



Edward Harrington  
Controller

May 5, 2000

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

The Honorable Board of Supervisors  
Room 244, City Hall

Re: 1999-2000 Nine-Month Budget Status Report

Dear Mayor Brown, Ladies and Gentlemen:

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. This report is a nine-month budget status report based on revenues received and appropriations expended through March 31, 2000; supplemental appropriation information is current as of May 4. The purpose of the report is to apprise the City's policy makers of the current budgetary status and projected year-end revenues and expenditures. It is organized as follows:

- I. Overview
- II. Revenues
- III. Expenditures
- IV. General Fund Subsidized Departments (Municipal Railway, Health, and Human Services)
- V. Issues to Monitor (Workers' Compensation)

## I. OVERVIEW

**We project a \$113.7 million year-end balance available at the end of fiscal year 1999-2000.** The projection is based on current revenue and spending patterns and the dollar amount of supplemental appropriation requests currently pending before the Board of Supervisors. This amount is available even after assuming that all pending supplemental appropriation requests are approved. The actual year-end balance may differ due to changes in revenues, current spending rates, or differences in the dollar amount of supplementals ultimately approved by the Mayor and the Board.

In our last report to you (February 8, 2000) we projected we would end fiscal year 1999-2000 with a \$90.2 million surplus. That number has grown by \$23.5 million primarily due to increased business and sales tax revenues. Projected business taxes have increased by \$12.6 million since the six-month report, sales taxes (including public safety sales taxes) have increased \$6.2 million, and motor vehicle license fees have increased \$4.8 million over the six-month estimates. A summary of our projected sources and uses of revenues by category follows. The most significant changes from the original budget and year-end projections are summarized below.

**Chart A: Nine-Month General Fund Budget Summary -- FY1999-2000**  
 (in millions)

	Original Budget	Revised Budget	Year-End Projection	Variance: + to G.F. (- from G.F.)
<b>Sources:</b>				
General Fund beginning balance	106.8	115.5	126.4	10.9
Current revenues	1,804.9	1,806.2	1,886.5	80.3
Transfers in	166.8	166.4	165.2	(1.2)
<b>Total Sources</b>	<b>2,078.5</b>	<b>2,088.1</b>	<b>2,178.1</b>	<b>90.0</b>
<b>Uses:</b>				
Operating expenditures	1,578.5	1,626.3	1,606.5	19.8
Contribution transfers	179.7	188.4	195.0	(6.6)
Other transfers and reserves	291.8	248.6	243.6	5.0
Required set-asides			7.2	(7.2)
Pending supplemental appropriations			12.1	(12.1)
<b>Total Uses</b>	<b>2,050.0</b>	<b>2,063.3</b>	<b>2,064.4</b>	<b>(1.1)</b>
<b>General Fund ending balance</b>	<b>28.5</b>	<b>24.8</b>	<b>113.7</b>	<b>88.9</b>

**General Fund Beginning Balance**

At the time the budget for 1999-2000 was prepared, we anticipated that we would start the current fiscal year with a balance of \$106.8 million in the General Fund Reserve. After the budget was adopted, we determined that \$8.7 million in projected 1999-2000 revenues was actually received in 1998-99. As a result, we increased the General Fund beginning balance to \$115.5 million in the revised budget. When the Comprehensive Annual Financial Report for the year ended June 30, 1999, was completed in November, we reported that the ending balance from the previous fiscal year was \$126.4 million. As a result, there is an additional \$10.9 million budgetary surplus available from 1998-99 that was not anticipated when the budget was adopted. Most of this surplus is attributable to higher-than-projected revenues in 1998-99 as well as budget savings within City departments.

### **Current Revenues and Transfers In**

We project revenues to be \$79.1 million higher than the revised budget. The majority of additional revenues comes from business, sales, and property-related taxes, which have increased primarily because of the continued strength in the economy and increases in property values and real estate transactions. Section II outlines the projected revenues by category.

### **Expenditures and Transfers Out/Reserves**

Based on current spending patterns, we project operating expenditures to be approximately \$19.8 million less than revised budget. Section III outlines projected expenditures by department. Contribution transfers from the General Fund are projected to increase by \$6.6 million, primarily to cover the projected shortfall in the Health Department. Other transfers and reserves are projected to be \$5.0 million less than budgeted primarily because of closeouts from capital projects. Changes between the original budget and the revised budget in the schedule of expenditures in Chart D are due to a carryforward of unexpended appropriations from the previous fiscal year, a supplemental appropriation (as listed in Appendix A), or an allocation from a reserve fund to a department budget.

### **Required Set-Asides**

The Charter requires the city to maintain a **cash reserve** to meet short-term working capital needs. The reserve amount is calculated as 10% of the annual property tax levy. Based on the projected increase in the property tax roll at year-end, the cash reserve must be increased by \$6.2 million to meet the Charter requirement.

The **budget incentive program** requires that 10% of any savings in General Fund expenditures be set aside for this program. Based on projected net expenditure savings in the General Fund, the set-aside required in 1999-2000 would be \$1.0 million.

