



Edward Harrington
Controller

February 8, 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 Six-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 six-month budget status report based on revenues received and appropriations expended through December 31, 1999. 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 \$90.2 million year-end balance available at the end of fiscal year 1999-2000. This amount is based on current revenue and spending patterns and the dollar amount of supplemental appropriation requests currently pending before the Board of Supervisors. 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. 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: Six-Month General Fund Budget Summary -- FY1999-2000
 (in millions)

	Original Budget	Revised Budget	Year-End Projection	Variance: + to G.F. (- from G.F.)
Sources:				
General Fund beginning balance	106.8	115.5	126.4	10.9
Current revenues	1,804.9	1,806.8	1,850.1	43.3
Transfers in	166.8	166.4	166.6	0.2
Total Sources	2,078.5	2,088.7	2,143.1	54.4
Uses:				
Operating expenditures	1,578.5	1,622.4	1,613.7	8.7
Contribution transfers	179.7	185.9	189.0	(3.1)
Other transfers and reserves	291.8	252.8	245.3	7.5
Required set-asides			0.9	(0.9)
Pending supplemental appropriations			4.0	(4.0)
Total Uses	2,050.0	2,061.1	2,052.9	8.2
General Fund ending balance	28.5	27.6	90.2	62.6

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 \$43.3 million higher than the revised budget. The majority of additional revenues comes from 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 \$8.7 million less than revised budget. Section III outlines projected expenditures by department.

Contribution transfers from the General Fund are projected to increase by \$3.1 million, primarily to cover the projected shortfall in the Health Department. Other transfers and reserves are projected to be \$7.5 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 specifies that the **Children’s Fund** and the **Library Preservation Fund** 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 the Children’s Fund and the Library Preservation Fund 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 Fund and Library Preservation Fund Baseline Funding Levels
 (in thousands)

	<u>Required</u>		<u>Actual</u>	
	<u>Original</u> <u>Baseline</u>	<u>Revised</u> <u>Baseline</u>	<u>G. F. Contribution</u> <u>Revised Budget</u>	<u>Excess G.F.</u> <u>Contribution</u>
Children’s Fund	\$59,134	\$60,408	\$60,551	\$143
Library Fund	26,657	27,232	30,692	3,460

The 1999-2000 General Fund contribution to both funds 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 Fund and Library Preservation Fund budgets.

The **budget incentive program** requires that ten percent (10%) of any savings in General Fund expenditures be set aside for this program. Based on projected expenditure savings of \$8.7 million, the set-aside required in 1999-2000 would be \$0.9 million.

Pending Supplemental Appropriations

The Board is considering supplemental appropriation requests from various departments of about \$4.0 million (see Appendix A). This amount may be modified by the Mayor and the Board or by additional supplemental requests from departments in the next few months. 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 \$90.2 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 Budgeted and Projected Revenues

Fiscal Year Ending June 30, 2000
 As of December 31, 1999
 (In thousands)

GENERAL FUND	ACTUAL FY98-99	FISCAL YEAR 1999-00			SURPLUS (DEFICIT)	
		ORIGINAL BUDGET	REVISED BUDGET	6 MONTH PROJECTION		
PROPERTY TAXES	370,632	388,826	388,945	400,984	12,039	(1)
BUSINESS TAXES:						
Business Registration Tax	10,160	11,064	11,064	11,064	-	
Gross Receipts Tax	30,168	34,694	34,694	34,694	-	
Payroll Tax	188,843	200,692	200,692	200,692	-	
Total Business Taxes	229,171	246,450	246,450	246,450	-	(2)
OTHER LOCAL TAXES:						
Sales Tax	116,760	119,074	119,074	119,225	151	(3)
Hotel Room Tax	84,327	111,934	111,934	112,660	726	(4)
Utility Users Tax	58,907	54,571	54,571	58,589	4,018	(5)
Parking Tax	17,998	18,411	18,411	19,978	1,567	(6)
Real Property Transfer Tax	56,133	42,000	42,000	58,159	16,159	(7)
Admission Tax	3,279	3,139	3,139	3,397	258	(8)
Total Other Local Taxes	337,404	349,129	349,129	372,008	22,879	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	7,177	7,166	7,166	6,920	(246)	(9)
Franchise Tax	8,496	8,230	8,230	8,230	-	
Total Licenses, etc.	15,673	15,396	15,396	15,150	(246)	
FINES, FORFEITURES & PENALTIES	14,204	14,541	5,841	5,781	(60)	(10)
INTEREST/INVESTMENT INCOME	22,496	24,964	25,154	25,154	-	
RENTS & CONCESSIONS						
Garages - Rec/Park	5,968	6,626	6,626	6,758	132	(11)
Rents and Concessions - Rec/Park	12,266	11,135	11,135	11,257	122	(11)
Other Rents and Concessions	1,280	1,298	1,298	1,295	(3)	
Total Rents and Concessions	19,514	19,059	19,059	19,310	251	
INTERGOVERNMENTAL REVENUES						
Federal Subventions						
Social Service Subventions	102,167	130,003	132,070	132,070	-	
Other Grants & Subventions	12,752	7,966	7,966	7,966	-	
Total Federal Subventions	114,919	137,969	140,036	140,036	-	

