



Edward Harrington  
Controller

Monique Zmuda  
Deputy Controller

May 1, 2003

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: **FY 2002-03 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 the nine-month budget status report based on sources of funds received and uses of funds expended through March 31, 2003. The purpose of the report is to apprise the City's policy makers of the current and projected budgetary status of the General Fund.

**I. OVERVIEW**

**We project a \$45.94 million General Fund balance at the end of the fiscal year 2002-2003 (FY 2002-03).** This is \$14.93 million better than the \$31.01 million outlined in the Six-Month Report; however, it is \$78.13 million lower than the \$124.07 million of prior year fund balance used to balance the FY 2002-03 budget. The projected fund balance reflects weakness in revenues resulting from a delayed economic recovery in the Bay Area. The \$45.94 million projected General Fund balance also reflects the estimated year-end savings related to the Mayor's implementation of additional spending reductions, departmental savings targets and delayed hiring for the remainder of FY 2002-03. As outlined below, the approximate \$15 million increase in projected year-end fund balance is, in a large part, due to the successful implementation of the Mayor's Savings Plan. The key changes include:

- - **\$29 million in tax and general revenue (i.e. weakness),**
- **+\$10 million in delinquent Payroll Tax collections,**
- **+\$28 million in operating cost savings,**
- **+\$10 million in additional savings from capital and reserve closeouts, and**
- **- \$ 4 million in required set-aside funding.**

The projected year-end balance is based on current revenue and spending patterns less \$5.91 million in required savings incentive account set-aside and Proposition C set-aside for the Recreation & Park Department. The actual year-end balance may differ due to changes in revenues, spending rates, or the amount of supplemental appropriation ultimately approved by the Mayor and the Board. The narrative on the following pages provides a summary of key revenue changes and departmental operations.

**Chart A: Nine-Month General Fund Budget Summary – FY 2002-03 (millions)**

	AAO Original Budget	Revised Budget	Year-End Projection	Savings / (Shortfall)
<b>SOURCES:</b>				
General Fund Beginning Balance	\$ 124.07	\$ 124.07	\$ 130.20	\$ 6.13
Prior Year Reserves	<u>\$ 49.22</u>	<u>\$ 49.22</u>	<u>\$ 49.22</u>	<u>\$ -</u>
Subtotal Sources - Prior Years	\$ 173.29	\$ 173.29	\$ 179.42	\$ 6.13
Current Revenues	\$ 2,062.23	\$ 2,066.67	\$ 2,009.38	\$ (57.30)
Transfers In, net	<u>\$ 130.42</u>	<u>\$ 130.75</u>	<u>\$ 131.75</u>	<u>\$ 1.00</u>
Subtotal Sources - Current Year	\$ 2,192.65	\$ 2,197.42	\$ 2,141.12	\$ (56.30)
Carryforwards, net		<u>\$ 69.22</u>	<u>\$ 69.22</u>	<u>\$ -</u>
<b>Total Sources</b>	<b>\$ 2,365.94</b>	<b>\$ 2,439.93</b>	<b>\$ 2,389.77</b>	<b>\$ (50.17)</b>
<b>USES:</b>				
Operating Expenditures, net	\$ 1,914.34	\$ 1,961.86	\$ 1,926.91	\$ 34.96
General Fund Contribution Transfers	\$ 301.64	\$ 301.64	\$ 294.98	\$ 6.66
Projects, Capital, Facilities Maintenance	\$ 92.84	\$ 119.31	\$ 111.01	\$ 8.30
Reserves	<u>\$ 30.02</u>	<u>\$ 30.02</u>	<u>\$ 5.02</u>	<u>\$ 25.00</u>
Subtotal Uses - Current Year	\$ 2,338.84	\$ 2,412.84	\$ 2,337.92	\$ 74.92
Required Set-Asides - Savings Incentive			\$ 4.11	\$ (4.11)
Required Set-Asides - Proposition C			\$ 1.80	\$ (1.80)
Pending Supplemental Appropriations			\$ -	\$ -
<b>Total Uses</b>	<b>\$ 2,338.84</b>	<b>\$ 2,412.84</b>	<b>\$ 2,343.83</b>	<b>\$ 69.01</b>
<b>GENERAL FUND ENDING BALANCE</b>	<b><u>\$ 27.10</u></b>	<b><u>\$ 27.10</u></b>	<b><u>\$ 45.94</u></b>	<b><u>\$ 18.84</u></b>

**General Fund Beginning Balance**

At the time the budget for FY 2002-03 was prepared, we anticipated starting the current fiscal year with a General Fund Beginning Balance of \$124.07 million. When the Comprehensive Annual Financial Report for the year ended June 30, 2002, was completed in December 2002, we confirmed that the ending balance from the previous fiscal year was \$130.20 million. As a result, there is an additional \$6.13 million available from FY 2001-02 that was not anticipated when the current budget was adopted. These additional funds were attributable to slightly better revenue collection and departmental savings than originally estimated.