The Charter specifies that both **Children's** and **Library services** shall receive at least a minimum level of funding from the General Fund (Sections 16.108 and 16.109). This minimum funding level is adjusted by any change in aggregate City appropriations from the base year. As a result, as General Fund expenditures increase, the minimum funding levels for Children's and Library services also increase. Chart B identifies the minimum funding level (baseline) for each fund based on the original 1999-2000 budget, and the revised funding level based on projected aggregate City expenditures.

**Chart B: Children’s and Library Baseline Funding Levels**  
 (in thousands)

	Original Baseline Requirement	Revised Baseline Requirement	Actual G. F. Contribution Revised Budget	Excess G.F. Contribution
Children’s Baseline	\$59,134	\$61,107	\$63,317	\$2,210
Library Baseline	26,657	27,541	29,933	2,392

The 1999-2000 General Fund contribution to both programs already exceeds our revised baseline calculation of the amount they are entitled to receive under the Charter. As a result, there are no required increases in the Children’s and Library services budgets.

**Pending Supplemental Appropriations**

The Board is considering supplemental appropriation requests from various departments of close to \$28.0 million (see Appendix A). Of this amount, \$15.9 million is already accounted for in the expenditure schedule, leaving a net of \$12.1 million in pending supplemental appropriations. This amount may be modified by the Mayor and the Board or by additional supplemental requests from departments in the next month. Our projections assume that these supplementals are approved at the requested funding levels.

**General Fund Ending Balance**

In the original budget, the General Fund ending balance was projected to be \$28.5 million at the end of 1999-2000. Based on current revenue and expenditure projections, the 1999-2000 year-end balance in the General Fund Reserve is projected to be \$113.7 million.

**Reserves**

Each year, the Board of Supervisors places certain budget items on reserve, requiring subsequent Board approval before these funds can be spent. Appendix B provides a status report on the Board reserves and their remaining balances.

**II. REVENUES**

**Chart C: Schedule of General Fund Budgeted and Projected Revenues**

Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (In thousands)

GENERAL FUND	ACTUAL FY98-99	FISCAL YEAR 1999-00			VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	9 MONTH PROJECTION		
<b>PROPERTY TAXES</b>	<b>370,632</b>	<b>388,826</b>	<b>388,945</b>	<b>401,019</b>	<b>12,074</b>	(1)
<b>BUSINESS TAXES:</b>						
Business Registration Tax	10,160	11,064	11,064	10,070	(994)	
Gross Receipts Tax	30,168	34,694	34,694	36,736	2,042	
Payroll Tax	188,843	200,692	200,692	212,293	11,601	
<b>Total Business Taxes</b>	<b>229,171</b>	<b>246,450</b>	<b>246,450</b>	<b>259,099</b>	<b>12,649</b>	(2)
<b>OTHER LOCAL TAXES:</b>						
Sales Tax	116,760	119,074	119,074	124,105	5,031	(3)
Hotel Room Tax	107,401	111,934	111,934	113,358	1,424	(4)
Utility Users Tax	58,907	54,571	54,571	58,564	3,993	(5)
Parking Tax	17,998	18,411	18,411	19,333	922	(6)
Real Property Transfer Tax	56,133	42,000	42,000	59,039	17,039	(7)
Admission Tax	3,279	3,139	3,139	3,517	378	(8)
<b>Total Other Local Taxes</b>	<b>360,478</b>	<b>349,129</b>	<b>349,129</b>	<b>377,916</b>	<b>28,787</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>						
Licenses & Permits	7,177	7,166	7,166	6,920	(246)	(9)
Franchise Tax	8,496	8,230	8,230	8,230	-	
<b>Total Licenses, Permits &amp; Franchises</b>	<b>15,673</b>	<b>15,396</b>	<b>15,396</b>	<b>15,150</b>	<b>(246)</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>14,204</b>	<b>14,541</b>	<b>5,841</b>	<b>6,637</b>	<b>796</b>	(10)
<b>INTEREST/INVESTMENT INCOME</b>	<b>22,496</b>	<b>24,964</b>	<b>25,158</b>	<b>25,158</b>	<b>-</b>	
<b>RENTS &amp; CONCESSIONS</b>						
Garages - Rec/Park	5,968	6,626	6,626	6,881	255	(11)
Rents and Concessions - Rec/Park	12,266	11,135	11,135	11,272	137	(11)
Other Rents and Concessions	1,280	1,298	1,298	1,298	-	
<b>Total Rents and Concessions</b>	<b>19,514</b>	<b>19,059</b>	<b>19,059</b>	<b>19,451</b>	<b>392</b>	
<b>INTERGOVERNMENTAL REVENUES</b>						
<b>Federal Subventions</b>						
Social Service Subventions	102,167	131,438	132,275	132,275	-	
Other Grants & Subventions	12,752	7,966	7,966	7,966	-	
<b>Total Federal Subventions</b>	<b>114,919</b>	<b>139,404</b>	<b>140,241</b>	<b>140,241</b>	<b>-</b>	