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

Fiscal Year Ending June 30, 2000
 As of December 31, 1999
 (In thousands)

GENERAL FUND	ACTUAL FY98-99	FISCAL YEAR 1999-00			SURPLUS (DEFICIT)	
		ORIGINAL BUDGET	REVISED BUDGET	6 MONTH PROJECTION		
State Subventions						
Social Service Subventions	97,297	124,125	132,050	132,050	-	
Health & Welfare Realignment	162,057	163,700	163,700	163,700	-	(12)
Health/Mental Health Subventions	53,172	58,908	58,908	58,908	-	
Public Safety Sales Tax	60,588	63,500	63,500	63,836	336	(13)
Motor Vehicle In-Lieu - County	46,057	45,890	45,890	47,548	1,658	(14)
Motor Vehicle In-Lieu - City	35,230	35,157	35,157	36,237	1,080	(14)
Trial Court Funding	(393)	0	-	-	-	
Other Grants & Subventions	16,291	30,775	30,775	36,875	6,100	(15)
Total State Subventions	470,299	522,055	529,980	539,154	9,174	
CHARGES FOR SERVICES:						
General Government Service Charges	17,003	15,750	15,750	15,407	(343)	(16)
Public Safety Service Charges	11,668	11,325	11,445	11,130	(315)	(17)
Recreation Charges - Rec/Park	9,628	9,315	9,315	9,414	99	(11)
MediCal,MediCare, health service	26,573	35,185	35,185	34,940	(245)	(18)
Other Service Charges	4,303	4,185	4,185	4,185	-	
Total Charges for Services	69,175	75,760	75,880	75,076	(804)	
RECOVERY OF GEN. GOV'T. COSTS	8,850	10,390	10,390	10,390	-	
OTHER REVENUES	20,084	412	598	598	-	
TOTAL REVENUES	1,692,421	1,804,951	1,806,858	1,850,091	43,233	
TRANSFERS INTO GENERAL FUND:						
Airport	8,509	24,000	24,000	24,000	-	
Hetch Hetchy	42,703	39,850	39,850	39,850	-	(19)
Other Transfers	99,838	102,949	102,553	102,793	240	(20)
Total Transfers-In	151,050	166,799	166,403	166,643	240	
TOTAL GENERAL FUND RESOURCES	1,843,471	1,971,750	1,973,261	2,016,734	43,473	

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.

Every year, a portion of property tax revenues is set aside in reserves for potential appeals. As appeals are settled, the reserve amount may be adjusted, resulting in changes in our property tax projections for the year.