**Current Revenues and Transfers In**

We project revenues and transfers to be \$56.30 million lower than the revised FY 2002-03 budget largely due to a lagging recovery to date. Our revenue projections are based on realized revenues through the first nine months of FY 2002-03, discussions with industry and department experts, and analysis of key economic indicators and forecasts. The current projection of general tax revenues is **predicated upon the absence of any meaningful economic recovery or job growth until after June 2003. This stems from the downward pressure related to the war with Iraq, continued weakness in tourism and air travel (in part due to health concerns) as well as the continued reluctance of business to resume any significant hiring to date.**

The \$56.30 million shortfall is attributed generally to economic weakness in key tax revenues including: 1) Payroll Tax, 2) Sales Tax, 3) Hotel Room Tax, 4) Utility Users Tax, 5) Parking Tax, and 6) Public Safety Sales Tax. These tax revenues have been adversely affected by the economic slowdown, the low level of consumer confidence, and weakness in tourism and business travel to San Francisco. Property Transfer Tax revenues are better than originally budgeted and help to partially offset the economic weakness exhibited in more cyclical or economically sensitive tax revenues. Additional reductions in non-tax revenue sources include: 1) Social Service Subventions (offset by expenditure savings), Public Safety Service Charges, Other Revenues and the Airport Transfer. Section II (Chart C) provides the revenue and transfer detail, including discussion of all key variances.

### **Current Operating Expenditures**

Based on current spending patterns, we project operating expenditures to result in \$34.96 million in savings. Once Transfers Out, Projects, Capital, Facilities Maintenance and Reserve closeouts are factored in, the projected savings is \$74.92 million. Section III (Chart D) outlines projected year-end surpluses or deficits for each department. Some departments are projected to have savings, while others are projected to overspend. The departments are summarized as follows:

<b><u>Departments Projected To Overspend</u></b>	<b>(Millions)</b>
Police Department	\$ -4.23
Trial Courts	-1.05
Sheriff	-.50
Elections	-.26
Civil Service Commission	-.11
<b>Total Projected Overspending</b>	<b><u><u>\$ -6.15</u></u></b>

<b>Departments Contributing Savings</b>	<b>(Millions)</b>
Human Services *	\$ 15.36
Public Health (DPH, SFGH, LHH) *	13.51
General City Responsibility	3.05
Fire Department	1.80
Recreation & Parks	1.80
Controller	1.00
Children, Youth & Their Families	.48
Human Resources	.30
Asian Art Museum	.27
Aging & Adult Services	.24
Mayor	.24
Office of Contract Administration	.24
Environment	.17
Adult Probation	.16
Ethics Commission	.10
Convention Facilities	.08
Business & Economic Development	.07
Commission on the Status of Women	.07
Fine Arts Museum	.04
Animal Care & Control	.06
Board of Appeals	.02
<b>Total Savings</b>	<b>\$ 39.07</b>

\* *Shown net of departmental revenues.*

**Contribution Transfers Out, Reserves & Required Set-Asides**

**Contribution Transfers Out - San Francisco General & Laguna Honda Hospitals:** Based on the current projected revenues and expenditures at the two hospitals, an estimated \$8.38 million less will be required for the Contribution Transfer to San Francisco General. However, Laguna Honda Hospital is currently projected to need an additional \$0.50 million by year-end. These Transfer Out amounts are included in the net departmental savings of \$13.51 million.

**Contribution Transfers Out - Baselines:** The Charter specifies that the Children's Services, Library Preservation, and Municipal Transportation (i.e. the Municipal Railway (MUNI) and Parking & Traffic) shall receive a minimum appropriation amount (baseline) from the General Fund. The required baselines are adjusted as discretionary revenues change throughout the budget year. Chart B on the next page outlines the Actual General Fund Appropriation, the Current Required Baseline, and the Projected Excess / (Deficit) Contribution needed given the projections outlined in this Nine-Month Report.

Children’s Services is projected to have \$8.34 million in excess contributions given projected discretionary revenues. **As was the case in the prior year, a reduction in the Children’s Services baseline is not assumed in this report.** The Library and MUNI baselines reflect the need for additional contributions of \$0.80 million and \$0.41 million, respectively.