**CHART C (continued): Schedule of General Fund Budgeted and Projected Revenues**

Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (In thousands)

GENERAL FUND	ACTUAL FY98-99	FISCAL YEAR 1999-00			VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	9 MONTH PROJECTION		
<b>State Subventions</b>						
Social Service Subventions	97,297	124,125	132,156	132,156	-	
Health & Welfare Realignment	162,057	163,700	163,700	163,700	-	
Health/Mental Health Subventions	53,172	58,908	55,808	55,808	-	(12)
Public Safety Sales Tax	60,588	63,500	63,500	65,207	1,707	(13)
Motor Vehicle In-Lieu - County	46,057	45,890	45,890	50,032	4,142	(14)
Motor Vehicle In-Lieu - City	35,230	35,157	35,157	38,605	3,448	(14)
Other Grants & Subventions	15,898	29,340	32,759	36,403	3,644	(15)
<b>Total State Subventions</b>	<b>470,299</b>	<b>520,620</b>	<b>528,970</b>	<b>541,911</b>	<b>12,941</b>	
<b>CHARGES FOR SERVICES:</b>						
General Government Service Charges	17,003	15,750	15,827	15,827	-	
Public Safety Service Charges	11,668	11,325	11,445	12,205	760	(16)
Recreation Charges - Rec/Park	9,628	9,315	9,315	9,490	175	(11)
MediCal, MediCare and health service charge	26,573	35,185	35,185	35,185	-	
Other Service Charges	4,303	4,185	4,185	4,185	-	
<b>Total Charges for Services</b>	<b>69,175</b>	<b>75,760</b>	<b>75,957</b>	<b>76,892</b>	<b>935</b>	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>8,850</b>	<b>10,390</b>	<b>10,390</b>	<b>10,390</b>	<b>-</b>	
<b>OTHER REVENUES</b>	<b>20,084</b>	<b>412</b>	<b>664</b>	<b>12,664</b>	<b>12,000</b>	(17)
<b>TOTAL REVENUES</b>	<b>1,715,495</b>	<b>1,804,951</b>	<b>1,806,200</b>	<b>1,886,528</b>	<b>80,328</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>						
Airport	8,509	24,000	24,000	22,600	(1,400)	(18)
Hetch Hetchy	42,703	39,850	39,850	39,850	-	
Other Transfers	99,838	102,949	102,553	102,793	240	(19)
<b>Total Transfers-In</b>	<b>151,050</b>	<b>166,799</b>	<b>166,403</b>	<b>165,243</b>	<b>(1,160)</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>1,866,545</b>	<b>1,971,750</b>	<b>1,972,603</b>	<b>2,051,771</b>	<b>79,168</b>	

Notes to Revenue Schedule:

- (1) **Property taxes** are over budget by \$12.0 million. Approximately \$7.0 million is due to an increase in assessed property value over the 1998 roll. At the time the budget was adopted, the Assessor projected a 7.0% increase in the 1999 roll, which was used for the budget projection. The Assessor's final roll was actually 9.6% higher than the prior year. In addition, the Assessor issued a supplemental property tax bill for the Embarcadero Center, which was sold in November 1998; assuming the assessment is not challenged and the entire bill is paid this fiscal year, the General Fund share of the additional tax bill is approximately \$5.0.
- (2) **Business taxes** are projected to be over budget by \$12.6 million. Based on collections through March 2000, business tax receipts will be 13% higher than last year's revenues. This represents a real growth rate of 11% in business activity when the business tax credit for 1999 is taken into account. As a result of this year's projected growth rate, businesses will once again be entitled to the surplus business tax credit in 2000.
- (3) **Sales taxes** are substantially over budget by \$5.0 million, which represents nearly a 6.3% increase over prior year revenues. Cash receipts through March, which represent sales activities from July through December 1999, reflect significant increases in sales, especially during the year-end holiday period. Sales activity throughout the state has been exceptionally high, reflecting the strength of the economy.
- (4) **Hotel taxes** allocated to the General Fund are over budget by approximately \$1.4 million. This reflects an increase in the anticipated growth rate from 4.0% in the budget to 6.0%, based on collections to date and information from hotel industry analysts.
- (5) **Utility user taxes** are over budget by \$4.0 million. In the 1999-2000 budget, we adjusted our revenue projections down to reflect the effect of deregulation and increased competition in the electric utility market. We now project that utility user tax revenues will be comparable to prior year amounts, but greater than the budgeted amount.
- (6) **Parking taxes** are over budget by \$0.9 million. Continued strong economic growth and new retail facilities in downtown areas have increased garage occupancy.
- (7) **Real property transfer tax** revenues are up substantially again this year, approximately \$17.0 million over budget. The increase is due to higher property values, a large volume of sales transactions in the residential real estate market, and the sale of several high-priced commercial properties. Section 11.26 of the Annual Appropriation Ordinance provides that the Board of Supervisors may consider using excess real property transfer tax revenues for one-time housing, eviction prevention, and homeless programs.
- (8) The **admission tax**, which is collected on facilities owned by the Recreation and Park Department, is over budget by \$0.4 million. This reflects an additional payment received in July that was not

anticipated in the budget. This spring, the department will no longer receive admissions tax from the Giants.