- (2) **Business taxes** are projected to be on budget at this time. Since most business tax payments are not remitted until March, it is too early to project any surplus or deficit for the fiscal year. Based on last year's actual revenues (prior to adjustment for the surplus business tax credit), business taxes need to increase by 5.6% to reach the budget estimate. This is within the reasonable range of growth anticipated for the current year.
- (3) **Sales taxes** are slightly over budget by \$0.2 million. This is due primarily to an increase in prior year actual revenues, thus increasing the basis for this year's projections. Overall, sales taxes are projected to increase 2.8% over last year's actual revenues, before adjustments.
- (4) **Hotel taxes** allocated to the General Fund are over budget by approximately \$0.7 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 \$1.6 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 \$16.2 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 \$0.3 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).
- (11) **Garage, rents and concession, and recreation** revenues at Recreation and Park Department facilities are over budget by \$0.3 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 III.
- (13) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$0.3 million over budget, due to slightly higher growth in sales tax receipts.
- (14) **Motor Vehicle in Lieu** subventions are projected to be approximately \$2.7 million over budget, due to a larger prior-year base and slightly higher growth rate.
- (15) **State grants and subventions** are projected to be over budget by \$6.1 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. A portion of this revenue was used 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 (see list of supplemental appropriations, Appendix A). The city also received \$1.1 million more than budgeted for recovery of state-mandated costs under the SB 90 reimbursement program.
- (16) **General government service charges**, which are made up of a number of items, are under budget by \$0.3 million due to a reallocation of several items into other revenue categories.

- (17) **Public safety service charges** are under budget by \$0.3 million, due to lower collections of tow surcharge fees.
- (18) **Health service charges** are expected to be \$0.2 million under budget, due to a shortfall in collection of emergency medical service (EMS) fees by the Fire Department.
- (19) **The transfer from Hetch Hetchy** to the General Fund is projected to be on budget at this time. The Public Utilities Commission advises that increased operating expenses as a result of power purchases, and lower revenues from power sales may affect net revenues available for transfer.
- (20) **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.

III. EXPENDITURES

Chart D: Schedule of Budgeted and Projected Expenditures

Fiscal Year Ending June 30, 2000
 As of December 31, 1999
 (In Thousands)

GENERAL FUND	ACTUAL FY 1998-99	Fiscal Year 1999-2000			SURPLUS (DEFICIT)	
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION		
PUBLIC PROTECTION						
Adult Probation	7,581	8,113	8,204	8,204	0	
Animal Care and Control	2,382	2,745	2,728	2,683	45	(1)
Consumer Assurance	1,168	1,339	1,403	1,403	0	
District Attorney-Prosecution	17,912	18,098	18,409	18,409	0	
District Attorney-Family Support	11,322	14,334	16,079	16,079	0	
Emergency Communications	4,229	20,010	20,987	19,987	1,000	(1)
Environment	235	552	493	463	30	(1)
Fire Department	150,777	161,692	163,587	165,675	(2,088)	(2)
Juvenile Court	22,257	23,548	23,637	23,637	0	
Police Department	215,263	218,287	220,907	220,907	0	(3)
Public Administrator/Guardian	3,271	3,616	3,481	3,446	35	(1)
Public Defender	10,933	12,168	12,196	11,946	250	(1)
Sheriff	65,861	70,133	70,736	72,233	(1,497)	(4)
Trial Courts	27,292	26,023	26,228	26,768	(540)	(5)
Total Public Protection	540,483	580,658	589,075	591,840	(2,765)	
PUBLIC WORKS, TRANSPORTATION AND COMMERCE						
Clean Water	130	201	201	201	0	
Parking and Traffic Commission	31,113	35,020	35,846	35,846	0	
Board of Appeals	313	348	350	350	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	1,577	1,577	0	
Total Public Works, etc.	51,931	52,258	53,724	53,724	0	
HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT						
Business and Economic Development	1,013	2,768	3,412	3,412	0	
Children, Youth & Their Families	1,778	4,441	4,135	4,135	0	
Comm. on the Status of Women	2,004	2,415	2,624	2,624	0	
Human Rights Commission	1,362	1,726	2,111	2,111	0	
Human Services	330,514	394,112	409,916	400,016	9,900	(6)
Total Human Welfare, etc.	336,671	405,462	422,198	412,298	9,900	
COMMUNITY HEALTH						
Community Health Network	57,279	58,961	59,857	59,857	0	
Medical Examiner	3,505	3,766	3,848	3,748	100	(1)
Public Health	226,836	253,618	266,193	266,193	0	
Total Community Health	287,620	316,345	329,898	329,798	100	