**Chart B: Baselines**

Baseline	FY 2002-03		
	Actual General Fund Appropriation	Current Required Baseline	Projected Excess/(Deficit) Contribution as of 9-Month
Children's Services	\$76,928,930	\$68,588,877	\$8,340,053
Library Preservation	\$31,129,857	\$31,933,817	(\$803,960)
Municipal Railway	\$100,792,000	\$101,206,824	(\$414,824)
Parking & Traffic	\$36,341,000	\$36,341,000	\$0

**Reserves:** The FY 2002-03 Adopted Budget included a \$20.00 million State Revenue Stabilization Reserve, which was intended to bridge any realized shortfalls resulting from the State’s FY 2002-03 Adopted Budget. This report reflects the closing out of this \$20.00 million reserve by year-end. The \$20.00 million reserve served to offset a total of \$5.31 million in revenue shortfall resulting from the State’s Adopted Budget, yielding net savings of \$14.69 million, which is included in the year-end fund balance projection discussed in this report. Additionally, \$5.00 million in salary and benefits reserves will be closed to fund balance.

**Required Set-Asides - Savings Incentive Account:** In addition, Section 3.17 of the Administrative Code requires that the greater of \$2.00 million or 10 percent of departments’ year-end appropriation savings be set-aside in a **Savings Incentive Account**. Based on current projections, \$4.11 million will be needed to fund this account at year-end.

**Required Set-Asides – Proposition C:** Under Section 16.107 of the San Francisco Charter, the projected \$1.80 million in expenditure savings for the Recreation & Parks Department “shall be retained by the Department to be dedicated to one-time expenditures.”

**Pending Supplemental Appropriations**

General Fund supplemental appropriation requests pending approval by the Board total \$9.08 million and are outlined in *Appendix A*. A number of pending supplementals would simply fund the shortfalls included in our expenditure projection. To the degree that other anticipated supplementals are approved, the projected year-end balance will be reduced.

### **Expenditure 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 as of April 29, 2003. For projection purposes, we have assumed that all of these reserves are released and expended. To the degree they are not released and expended by year-end, the projected year-end balance would increase.

### **General Fund Ending Balance**

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$45.94 million. This represents a \$78.13 million drop from our FY 2002-03 beginning fund balance of \$124.07 million, which was used as one-time funding in the development of the current year's budget. As in previous years, the FY 2002-03 projected year-end General Fund balance would be available as a funding source for next year's budget.