- (9) **Licenses and permit** revenues are under budget by \$0.2 million, due to the lack of collection of newsrack fees. The legality of collecting this fee is currently under dispute.
- (10) **Fines, forfeitures and penalties** included \$8.7 million for settlement of the Bank of America case in the original budget. This revenue was actually received and credited to 1998-99. As a result, the revised budget was reduced by this amount of the prior year ending balance was increased by a similar amount (see Chart A). Revenues are projected to be \$0.8 million over the revised budget as a result of increased enforcement of red light violations.
- (11) **Garage, rents and concession, and recreation** revenues at Recreation and Park Department facilities are over budget by \$0.6 million, due to increased collections at Civic Center and Union Square garages and additional concession revenues.
- (12) **Health and Welfare Realignment** revenues are projected to be \$3.6 million over budget, due to stronger-than-projected growth in state-wide sales taxes and vehicle license fees. Of that amount, \$1.6 million is reflected as a surplus in the Department of Human Services. The remaining \$2.0 million is offset by revenue shortfalls in the Health Department. To avoid confusion, revenues are shown on budget, while the net surplus or deficit is included in departmental expenditure explanations in Section IV.
- (13) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$1.7 million over budget, due to higher growth in sales tax receipts. This reflects the higher level of sales activity in San Francisco and throughout the state.
- (14) **Motor Vehicle in Lieu** subventions are projected to be approximately \$7.6 million over budget, due to a larger prior-year base and substantially higher growth rate. California has seen a boom in vehicle sales and registration, resulting in higher allocations of in lieu revenues from the state.
- (15) **State grants and subventions** are projected to be over budget by \$3.6 million. After the City's budget was adopted, the state passed AB 1661, which provided funding for local government relief. Under the allocation formula, San Francisco received \$5.0 million. The city used \$3.1 million of this revenue to offset a shortfall in the state's allocation of tobacco revenues for the California Healthcare for Indigents Program (CHIP), run by the Health Department, leaving \$1.9 million available as surplus revenues. The city also received \$1.7 million more than budgeted for recovery of state-mandated costs under the SB 90 reimbursement program.
- (16) **Public safety service charges** are over budget by \$0.8 million. The Fire Department projects that it will collect \$0.5 million more than budget in various fire prevention fees; this revenue has been applied against the department's supplemental appropriation request. The managers for City Hall anticipate that they will collect an additional \$0.3 million in fees from special events; this amount has been applied against the Sheriff Department's supplemental appropriation request for additional security services.



- (17) **Other revenues** includes \$12.0 million from the Federal Emergency Management Agency (FEMA) for a hazard mitigation grant for the seismic protection work for City Hall. The funds will be credited to the City Hall project, and the project will in turn transfer \$12.0 million to the General Fund to offset a 1998 supplemental appropriation to the project.
- (18) **The transfer from the Airport** to the General Fund is projected to be \$1.4 million below budget because of postponements in the opening of new facilities, including the parking garage, duty free shops, and other concession facilities.
- (19) **Other transfers** are expected to be \$0.2 million over budget, primarily due to higher payments from other counties for the boarding of prisoners at City facilities. These revenues can be used to offset a portion of the Sheriff Department's supplemental appropriation request.

### III. EXPENDITURES

**Chart D: Schedule of General Fund Budgeted and Projected Expenditures**

Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (In Thousands)

GENERAL FUND	ACTUAL FY 1998-99	Fiscal Year 1999-2000			SURPLUS (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
<b>PUBLIC PROTECTION</b>					
Adult Probation	7,581	8,113	8,165	8,165	0
Animal Care and Control	2,382	2,745	2,762	2,712	50 (1)
Consumer Assurance	1,168	1,339	1,368	1,368	0
District Attorney-Prosecution	17,912	18,098	18,247	18,247	0
District Attorney-Family Support	11,322	14,334	16,110	16,110	0
Emergency Communications	4,229	20,010	20,970	19,970	1,000 (1)
Environment	235	552	620	620	0
Fire Department	150,777	161,692	163,600	166,349	(2,749) (2)
Juvenile Court	22,257	23,548	24,118	24,118	0
Police Department	215,263	218,287	220,907	220,907	0 (3)
Public Administrator/Guardian	3,271	3,616	3,639	3,589	50 (1)
Public Defender	10,933	12,168	12,337	11,957	380 (1)
Sheriff	65,861	70,333	70,742	73,143	(2,401) (4)
Trial Courts	27,292	26,023	26,855	26,855	0
<b>Total Public Protection</b>	<b>540,483</b>	<b>580,858</b>	<b>590,440</b>	<b>594,110</b>	<b>(3,670)</b>
<b>PUBLIC WORKS, TRANSPORTATION AND COMMERCE</b>					
Clean Water	130	201	201	201	0
Parking and Traffic Commission	31,113	35,020	35,834	35,176	658 (5)
Board of Appeals	313	348	349	349	0
Public Works	14,549	12,755	13,064	13,064	0
PUC Light, Heat and Power	4,193	2,650	2,686	2,686	0
Telecommunications & Info. Services	1,633	1,284	1,581	1,581	0
<b>Total Public Works, etc.</b>	<b>51,931</b>	<b>52,258</b>	<b>53,715</b>	<b>53,057</b>	<b>658</b>
<b>HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT</b>					
Business and Economic Development	1,013	2,768	3,417	3,417	0
Children, Youth & Their Families	1,778	4,441	4,420	4,420	0
Comm. on the Status of Women	2,004	2,415	2,621	2,621	0
Human Rights Commission	1,362	1,726	2,113	2,113	0
Human Services	330,514	394,112	409,916	388,456	21,460 (6)
<b>Total Human Welfare, etc.</b>	<b>336,671</b>	<b>405,462</b>	<b>422,487</b>	<b>401,027</b>	<b>21,460</b>
<b>COMMUNITY HEALTH</b>					
Community Health Network	57,279	58,961	59,857	59,857	0
Medical Examiner	3,505	3,766	3,854	3,654	200 (1)
Public Health	226,836	253,618	266,193	266,193	0
<b>Total Community Health</b>	<b>287,620</b>	<b>316,345</b>	<b>329,904</b>	<b>329,704</b>	<b>200</b>