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

Fiscal Year Ending June 30, 2000
 As of December 31, 1999
 (In Thousands)

GENERAL FUND	Fiscal Year 1999-2000				VARIANCE SURPLUS (DEFICIT)
	ACTUAL FY 1999-99	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
CULTURE AND RECREATION					
Academy of Sciences	1,666	1,947	1,961	1,961	0
Art Commission	721	853	870	870	0
Asian Art Museum	1,498	1,763	1,771	1,771	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	6,164	6,114	50 (1)
Law Library	274	394	394	394	0
Recreation and Park	61,778	57,591	59,139	59,139	0
Total Culture, etc.	74,293	73,429	75,080	75,030	50
GENERAL ADMINISTRATION & FINANCE					
Administration Services	6,267	6,102	5,610	5,610	0
Assessor/Recorder	8,265	8,838	9,032	9,032	0
Board of Supervisors	7,721	8,487	8,695	8,345	350 (1)
City Attorney	11,533	12,114	12,512	12,512	0
City Planning	7,633	10,098	10,690	9,710	980 (1)
Civil Service	478	644	654	609	45 (1)
Controller	15,921	19,742	18,215	18,215	0
Ethics Commission	497	611	650	650	0
General City Responsibility	32,573	26,932	27,320	26,220	1,100 (7)
Human Resources	13,844	16,379	15,351	15,151	200 (1)
Mayor	18,816	21,134	24,183	24,183	0
Elections	2,686	4,405	4,405	5,930	(1,525) (8)
Treasurer/Tax Collector	13,508	14,848	15,117	14,837	280 (1)
Total General Admin.	139,742	150,334	152,434	151,004	1,430
TOTAL GENERAL FUND EXPS.	1,430,740	1,578,486	1,622,409	1,613,694	8,715
TRANSFERS OUT OF GENERAL FUND:					
Contribution to MUNI		84,433	90,565	90,565	0
Contribution to SFGH		36,654	36,654	40,659	(4,005) (9)
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	252,800	245,300	7,500 (10)
Total Transfers Out:		471,537	438,669	434,274	4,395
TOTAL GENERAL FUND USES		2,050,023	2,061,078	2,047,968	13,110

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 \$2.1 million consisting of additional expenditures for Worker's Compensation (\$1,142,000), Contractual Services (\$450,000), Salaries & Fringes (\$683,000) and Materials & Supplies (\$715,000) offset by savings for Equipment Lease Purchases (\$900,000.) Departmental management believe they can further reduce the need for a supplemental appropriation by finding savings equal to the overrun in materials and supplies. If the department is able to achieve these additional savings the deficit would be reduced to \$1.4 million.
- (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 \$1.5 million consisting of Salaries & Fringes (\$959,000), Contractual Services – Systems (\$1,952,000), Residential Beds (\$800,000) and Workers Compensation (\$286,000) offset by releasing the Jail Overcrowding Reserve (\$2,500,000). The department intends to use additional SB 90 revenues of \$450,000 included in the revenue schedule to offset a portion of the deficit, leaving a net General Fund requirement of \$1.1 million.
- (5) The **Trial Courts** are projecting a deficit of \$540,000 due to extra costs associated with hiring private attorneys to represent defendants when multiple individuals are involved in the same crime. This \$600,000 cost will be partially offset by \$60,000 in salary and fringe savings.
- (6) The **Department of Human Services** is projecting a savings of \$9.9 million due to reductions in CAAP (County Adult Assistance Programs) and CalWORKs (California Work Opportunity and Responsibility to Kids), and additional Health and Welfare Realignment revenues. Details of the department's revenue and expenditure projections are discussed in Section IV.
- (7) **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 on the Health Service rolls are less than what was anticipated when preparing the current budget.
- (8) The **Elections Department** is projecting a deficit of \$1.5 million due to the cost of the December runoff election which was not anticipated when preparing the 1999-2000 budget. In addition to this deficit the department will seek funding to replace the present voting system (see list of supplemental appropriation requests in Appendix A).
- (9) The **Health Department** is projecting a deficit of \$4.0 million overall. Details of the department's revenue and expenditure projections are discussed in more detail in Section IV.