## II. Sources of Funds, Revenues & Transfers In, Chart C

	FY 2001-02	FISCAL YEAR 2002-03					
	CAFR Year-end Actuals	Revised Budget	9-Month Report Projection	Increase / (Decrease) from Revised	% Change from Prior Year Actuals	% Change from Revised Budget	
<b>GENERAL FUND (millions)</b>							
<b>PROPERTY TAXES</b>	\$ 510.00	513.27	521.99	\$ 8.72	2.4%	1.7%	(1)
<b>BUSINESS TAXES:</b>							
Business Registration Tax	6.71	6.61	10.05	3.44	49.9%	52.0%	(2)
Gross Receipts Tax	-	-	-	-	n/a	n/a	
Payroll Tax	267.42	275.62	265.64	(9.98)	-0.7%	-3.6%	(3)
<b>Total Business Taxes</b>	<b>274.13</b>	<b>282.23</b>	<b>275.69</b>	<b>(6.54)</b>	<b>0.6%</b>	<b>-2.3%</b>	
<b>OTHER LOCAL TAXES:</b>							
Sales Tax	111.29	130.53	117.80	(12.73)	5.8%	-9.8%	(4)
Hotel Room Tax	72.29	97.07	80.61	(16.46)	11.5%	-17.0%	(5)
Utility Users Tax	70.78	78.21	64.85	(13.36)	-8.4%	-17.1%	(6)
Parking Tax	30.48	34.35	31.10	(3.25)	2.0%	-9.5%	(7)
Real Property Transfer Tax	47.27	45.15	52.00	6.85	10.0%	15.2%	(8)
Admission Tax	2.25	2.65	2.65	-	17.7%	0.0%	
<b>Total Other Local Taxes</b>	<b>334.36</b>	<b>387.96</b>	<b>349.00</b>	<b>(38.95)</b>	<b>4.4%</b>	<b>-10.0%</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>							
Licenses & Permits	7.58	5.65	5.60	(0.05)	-26.1%	-0.9%	(9)
Franchise Tax	11.97	11.33	10.70	(0.63)	-10.6%	-5.6%	(10)
<b>Total Licenses, Permits &amp; Franchises</b>	<b>19.55</b>	<b>16.98</b>	<b>16.30</b>	<b>(0.68)</b>	<b>-16.6%</b>	<b>-4.0%</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>8.59</b>	<b>4.50</b>	<b>8.05</b>	<b>3.56</b>	<b>-6.3%</b>	<b>79.1%</b>	(11)
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>29.99</b>	<b>17.25</b>	<b>17.85</b>	<b>0.60</b>	<b>-40.5%</b>	<b>3.5%</b>	(12)
<b>RENTS &amp; CONCESSIONS</b>							
Garages - Rec/Park	7.10	6.30	5.60	(0.70)	-21.3%	-11.2%	(13)
Rents and Concessions - Rec/Park	9.18	8.51	8.59	0.09	-6.5%	1.0%	(14)
Other Rents and Concessions	1.35	3.03	3.03	-	124.7%	0.0%	
<b>Total Rents and Concessions</b>	<b>17.64</b>	<b>17.83</b>	<b>17.21</b>	<b>(0.62)</b>	<b>-2.4%</b>	<b>-3.5%</b>	
<b>INTERGOVERNMENTAL REVENUES</b>							
<b>Federal Subventions</b>							
Social Service Subventions	147.66	143.58	143.99	0.41	-2.5%	0.3%	(15)
Other Grants & Subventions	2.79	1.93	1.93	-	-30.8%	0.0%	
<b>Total Federal Subventions</b>	<b>150.44</b>	<b>145.51</b>	<b>145.92</b>	<b>0.41</b>	<b>-3.0%</b>	<b>0.3%</b>	
<b>State Subventions</b>							
Social Service Subventions	124.65	139.43	129.09	(10.35)	3.6%	-7.4%	(16)
Health & Welfare Realignment	127.50	127.69	128.69	1.00	0.9%	0.8%	(17)
Health/Mental Health Subventions	64.24	68.86	68.86	-	7.2%	0.0%	
Public Safety Sales Tax	70.96	71.86	63.73	(8.14)	-10.2%	-11.3%	(18)
Motor Vehicle In-Lieu - County	57.79	59.57	60.47	0.89	4.6%	1.5%	(19)
Motor Vehicle In-Lieu - City	44.96	46.07	46.78	0.71	4.0%	1.5%	(19)
Other Grants & Subventions	20.85	28.47	30.13	1.66	44.5%	5.8%	(20)
<b>Total State Subventions</b>	<b>510.95</b>	<b>541.97</b>	<b>527.74</b>	<b>(14.22)</b>	<b>3.3%</b>	<b>-2.6%</b>	
<b>CHARGES FOR SERVICES:</b>							
General Government Service Charges	18.46	21.23	21.25	0.03	15.1%	0.1%	(21)
Public Safety Service Charges	15.44	16.00	11.81	(4.19)	-23.5%	-26.2%	(22)
Recreation Charges - Rec/Park	9.44	5.81	4.91	(0.90)	-48.1%	-15.5%	(23)
MediCal, MediCare and health service charges	43.55	42.40	42.40	-	-2.6%	0.0%	
Other Service Charges	4.85	6.39	6.39	-	31.9%	0.0%	
<b>Total Charges for Services</b>	<b>91.74</b>	<b>91.82</b>	<b>86.76</b>	<b>(5.06)</b>	<b>-5.4%</b>	<b>-5.5%</b>	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>11.05</b>	<b>9.70</b>	<b>11.61</b>	<b>1.91</b>	<b>5.1%</b>	<b>19.7%</b>	(24)
<b>OTHER REVENUES</b>	<b>1.52</b>	<b>37.66</b>	<b>31.24</b>	<b>(6.42)</b>	<b>1958.9%</b>	<b>-17.0%</b>	(25)
<b>TOTAL REVENUES</b>	<b>1,959.95</b>	<b>2,066.67</b>	<b>2,009.38</b>	<b>(57.30)</b>	<b>2.5%</b>	<b>-2.8%</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>							
Airport	19.11	25.58	22.83	(2.75)	19.5%	-10.8%	(27)
Hetch Hetchy	-	-	-	-	n/a	n/a	
Other Transfers	85.96	105.17	108.92	3.75	26.7%	3.6%	(28)
<b>Total Transfers-In</b>	<b>105.07</b>	<b>130.75</b>	<b>131.75</b>	<b>1.00</b>	<b>25.4%</b>	<b>0.8%</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>2,065.02</b>	<b>2,197.42</b>	<b>2,141.12</b>	<b>(56.30)</b>	<b>3.7%</b>	<b>-2.6%</b>	

**Notes to Sources of Funds Schedule:**

- (1) **Property Tax** revenues are projected to be \$8.72 million better than budget. This surplus is explained by assessed valuation growth of 7.4 percent in FY 2002-03 from FY 2001-02 and a one-time State audit adjustment for prior year General Fund allocations. These two positive factors are substantially offset by the surge in appeals, weaker supplemental activity compared to prior years and lower projected collections pertaining to tax penalties and interest.