**Chart D (continued): Schedule of General Fund Budgeted and Projected Expenditures**

Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (In Thousands)

GENERAL FUND	ACTUAL FY 1999-99	Fiscal Year 1999-2000			VARIANCE SURPLUS (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
<b>CULTURE AND RECREATION</b>					
Academy of Sciences	1,666	1,947	1,948	1,948	0
Art Commission	721	853	872	872	0
Asian Art Museum	1,498	1,763	1,782	1,782	0
Convention Facilities	2,268	3,606	3,660	3,660	0
County Educational Office	1,115	1,121	1,121	1,121	0
Fine Arts Museum	4,973	6,154	6,169	6,119	50 (1)
Law Library	274	394	398	398	0
Recreation and Park	61,778	57,591	59,122	59,122	0
<b>Total Culture, etc.</b>	<b>74,293</b>	<b>73,429</b>	<b>75,072</b>	<b>75,022</b>	<b>50</b>
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>					
Administration Services	6,267	6,102	6,368	6,218	150 (1)
Assessor/Recorder	8,265	8,838	9,249	9,564	(315) (7)
Board of Supervisors	7,721	8,487	8,761	8,561	200 (1)
City Attorney	11,533	12,114	12,512	13,651	(1,139) (8)
City Planning	7,633	10,098	10,687	10,067	620 (1)
Civil Service	478	644	665	625	40 (1)
Controller	15,921	19,742	18,215	18,215	0
Ethics Commission	497	611	631	631	0
General City Responsibility	32,573	26,932	27,379	26,279	1,100 (9)
Human Resources	13,844	16,379	15,052	14,852	200 (1)
Mayor	18,816	21,134	24,044	24,044	0
Elections	2,686	4,405	6,117	6,117	0
Treasurer/Tax Collector	13,508	14,848	14,980	14,700	280 (1)
<b>Total General Admin.</b>	<b>139,742</b>	<b>150,334</b>	<b>154,660</b>	<b>153,524</b>	<b>1,136</b>
<b>TOTAL GENERAL FUND EXPS.</b>	<b>1,430,740</b>	<b>1,578,686</b>	<b>1,626,278</b>	<b>1,606,444</b>	<b>19,834</b>
<b>TRANSFERS OUT OF GENERAL FUND:</b>					
Contribution to MUNI		84,433	93,065	90,565	2,500 (10)
Contribution to SFGH		36,654	36,654	46,654	(10,000) (11)
Contribution to LHH		32,380	32,380	32,380	0
Contribution to Library		26,270	26,270	25,370	900 (1)
Other Transfers and Reserves		291,800	248,600	243,600	5,000 (12)
<b>Total Transfers Out:</b>		<b>471,537</b>	<b>436,969</b>	<b>438,569</b>	<b>(1,600)</b>
<b>TOTAL GENERAL FUND USES</b>		<b>2,050,223</b>	<b>2,063,247</b>	<b>2,045,013</b>	<b>18,234</b>

Notes to Expenditure Schedule:

