48.1	\$0.0	\$49.8	\$ 97.9
FY 2006-07	\$ 97.9	\$0.0	\$19.7	\$117.6
FY 2007-08 _{est.}	\$117.6	\$0.0	\$ 0.0	\$117.6

- **4.2% revenue growth projected over prior-year, pre-audit actual.**
- **50% of growth exceeding 5.0% deposited into the Rainy Day Economic Stabilization Account.**
- **4-Month Projection shows GF under deposit threshold by \$2.7 M.**

BUDGET: Rainy Day – One-Time Account, \$ millions

	Beginning			Ending
	Balance	Uses	Deposits	Balance
FY 2004-05	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
FY 2005-06	\$ 0.0	(\$ 0.8)	\$24.9	\$24.1
FY 2006-07	\$24.1	(\$20.5)	\$12.5	\$16.1
FY 2007-08	\$16.1	(\$15.8)	\$ 0.0	\$ 0.2

- **25% of growth exceeding 5.0% deposited into Rainy Day One-Time Spending Account.**

BUDGET: FY 2007-08 General Fund Department Update

	Sources	Uses	Net
Sheriff	\$ (2.5)	\$ (7.4)	\$ (9.9)
Juvenile Probation	\$ (1.1)	\$ (0.8)	\$ (1.9)
District Attorney	\$ (1.2)	\$ -	\$ (1.2)
City Attorney	\$ -	\$ (1.5)	\$ (1.5)
Human Services	\$ (6.9)	\$ 13.7	\$ 6.8
Public Health			
General Fund Operations	\$ (0.9)	\$ (0.8)	\$ (1.7)
Hospital Subsidy Transfers			
SF General (+\$7.3M revenues, -\$17.7M costs)		\$ (10.4)	\$ (10.4)
Laguna Honda (+\$4.0M revenues, -\$7.1M costs)		\$ (3.1)	\$ (3.1)
Workers Compensation	\$ -	\$ 1.6	\$ 1.6
All Other Revenues	\$ 16.1	\$ -	\$ 16.1
Baselines	\$ -	\$ (3.4)	\$ (3.4)
Total - General Fund Only	\$ 3.5	\$ (12.1)	\$ (8.6)

BUDGET: FY 2007-08 General Fund Department Update

Sheriff

- Jail overcrowding, \$1.3 million revenue loss in boarding fees, \$1.2 million revenue loss SWBPI, and \$7.4 million over-expenditure due to newly opened jail space

Fire

- \$6.1 million deficit in overtime but off-setting salary savings

Juvenile Probation

- \$1.1 million Title IVe revenue placed on contingency reserve
- Uses: \$0.8 million over-expenditure, including \$0.6 million in salaries

Human Services Agency

- \$6.9 million revenue shortfall and \$13.7 expenditure savings due to lower than expected caseloads

City Attorney

- \$1.5 million net shortfall due to projected underrecoveries

Public Health

- General Fund: \$0.9 M revenue shortfall and \$0.8 million over-expenditure due to higher costs in Primary Care, Jail Health and Mental Health
- SF General: Census exceeding budget by 5% for 1st Quarter for \$7.3 million in additional patient revenues and \$17.7 million over expenditures
- Laguna Honda: \$4.0 million additional revenue in settlement of suspended Medi-Cal claims and \$7.1 million shortfall in expenditure projections due in part to higher personnel costs

BUDGET: FY 2007-08 Other Funds Update, \$ millions

Airport

- Airport is projecting net surplus of \$18.4 million due to better parking, concessions, and other sales and services, along with savings in personnel, public safety and non-personnel services.

Municipal Transportation Agency

- Net surplus of \$6.4 million due primarily to salary savings from unfilled vacancies and lower than expected workers' compensation costs.

Port

- Parking and ship repair revenues better than budget; cruise revenues lower.
- Unknown potential cost due to oil spill.

Public Utilities Commission

- Water: Net surplus of \$0.9 million due to salary savings which are partially offsetting lower water sales revenue due to water conservation in City usage.
- Wastewater: Net deficit of \$5.4 million due to lower sewer usage stemming from water conservation efforts along with overages in salary spending.
- Hetch Hetchy: Net surplus of \$4.1 million due to savings in salaries, power purchases and transmission fees more than offsetting lower power sales revenues.