This projection incorporates assessment appeals representing some 20 percent of total assessed valuation for Tax Year 2002 (i.e. FY 2002-03). These appeal levels have not been seen since the economic downturn in the early 1990s. Supplemental sales activity is also down from the \$36 million in FY 2000-01 and \$28 million in FY 2001-02 to an estimated level of \$19 million for FY 2002-03. Supplemental assessment revenues have been stronger than would otherwise be the case, in part due to the Assessor's Office putting additional resources toward working down the assessment backlog. Because the positive State audit adjustment only affects the General Fund, the three dedicated funds actually will all show slight weakness from budgeted levels, as follows:

<b>Children's Fund</b>	<b>- \$0.25 million</b>
<b>Library Preservation Fund</b>	<b>- \$0.21 million</b>
<b>Open Space Fund</b>	<b>- \$0.21 million</b>

**Assessment Backlog:** Additional opportunity for revenue enhancement exists by tackling the assessment backlog. The Assessor reports that even with its efforts to date the department still has a significant processing backlog related to both deed processing and new construction. Backlogs have significant potential revenue implications as the 12,800 deeds in queue have been estimated by the Assessor to have up to \$1.5 billion in incremental roll value. Additionally, 8,100 construction permits may also yield up to \$2.5 billion in incremental roll value. The table below summarizes the significance of the backlog and assumes a 50 percent adjustment factor since not all items in the backlog will yield an actual incremental assessment. The table shows that if the backlog were fully processed through collection in FY 2003-04, the value to various City funds would be \$12.9 million, including \$11.3 million of revenue accruing to the General Fund.

<b>Backlog Type</b>	<b>Count</b>	<b>Assessor's Estimate of Incremental Roll Value (millions)</b>	<b>Revenue Yield Adjustment Factor</b>	<b>Adjusted Estimate of Incremental Roll Value (millions)</b>
Deed Processing	12,800	\$ 1,500	50%	\$ 750
New Construction - Permit Activity	8,100	\$ 2,500	50%	\$ 1,250
<b>Total</b>	<b>20,900</b>	<b>\$ 4,000</b>		<b>\$ 2,000</b>
<b>Results In Additional Property Tax Revenue of... (in millions)</b>				
				\$ 11.3
				\$ 0.6
				\$ 0.5
				\$ 0.5
				<b>\$ 12.9</b>



- (2) **Business Registration** revenues are projected to be \$3.44 million better than budget due to the shift of business registration from calendar year to fiscal year.
- (3) **Payroll Tax** revenues are projected to be \$9.98 million less than budget. This is the result of four key factors, including:
- - \$15.90 million for lower Tax Year 2002 (February 2003) collections,
  - - \$ 6.31 million for lower estimated pre-payments for Tax Year 2003 and refunds,
  - +\$ 2.00 million for general delinquent revenue collections, and
  - +\$10.23 million for delinquent revenue collection from Bank of America.

The underlying weakness in the Payroll Tax revenue collections for Tax Year 2002 is principally due to reduced employment in San Francisco. The city has witnessed increased unemployment and a contraction in the number of jobs throughout 2002. Since our employment high in late 2000, employment is off nearly 10 percent, reflecting a loss of up to 65,000 jobs in the city over the last two calendar years. Santa Clara fared much worse, losing nearly one in five jobs. Fewer jobs in San Francisco, along with limited wage growth, put downward pressure on this revenue. Some of this downward pressure is being partially offset by New Jobs Tax Credit recapture and delinquent revenue collection efforts. Recapture results from companies originally being granted a larger credit in prior years than they were ultimately entitled to receive. The New Jobs Tax Credit program expired on December 31, 2002.

- (4) **Sales Tax** revenues are projected to be \$12.73 million under budget. Continued weakness and a lagging recovery have put downward pressure on this revenue. Nationally, retailers continue to report mixed results and general weakness in first quarter activity. Statewide sales numbers continue to be helped out by strength in Southern California in particular. Overall, the statewide activity reflects positive growth in four categories: 1) general consumer goods, 2) fuel & service stations, 3) building & construction, and 4) restaurants & hotels. As is the case for San Francisco, the business & industry category is the weakest – posting a 7.2 percent decline statewide and an 8.7 percent decline for San Francisco for the fourth quarter 2002 compared to the same quarter in 2001. This illustrates that business consumption and activity are continuing to limit any nascent economic recovery.

Outlined in the table on the following page, sales activity over the last several quarters shows that San Francisco has performed worse than the 9-County Bay Area region and the statewide average. The rate of decline has slowed for San Francisco, and statewide sales activity actually was slightly positive for the most recent quarter. For 4<sup>th</sup> Quarter 2002, the most recent quarter with available data, San Francisco's sales tax revenues were off 1.7 percent for October through December (i.e. the 4<sup>th</sup> calendar quarter of 2002) as compared to that same quarter in 2001.