- (1) Based on current spending patterns, several departments are projected to end the year under budget because of salary and fringe benefit savings.
- (2) The **Fire Department** is projecting to end the year with a deficit of \$2.7 million consisting of additional expenditures for Worker's Compensation (\$1.3 million), Salaries & Fringes (\$1.6 million) and Materials & Supplies (\$1.1 million) offset by savings for Equipment Lease Purchases (\$1.3 million). The department is also projecting to collect an additional \$500,000 in permit fees which are reflected as surplus public safety service charges in Chart C.
- (3) The **Police Department** is projecting a deficit in overtime costs. The department has stated that this deficit will be offset by savings in other parts of their budget.
- (4) The **Sheriff** is projecting to end the fiscal year with a deficit of \$2.4 million consisting of Salaries & Fringes (\$3.3 million), Contractual Services – Systems (\$0.5 million), Residential Beds (\$0.7 million) and Workers Compensation (\$0.4) offset by releasing the Jail Overcrowding Reserve (\$2.5 million). The department intends to use \$250,000 in City Hall special event revenue and \$10,000 in surplus SB 90 revenue to offset overtime expenditures. These additional revenues are reflected as surplus departmental revenues in Chart C.
- (5) The **Department of Parking and Traffic** is projecting a surplus of \$658,000 which consists of a salary surplus of \$220,000 and contractual services savings of \$438,000.
- (6) The **Department of Human Services** is projecting a savings of \$21.5 million due to reductions in CAAP (County Adult Assistance Programs) and CalWORKs (California Work Opportunity and Responsibility to Kids) caseloads, and additional revenue allocations from the state. Details of the department's revenue and expenditure projections are discussed in Section IV.
- (7) The **Assessor/Recorder** is projecting a \$316,000 deficit in contractual services related to defending Viacom litigation.
- (8) The **City Attorney** is projecting a \$1.1 million deficit for costs related to claims made by businesses challenging the collection of business taxes. This projection also assumes that the Unified School District will reimburse the City Attorney approximately \$2.0 million for litigation costs incurred by the City Attorney for the Unified School District during this fiscal year.
- (9) **General City Responsibility** has a projected surplus of \$1.1 million due to savings in the General Fund's portion of the retiree's subsidy for the Health Service System. The number of retirees enrolled in Health Plan I is less than what was anticipated when preparing the current budget.

- (10) The **Municipal Railway** is projecting a surplus of \$2.5 million in fare and other revenues. This results in a decrease in the General Fund contribution to the department.
- (11) The **Health Department** is projecting a deficit of \$10.0 million overall. Details of the department's revenue and expenditure projections are discussed in more detail in Section IV.
- (12) **Other Transfers and Reserves** has a projected savings of \$5.0 million due to reductions in to the General Fund contribution to the Road Fund (\$2.5 million) and closeouts of old reserves for completed capital projects (\$2.5 million). In addition, \$1.0 million in project expenditure authority is being eliminated due to the non-collection of 3Com Park naming rights revenue.

**IV. GENERAL FUND SUBSIDIZED DEPARTMENTS**

**Municipal Railway**

The Municipal Railway is projecting a revenue surplus of \$2.5 million largely due to fare revenues and other operating revenues. On expenditures, the department is planning to offset shortfalls in personal and contractual services and workers' compensation with savings in other operating expenses and expenditure abatements. The department reports that it will operate within its expenditure authority and not request a supplemental appropriation in the current fiscal year.

**Chart E: Municipal Railway Projected Sources and Uses**

Fiscal Year Ending June 30, 2000

As of March 31, 2000

(In Thousands)

	ACTUAL FY 98-99	FY 1999-2000			SURPLUS/ DEFICIT
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
<b>SOURCES:</b>					
Department Revenues:					
Passenger Fares	97,649	98,552	98,552	100,566	2,014
Parking Revenues	91,962	98,450	98,450	98,450	-
Fed/State/Local Operating Rev.	69,234	67,938	67,938	67,938	-
Misc. Operating Revenues	4,475	7,356	7,356	7,842	486
State/Local Paratransit Funding	6,624	7,368	7,368	7,368	-
Other Revenue Transfers	4,552	4,883	6,731	6,731	-
<b>Total Department Revenues</b>	<b>274,496</b>	<b>284,547</b>	<b>286,395</b>	<b>288,895</b>	<b>2,500</b>
General Fund Subsidy	68,510	84,433	93,065	90,565	(2,500)
<b>TOTAL SOURCES</b>	<b>343,006</b>	<b>368,980</b>	<b>379,460</b>	<b>379,460</b>	<b>-</b>
Expenditures:					
Personal Services	243,129	256,249	264,881	264,881	-
Contractual Services	32,681	39,627	40,635	41,532	(897)
Materials and Supplies	27,361	33,640	32,780	32,780	-
Claims	9,719	7,783	7,783	7,783	-
Workers' Compensation	20,199	18,800	18,800	20,285	(1,485)
Other Operating Expenses	12,241	15,166	16,866	14,907	1,959
Expenditure Abatements	(2,324)	(2,285)	(2,285)	(2,708)	423
<b>TOTAL USES</b>	<b>343,006</b>	<b>368,980</b>	<b>379,460</b>	<b>379,460</b>	<b>-</b>
<b>PROJECTED SURPLUS/(DEF)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Health Department**

The Health Department is projecting a year-end deficit of \$10.0 million due to lower reimbursement under the SB855 Medi-Cal disproportionate share program. The department's projections include revenue and expenditure variances in each division, as summarized in Chart F. The Health Department has submitted a supplemental appropriation request to cover the projected shortfall of \$10.0 million from the disproportionate share program.