BUDGET: Election Issues – New Voter Mandates

New Voter Mandates... add \$28 M to FY 2008-09 Shortfall

A – Transit Reform... Higher Parking Tax Allocation to MTA

\$26.29 M projected for FY 2007-08

\$26.69 M projected for FY 2008-09 of additional support costs

G – Golden Gate Park Stables Matching Fund

\$ 0.75 M of additional costs in any fiscal year

I – Establishing Small Business Assistance Center

\$ 0.75 M of additional costs for FY 2007-08

\$ 0.92 M of additional costs for FY 2008-09

WORKERS COMP: General Fund

Projected Workers Compensation Costs

(In Millions)

Fund/Service Area	(millions)	FY 2006-07		FY 2007-08		% Change from PY
		Actuals	Revised Budget	3-Month Projection	Surplus/ (Deficit)	
GENERAL FUND						
Recreation & Park		\$ 2.68	\$ 3.66	\$ 2.72	\$ 0.94	1.5%
Human Services		2.44	2.80	2.26	0.54	-7.5%
City Attorney		0.27	0.32	0.15	0.16	-43.8%
Human Resources w/ All Other Small Depts.		1.50	1.55	1.39	0.16	-7.1%
Public Health		1.03	1.15	1.02	0.13	-1.8%
Emergency Management		0.42	0.47	0.37	0.10	-11.0%
Fire Department		7.40	8.08	8.03	0.05	8.5%
Adult Probation		0.32	0.31	0.29	0.02	-8.9%
Fine Arts Museum		0.21	0.21	0.21	0.01	-3.0%
Treasurer/Tax Collector		0.19	0.20	0.21	(0.02)	8.8%
Health Service System		0.10	0.04	0.07	(0.03)	-26.0%
District Attorney		0.40	0.11	0.16	(0.05)	-60.0%
Sheriff		2.86	2.63	2.72	(0.09)	-4.7%
Juvenile		1.25	1.29	1.48	(0.18)	18.2%
Police Department		10.16	12.52	13.01	(0.49)	28.0%
Subtotal General Fund (GF)		\$ 31.24	\$ 35.33	\$ 34.09	\$ 1.24	9.1%
GENERAL FUND SUBSIDIZED						
Public Health						
Laguna Honda Hospital		2.85	3.34	2.99	0.35	4.8%
SF General Hospital		5.39	5.17	5.12	0.05	-4.9%
Subtotal General Fund Subsidized		\$ 8.24	\$ 8.51	\$ 8.11	\$ 0.40	-1.5%
Subtotal General Fund & Subsidized		\$ 39.47	\$ 43.84	\$ 42.20	\$ 1.64	6.9%
% Change from FY 2006-07 Actuals				6.9%		
% Change from FY 2007-08 Revised Budget				-3.7%		

WORKERS COMP: Other Funds

Projected Workers Compensation Costs

(In Millions)

<u>Fund/Service Area</u>	FY 2006-07		FY 2007-08		% Change from PY
	Actuals	Revised Budget	3-Month Projection	Surplus/ (Deficit)	
<u>OTHER FUNDS</u>					
Municipal Transportation Agency*	\$ 19.94	\$ 19.00	\$ 17.21	\$ 1.79	-13.7%
Port	\$ 0.58	\$ 1.16	\$ 0.71	\$ 0.45	22.3%
Public Utilities Commission	\$ 3.43	\$ 3.62	\$ 3.29	\$ 0.32	-3.9%
Police Department (Airport)	\$ 0.44	\$ 0.68	\$ 0.37	\$ 0.31	-16.9%
Public Works	\$ 2.72	\$ 3.10	\$ 2.87	\$ 0.23	5.6%
Public Library	\$ 0.93	\$ 1.11	\$ 0.90	\$ 0.21	-3.6%
Airport Commission	\$ 1.61	\$ 1.64	\$ 1.45	\$ 0.19	-10.1%
Building Inspections	\$ 0.14	\$ 0.19	\$ 0.10	\$ 0.09	-31.2%
Child Support Services	\$ 0.10	\$ 0.13	\$ 0.08	\$ 0.05	-23.4%
Telecommunications & Info Svcs	\$ 0.29	\$ 0.35	\$ 0.33	\$ 0.02	15.3%
War Memorial	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.01	7.9%
Rent Board	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	0.0%
City Administrator	\$ 0.23	\$ 0.24	\$ 0.26	\$ (0.02)	11.8%
Subtotal Non-General Fund	\$ 30.59	\$ 31.41	\$ 27.75	\$ 3.66	-9.3%
GRAND TOTAL	\$ 70.07	\$ 75.25	\$ 69.96	\$ 5.30	-0.2%
% Change from FY 2006-07 Actuals			-0.2%		
% Change from FY 2007-08 Revised Budget			-7.0%		

* 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.