Calendar Quarter	San Francisco	9 County Bay Area	California
4 <sup>th</sup> Quarter 2002	-1.7%	-4.4%	+0.8%
3 <sup>rd</sup> Quarter 2002	-5.0%	-3.1%	+3.1%
2 <sup>nd</sup> Quarter 2002	-9.7%	-8.4%	-1.3%
1 <sup>st</sup> Quarter 2002	-17.8%	-12.7%	-3.7%
4 <sup>th</sup> Quarter 2001	-17.0%	-13.5%	-2.0%
3 <sup>rd</sup> Quarter 2001	-20.3%	-11.5%	-1.2%
2 <sup>nd</sup> Quarter 2001	-8.7%	-5.0%	+0.0%

Our current sales tax revenue projection assumes that January through June 2003 will be flat from the prior year, and that no substantive recovery occurs in the Bay Area this fiscal year. San Francisco's sales tax revenue continues to be more dependent on tourism and business travel than most other cities in California. Any significant recovery in this revenue will only occur if tourism and travel recover.

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$16.46 million under budget, reflecting only the General Fund unallocated portion of this tax. The remaining portion of the hotel room tax revenue shortfall (i.e., the dedicated allocation funding) is assumed absorbed by the respective departments. Overall, hotel room tax revenues are projected to be the same as prior year levels; however, a recovery was assumed in the budget. While some signs of occupancy gains are being seen, aggressive daily room rate discounting is putting downward pressure on total revenues. Additionally, concerns of Sudden Acute Respiratory Syndrome (SARS) and the War with Iraq continue to put downward pressure on air travel, which in turns puts downward pressure on this revenue. The projected flat growth rate is actually comprised of higher occupancies of 5.0 to 6.0 percent, offset by reductions of 5.0 to 6.0 percent on average daily room rates. Our projection is based on realized revenue collections to date and interviews with hotel industry professionals, and assumes continued occupancy growth for the remainder of the year with continued price discounting. Our current forecast assumes average occupancy rates of 66-68 percent and average daily room rates (ADRs) of \$143 to \$145 (that is, off 5 to 6 percent from the prior fiscal year). Key historical sample data and projection assumptions are highlighted below.

**SAN FRANCISCO's Hotel Industry Data - Fiscal Year Summary**

	Occupancy Rate	Occupancy % Change	ADR	ADR % Change	Room Supply Growth	Total Growth
Est. FY 2002-03	66.3%	5.2%	\$ 143.36	-5.8%	0.9%	0.0%
FY 2001-02	63.0%	-18.3%	\$ 152.22	-13.6%	2.4%	-27.7%
FY 2000-01	77.1%	-4.7%	\$ 176.19	11.7%	1.2%	7.7%
FY 1999-00	80.9%	1.4%	\$ 157.77	6.9%	4.0%	12.7%
FY 1998-99	79.9%		\$ 147.53			

NOTE: Based on an industry sample representing 70-80% of all rooms and revenue.

- (6) **Utility User Tax** revenues are projected to be \$13.36 million less than budget. The lagging recovery has resulted in less business demand for telecommunications services. Telephones have been hardest hit, both landline and cellular. The energy portion is projected to be on budget, including both electricity and natural gas.
- (7) **Parking Tax** revenues are projected to be \$3.25 million less than budget due to lower usage related to the lagging recovery. The **Department of Aging & Adult Services** receives one-third of parking tax revenues accruing to the General Fund. This **report assumes that the General Fund will backfill that department's shortfall of \$1.08 million.**
- (8) **Real Property Transfer Tax** revenues are projected to be \$6.85 million better than budget. This revenue is one of the more volatile and is highly impacted by economic cycles and interest rates. Low mortgage rates have helped this revenue, as has the relative attractiveness of real estate as an asset class (i.e., compared to say the stock market or the bond market). The likelihood of rising interest rates later in 2003 and 2004 may also be providing additional incentive for real estate transactions to occur sooner than later.
- (9) **Licenses and Permit** revenues are projected to be \$0.05 million less than budget because of the delay in Public Works' newsrack installations.
- (10) **Franchise Tax** revenues are projected to be \$0.63 million less than budget. This is explained by two major areas of weakness: 1) lower natural gas consumption and 2) uncollectable accounts increasing by 13 times the level in the previous year. These more than offset the late 2002 natural gas commodity price increases. The electricity and cable services portion of this tax are projected to be at budget.
- (11) **Fines, Forfeitures and Penalties** are projected to be \$3.56 million better than budget due to the following:
  - +\$2.75 million for Old Republic settlement,
  - +\$1.25 million for Parking Fines (previously reserved for refunds),
  - +\$0.32 million for Court Fines (relating to Bail Forfeitures),
  - +\$0.13 million for Labor Standards Enforcement penalties  
(relating to Prevailing Wage),
  - -\$0.02 million for Campaign Disclosure & Consultant Fines, and
  - -\$0.87 million for Traffic Fines.
- (12) **Interest & Investment Income** revenues are projected to be \$0.60 million over budget. This is due to a one-time payment of interest that had accrued on debt service reserves being partially offset by continued lower yields than originally anticipated in the budget.
- (13) **Garage Revenues at Recreation and Park Department** facilities are projected to be \$0.70 million less than budget, mainly due to reductions to vehicle traffic at the Union Square Garage.