**Chart F: Health Department Projected Surplus/(Deficit)**  
 Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (In Thousands)

<u>Division</u>	<u>Over/(Under) Budgeted Amount</u>		<u>Net Surplus/ (Deficit)</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Community Health Network			
S.F. General Hospital	(\$19,723)	(\$3,557)	(\$16,166)
Laguna Honda Hospital	2,400	3,000	(600)
Primary Care	(3,918)	(67)	(3,851)
Health at Home	124	(586)	710
Forensics	<u>0</u>	<u>987</u>	<u>(987)</u>
Subtotal	(21,117)	(223)	(20,894)
Population Health & Prevention	<u>8,344</u>	<u>(2,550)</u>	<u>10,894</u>
Total	<u>(\$12,773)</u>	<u>(2,773)</u>	<u>(\$10,000)</u>

Revenues in the Community Health Network are projected to be \$21.1 million below budget. This is largely a result of lower reimbursement rates from Medicare and Medi-Cal, loss of SB855 revenues, a shift in the payer mix to more uninsured patients, and an increase in the allowance for uncollectable accounts. Revenues in Population Health and Prevention are over budget by \$8.3 million due primarily to recognition of deferred revenues from the state for mandated expenditures and increased allocation of Health and Welfare Realignment revenues from the state. Overall, the department's revenues are \$12.8 million less than budgeted.

The department estimates that it will be able to achieve a net reduction in expenditures of \$2.8 million. The department's expenditure reduction plan includes personnel savings resulting from a selected hiring freeze on vacant positions, materials and supplies savings, and reduced contractual services from delayed startup of new programs.

**Department of Human Services**

The Department of Human Services is projecting a savings in General Fund support of \$21.5 million. This savings reflects a combination of reduced expenditures and additional revenues.

The department receives approximately 30 percent of its revenues from the General Fund; the remaining 70 percent comes from federal and state grants and reimbursements for program expenditures. As a result, savings in program expenditures may also result in reduced federal or state funding. In the expenditure summary, we show only the net General Fund savings in the department. Chart G summarizes the projected changes in revenues and expenditures for the department.

**Chart G: Human Services Projected Surplus**  
Fiscal Year Ending June 30, 2000  
As of March 31, 2000  
(In Thousands)

<u>Revenue/Expenditure Category</u>	<u>Amount</u>
Expenditure savings	\$28,694
Reduction in federal/state reimbursements	(16,401)
FY97-98 closeout (state revenues)	2,000
FY98-99 revised claim (state revenues)	5,567
H&W realignment revenues	<u>1,600</u>
Net General Fund Savings	\$21,460

Overall, the department is projecting it will underspend its budget by \$28.7 million, due primarily to declining caseloads in CAAP (County Adult Assistance Programs) and CalWORKs (California Work Opportunity and Responsibility to Kids) and lower than expected growth in CAPI (Cash Assistance Program to Immigrants) and IHSS (In-Home Supportive Services) health benefits. The projected savings are partially offset by a reduction in federal and state revenues of \$16.4 million, resulting in a net expenditure savings of \$12.3 million in the General Fund. The department also anticipates that it will receive additional allocations from the state of \$2.0 million for the fiscal year 1997-98 closeout of claims, \$5.6 million for its revised fourth quarter claim from fiscal year 1998-99, and \$1.6 million in Health and Welfare Realignment revenues. The total savings to the General Fund is \$21.5 million (\$12.3 million less in expenditures and \$9.2 million more in revenues).



## V. ISSUES TO MONITOR

### Workers' Compensation

Workers' compensation continues to be an area of budgetary concern. Chart H reflects the Human Resources Department's projected year-end workers' compensation spending by department. The estimates are based on eight-month actuals as well as prior year spending patterns. Overall, these projections result in a \$3.2 million projected deficit in the City's workers' compensation budget.

With the exception of the Sheriff and the Fire Department, all other departments with workers compensation deficits will likely be able to absorb these increases within their existing budget, and are, therefore, being shown on budget in the expenditure section.

**Chart H: Projected Workers' Compensation Spending**  
 Fiscal Year Ending June 30, 2000  
 As of March 31, 2000  
 (in thousands)

<u>Department</u>	<u>FY 98-99 Actual</u>	<u>FY 99-00 Budget</u>	<u>9-Month Actual</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>
<b>General Fund:</b>					
Juvenile Court	\$716	\$846	\$602	\$817	\$29
District Attorney	237	263	146	198	65
Recreation & Park	1,943	2,025	1,298	1,763	262
Human Services	1,375	1,358	1,028	1,397	(39)
Police	6,561	6,303	4,423	6,076	227
Fire	5,596	5,200	5,116	6,480	(1,280)
Public Health	974	875	785	1,069	(194)
Sheriff	1,237	1,000	1,069	1,350	(350)
Parking & Traffic	2,265	2,421	1,394	1,930	491
Other GF Depts.	1,406	1,232	1,225	1,667	(435)
<b>Total General Fund</b>	<b>22,310</b>	<b>21,523</b>	<b>17,086</b>	<b>22,747</b>	<b>(1,224)</b>
<b>General Fund Subsidized:</b>					
Public Library	276	180	246	334	(154)
Municipal Railway	20,199	18,800	14,883	20,285	(1,485)
SF General Hospital	3,747	3,974	2,716	3,689	285
Laguna Honda Hospital	2,501	2,438	2,286	3,104	(666)
<b>Total GF Subsidized</b>	<b>26,723</b>	<b>25,392</b>	<b>20,131</b>	<b>27,412</b>	<b>(2,020)</b>
<b>GRAND TOTAL</b>	<b>\$49,033</b>	<b>\$46,915</b>	<b>\$37,217</b>	<b>\$50,159</b>	<b>(\$3,244)</b>