(10)**Other Transfers and Reserves** has a projected savings of \$7.5 million due to reductions in to the General Fund contribution to the Road Fund (\$2,500,000) and closeouts of old reserves for completed capital projects (\$5,000,000.)

IV. GENERAL FUND SUBSIDIZED DEPARTMENTS

Municipal Railway

The Municipal Railway is projecting a revenue surplus of \$2.0 million, largely comprised of fare revenues. They are also projecting expenditure deficits of a like amount. The department reports that they will operate within their 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 December 31, 1999

(In Thousands)

	FY 1999-2000				
	ACTUAL FY 98-99	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	SURPLUS/ DEFICIT)
SOURCES:					
Department Revenues:					
Passenger Fares	97,649	98,552	98,552	100,247	1,695
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	7,633	277
State/Local Paratransit Funding	6,624	7,368	7,368	7,368	-
Other Revenue Transfers	4,552	4,883	6,731	6,731	-
Total Department Revenues	274,496	284,547	286,395	288,367	1,972
General Fund Subsidy	68,510	84,433	90,565	90,565	-
TOTAL SOURCES	343,006	368,980	376,960	378,932	1,972
Expenditures:					
Personal Services	243,129	256,249	262,381	262,994	(613)
Contractual Services	32,681	39,627	40,635	41,471	(836)
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	21,254	(2,454)
Other Operating Expenses	12,241	15,166	16,866	14,935	1,931
Expenditure Abatements	(2,324)	(2,285)	(2,285)	(2,285)	-
TOTAL USES	343,006	368,980	376,960	378,932	(1,972)

Health Department

The Health Department is projecting revenue and expenditure variances in each division. The department's second quarter report projected a year-end deficit of \$15.4 million, which would be partially offset by a reduction plan of \$11.4 million. If the plan is achieved, the department would experience a net shortfall of \$4.0 million. Overall, department revenues are down \$5.1 million and expenditures are under budget by \$1.1 million, as summarized in Chart F.

Chart F: Health Department Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 2000

As of December 31, 1999

(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	(\$8,088)	\$2,010	(\$6,078)
Laguna Honda Hospital	1,842	(1,842)	0
Primary Care	(3,069)	(134)	(3,203)
Health at Home	(86)	86	0
Forensics	<u>0</u>	<u>(802)</u>	<u>(802)</u>
Subtotal	(9,401)	(682)	(10,083)
Population Health & Prevention	<u>4,294</u>	<u>1,784</u>	<u>6,078</u>
Total	<u>(\$5,107)</u>	<u>1,102</u>	<u>(\$4,005)</u>

Revenues:

Revenues in the Community Health Network are projected to be \$9.4 million below budget. This is largely a result of lower reimbursement rates from Medicare and Medi-Cal, 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 \$4.3 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 \$5.1 million less than budgeted. The department also noted that revenues under the state's Disproportionate Share program may be adjusted by the state, but did not have an estimate of the potential adjustment at this time. We will monitor this issue and include an update in the nine-month report.

Expenditures:

The department estimates that it will be able to reduce expenditures by \$1.1 million. The department's expenditure reduction plan includes personnel savings resulting from a freeze on vacant positions, materials and supplies savings, reduced contractual services from delayed startup of new programs, and capital and equipment reductions.

Shortfall:

The Health Department has not submitted a supplemental appropriation request to cover the projected \$4.0 million shortfall. Rather, the department intends to monitor revenues and expenditures, along with the effectiveness of its reduction plan, to determine whether additional General Fund support will be required to balance their budget. For purposes of this report, however, we have shown an increase in the amount of General Fund support of \$4.0 million to offset the projected shortfall in the Health Department.

Department Of Human Services

The Department of Human Services is projecting a savings in General Fund support of \$9.9 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, reductions in program expenditures may also result in reduced federal or state funding. For purposes of this report, we show only the net General Fund savings in the department.