- (14) **Rents & Concessions – Rec/Park** revenues are projected to be \$0.09 million better than budget due to rentals and concessions being slightly stronger than originally budgeted.
- (15) **Federal, Social Service Subvention** revenues are projected to be \$0.41 million better than budget due to slightly higher Title IVE (Foster Care) and TANF program revenues.
- (16) **State, Social Service Subvention** revenues are projected to be \$10.35 million less than budget due to reduced caseloads at the **Department of Human Services**. This revenue loss is more than offset by expenditure savings of \$25.71 million in the Department. See also expenditure savings below, Note #7, Department of Human Services on page 15.
- (17) **State, Health & Welfare Realignment** revenues are projected to be \$1.00 million better than budget due to slightly higher statewide sales and vehicle license fee growth than originally expected.
- (18) **State, Public Safety Sales Tax (Proposition 172)** revenues are projected to be \$8.14 million under budget. Like the Local Sales Tax (see Note #4 above), sales tax activity has been weak locally and regionally. This revenue is also tied to the proportion of local sales to that of the state as a whole. All things considered, statewide growth in Southern California, in particular, was simply not large enough to offset our jurisdiction's large proportionate decline. While last year's revenue benefited under this complex allocation formula, our lagging recovery made this year's impact more pronounced.
- (19) **State, Motor Vehicle in Lieu (MVL)** revenue is projected to be \$1.60 million better than budget. New car sales have helped keep MVL revenues higher than originally budgeted.
- (20) **State, Other Grants & Subvention** revenue is projected to be \$1.66 million better than budget due to the following:
  - +\$3.49 million in prior year SB 90 State Mandated Reimbursements (previously subject to audit, but now available to recognize as revenue),
  - +\$1.13 million because of reimbursements received for voter modernization costs incurred by the Elections Department<sup>1</sup>,
  - +\$0.43 million in miscellaneous Public Health revenues, and
  - - \$3.39 million in current year SB 90 State Mandated Reimbursements due to the final FY 2002-03 State Budget's deferral of reimbursements (this will be offset by our budgeted State Revenue Stabilization Reserve).

---

<sup>1</sup> The City was awarded a total of \$5.7 million in funding allocations through the Proposition 41 Voting Modernization program of which only \$1.13 million could be claimed to date.

- (21) **Service Charges – General Government** revenues are projected to be \$0.03 million better than the revised budget due to the following:
- +\$0.19 million more in City Planning Fees and Charges,
  - +\$0.18 million more in Recorder Fees<sup>2</sup>,
  - +\$0.10 million more in County Clerk Fees,
  - - \$0.20 million less in Police Service 10B Overhead Charges, and
  - - \$0.24 million less in Public Guardian Administration Fees.
- (22) **Service Charges - Public Safety** revenue is projected to be under budget by \$4.19 million due to the following:
- - \$3.00 million less in DPW's Street Space & Right of Way Fees,
  - - \$1.95 million less due ECD's False Alarm program implementation delay,
  - - \$0.08 million less due to Adult Probation Fees,
  - - \$0.01 million less due to increased waivers at the Medical Examiner,
  - +\$0.10 million more in Permit Phone Booth Fees, and
  - +\$0.75 million more in the Fire Department's EMS Fees.
- (23) **Service Charges – Rec / Park** revenue is projected to be under budget by \$0.90 million due to the lack of projected naming rights revenue for Candlestick Park.
- (24) **Recoveries** are projected \$1.91 million over budget. This reflects charging overhead recoveries on Transportation Authority funded capital projects during the current fiscal year as well as charging various other capital project funds that were not previously charged overhead costs.
- (25) **Other Revenues** are projected to be \$6.42 million under budget. This is comprised of the following items:
- -\$4.40 million for land sales to the Redevelopment Agency (i.e. net only \$9.0 million in sales compared to the \$13.4 million budgeted),
  - -\$1.92 million due to miscellaneous **State Revenue Reductions** (not otherwise noted above) as a result to the State's FY 2002-03 Final Adopted Budget,
  - -\$1.00 million in property sales because the Police Department's sale of Potrero Station is not projected to occur as was originally budgeted, and
  - +\$0.90 million more in Expired Check Cancellations revenue.