## **Conclusion**

The funds available are clearly sufficient to carry the City through the rest of the fiscal year, with a remaining balance that is available to future year budgets. My staff and I are available to respond to any comments or questions you may have.

Sincerely,

Edward Harrington

### Attachments:

Appendix A: Status of Supplemental Appropriations that impact the General Fund Reserve  
Appendix B: Status of Board Reserves

cc: Department Heads  
Steve Kawa, Mayor's Budget Office  
Harvey Rose, Budget Analyst

**APPENDIX A**  
**Status of Supplemental Appropriations**  
**that affect the General Fund**  
 Fiscal Year 1999-2000 (as of May 4, 2000)

<u>Approved Supplementals</u>	<u>CHANGES APPROVED</u>	<u>CHANGES PENDING</u>
San Francisco Unified School District Arts Funding	\$657,000	
Earthquake Relief for City of Taipei	250,000	
Emergency Winter Shelter for Gay/Lesbian Youth	54,290	
Socioeconomic Study of Rent Ordinance	175,000	
Trial Court Indigent Defense Costs	508,000	
Elections Department Temp. Salaries and Equipment	1,606,602	
Elections Department Vote Scanning System	<u>502,008</u>	
Total Changes Approved:	<u><u>\$3,752,900</u></u>	
 <u>Supplementals Pending at the Board</u>		
Gay and Lesbian Historical Society Grant		60,000
Trial Courts Private Investigator Wage Increase		50,000
International Gay & Lesbian Human Rights Commission Grant		25,000
Seismic Reinforcement of Public Buildings		12,000,000
Sheriff-Defendant Tracking System, Worker's Compensation, Treatment Beds		2,142,114 *
Fire Department-Salaries, Overtime, Worker's Compensation, Uniforms		2,249,123 *
City Attorney Business Tax Litigation/Defense Costs		1,139,504 *
Assessor's Office Viacom Assessment Appeal Costs		316,167 *
General Hospital; Replacing Revenues from Disproportionate Share Program		<u>10,000,000 *</u>
Subtotal Pending Supplemental Appropriation Requests		27,981,908
Amount Reflected in Chart D, Projected Expenditures (denoted by *)		<u>(15,846,908)</u>
Net Changes Pending:		<u><u>\$12,135,000</u></u>

**APPENDIX B**  
**Status of Board Reserves**  
 Fiscal Year 1999-2000  
 (as of May 4, 2000)

<u>RESERVE</u>	<u>BEGINNING BALANCE</u>	<u>CHANGES PENDING OR APPROVED</u>	<u>BALANCE AFTER CHANGES</u>
100 Temporary PCO Program	\$500,000	\$0	\$500,000
On-line City Access	500,000	0	500,000
Jail Overcrowding	2,500,000	2,500,000	0
Queer Youth Shelter	250,000	0	250,000
Welfare-to-work Health Benefits	250,000	0	250,000
MUNI Booz-Allen payments	649,065	0	649,065
School Based Health Clinics	550,000	550,000	0
Childcare Health Providers Pilot	250,000	250,000	0
Tech. Assistance for Youth Invest	50,000	50,000	0
MUNI Revenue Processing Fac.	95,656	0	95,656
Citywide Capital Projects	2,750,000	785,000	1,965,000
Calworks College Scholarship	200,000	140,000	60,000
DHS Drop-in Centers	607,519	0	607,519
Family Shelter 260 Golden Gate	1,300,000	1,300,000	0
SE Environmental Mitigation	13,000,000	0	13,000,000
TI Environmental Monitoring	500,000	154,000	346,000
Millenium Event Safety	1,218,226	1,218,226	0
Year 2000 Project	1,125,000	1,125,000	0
Court Management System	1,790,463	1,790,463	0
Mission SRO Collaborative	245,000	245,000	0
Children's Mental Health Initiative	270,000	270,000	0
Acute Diversion for Mental Health	300,000	300,000	0
Methadone Access MD Training	50,000	50,000	0
Risk Management Position	75,056	75,056	0
Tool Lending Library	266,382	0	266,382
Police Crisis Intervention	180,000	0	180,000
Rent Board Hearing Officer	31,009	0	31,009
Sex Worker Diversion Program	50,000	0	50,000
Total	<u>\$29,553,376</u>	<u>\$10,802,745</u>	<u>\$18,750,631</u>