Overall, the department is projecting it will underspend its budget by \$25.1 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 \$20.5 million, resulting in a net expenditure savings of \$4.6 million in the General Fund. The Department also anticipates that it will receive an additional allocation of \$3.7 million in new CalWORKs revenues from the state, which will offset planned General Fund spending in the program, and \$1.6 million in Health and Welfare Realignment revenues. The total savings to the General Fund is \$9.9 million (\$4.6 million less in expenditures and \$5.3 million more in revenues).

V. ISSUES TO MONITOR

Workers' Compensation

Workers' compensation continues to be an area of budgetary concern. Chart G reflects the Human Resources Department's projected year-end workers' compensation spending by department. The estimates are based on six-month actuals as well as prior year spending patterns. Overall, these projections result in an \$3.4 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 G: Projected Workers' Compensation Spending
 (in thousands)

<u>Department</u>	<u>FY 98-99 Actual</u>	<u>FY 99-00 Budget</u>	<u>6-Month Actual</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>
General Fund:					
Juvenile Court	\$716	\$846	\$393	\$787	\$59
District Attorney	237	263	82	165	98
Recreation & Park	1,943	2,025	882	1,764	261
Human Services	1,375	1,358	702	1,436	(78)
Police	6,561	6,303	2,862	5,866	437
Fire	5,596	5,200	3,335	6,682	(1,482)
Public Health	974	875	576	1,159	(284)
Sheriff	1,237	1,000	641	1,200	(200)
Parking & Traffic	2,265	2,421	903	1,895	526
Other GF Depts.	1,406	1,232	729	1,428	(196)
Total General Fund	22,310	21,523	11,105	22,382	(859)
General Fund Subsidized:					
Public Library	276	180	161	321	(141)
Municipal Railway	20,199	18,800	10,291	21,254	(2,454)
SF General Hospital	3,747	3,974	1,698	3,396	578
Laguna Honda Hospital	2,501	2,438	1,501	3,003	(565)
Total GF Subsidized	26,723	25,392	13,651	27,974	(2,582)
GRAND TOTAL	\$49,033	\$46,915	\$24,756	\$50,356	(\$3,441)

Conclusion

The funds available appear to be sufficient to carry the City through the rest of the fiscal year, with a remaining balance that can be applied to future years. 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 which impact the General Fund Reserve

Appendix B: Status of Board Reserves

cc: Department Heads
Matthew Hymel, Mayor's Budget Office
Harvey Rose, Budget Analyst

APPENDIX A
Status of Supplemental Appropriations
which affect the General Fund
Fiscal year 1999-00 (as of February 7, 2000)

	<u>CHANGES APPROVED</u>	<u>CHANGES PENDING</u>
<u>Approved Supplementals</u>		
San Francisco Unified School District Arts Funding	\$657,000	
Earthquake Relief for City of Taipei	<u>250,000</u>	
Total Changes Approved:	<u><u>\$907,000</u></u>	
 <u>Approved Supplementals Pending Budget Entry</u>		
Tobacco Fund Shortfall/Calif. Health Care for Indigents		\$3,101,242
Emergency Winter Shelter for Gay/Lesbian Youth		54,290
 <u>Supplementals Pending at the Board</u>		
Socioeconomic Study of Rent Ordinance		175,000
Elections Department Voting Equipment ¹		607,058
Gay and Lesbian Historical Society Grant		<u>60,000</u>
Total Changes Pending:		<u><u>\$3,997,590</u></u>

¹ The supplemental appropriation request submitted by the Department of Elections includes both this equipment and approximately \$1.5 million in operating expenditures (see Chart D).

Status of Board Reserves
 Fiscal Year 1999-2000
 As of February 7, 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	200,000	350,000
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	0	200,000
DHS Drop-in Centers	607,519	0	607,519
Family Shelter 260 Golden Gate	1,300,000	0	1,300,000
SE Environmental Mitigation	13,000,000	0	13,000,000
TI Environmental Monitoring	500,000	0	500,000
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	0	1,790,463
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	0	300,000
Methadone Access MD Training	50,000	0	50,000
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><u>\$29,553,376</u></u>	<u><u>\$6,718,282</u></u>	<u><u>\$22,835,094</u></u>