State Revenue Reductions Note: The above \$1.92 million along with the \$3.39 million shown in State, Other Grants & Subventions (Note #20) above will be bridged using the \$20.00 million State Revenue Stabilization Reserve included in the FY 2002-03 Adopted Budget.

---

<sup>2</sup> Overall, Recorder Fees are projected to be \$0.50 million better than originally budgeted; however, a supplemental appropriation revised the budget by \$0.32 million. The net result is that only \$0.18 million is the remaining surplus.

- (26) **Transfers In – Airport.** The General Fund share of **concession revenue** at San Francisco International Airport is projected to be \$18.50 million, which is \$2.75 million less than the \$21.25 million budget. Air travel and related parking revenues have continued to be weak due to the absence of a recovery in the travel industry, additional weakness in international travel resulting from concerns over the outbreak of SARS, and downward pressure on air travel generally because of the war with Iraq. The Transfer In also includes PERS repayment costs, which will be on budget.
- (27) **Transfers In – Other Transfers.** Other Transfers In are projected to be \$3.75 million better than budget as a result of the **911 Fee** increases implemented mid-fiscal year and savings in costs budgeted in the 911 Fund which allows transfer funding to cover 911 operating costs budgeted in the General Fund.

**III. Uses of Funds, Chart D**

	<u>FY 2001-02</u>	<u>FY 2002-03</u>		<u>9-Month Projection</u>	<u>Savings / (Shortfall)</u>	
	<u>Actuals</u>	<u>Original Budget</u>	<u>Revised Budget*</u>			
<b>GENERAL FUND</b>						
<b>PUBLIC PROTECTION</b>						
Adult Probation	8,858	9,356	9,367	9,207	160	(1)
Consumer Assurance	1,573	1,546	1,552	1,552	0	
Animal Care and Control	2,986	3,172	3,215	3,160	55	(1)
Medical Examiner	4,315	4,095	4,215	4,215	0	
Trial Courts	32,529	33,005	33,223	34,273	(1,050)	(2)
District Attorney-Prosecution	19,854	22,343	22,399	22,399	0	
Emergency Communications	19,253	25,965	27,256	27,256	0	
Fire Department	189,432	204,122	207,702	205,902	1,800	(3)
Juvenile Probation	25,746	25,948	26,359	26,359	0	(4)
Public Defender	12,806	13,071	13,086	13,086	0	
Police Department	245,819	256,724	258,334	262,565	(4,230)	(5)
Sheriff	91,142	95,344	95,809	96,304	(495)	(6)
Total Public Protection	<u>654,312</u>	<u>694,691</u>	<u>702,517</u>	<u>706,277</u>	<u>(3,760)</u>	
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Clean Water	246	210	270	270	0	
Public Works	18,916	18,091	19,018	19,018	0	
Business and Economic Development	2,248	2,373	3,542	3,470	72	(1)
PUC Light, Heat and Power	2,454	0	238	238	0	
Board of Appeals	403	443	445	425	20	(1)
Telecommunications & Info. Services	1,462	1,557	1,573	1,573	0	
Total Public Works, etc.	<u>25,729</u>	<u>22,675</u>	<u>25,086</u>	<u>24,994</u>	<u>92</u>	
<b>HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT</b>						
Aging and Adult Services	18,887	21,626	22,137	21,895	242	(1)
Children, Youth & Their Families	7,085	5,951	9,574	9,094	480	(1)
Human Services	421,938	466,878	472,903	447,194	25,709	(7)
Environment	550	568	820	649	171	(1)
Human Rights Commission	1,943	1,808	1,825	1,825	0	
Comm. on the Status of Women	2,237	2,441	2,568	2,498	70	(1)
Total Human Welfare, etc.	<u>452,640</u>	<u>499,271</u>	<u>509,827</u>	<u>483,156</u>	<u>26,672</u>	
<b>COMMUNITY HEALTH</b>						
Public Health	379,024	441,799	462,076	456,878	5,198	(8)
Total Community Health	379,024	441,799	462,076	456,878	5,198	

\* Revised Budget includes approved supplemental appropriations and carryforwards of prior year encumbrances.

**III. Uses of Funds, Chart D (continued)**

	<u>FY 2001-02</u>	<u>FY 2002-03</u>		<u>9-Month Projection</u>	<u>Savings / (Shortfall)</u>	
	<u>Actuals</u>	<u>Original Budget</u>	<u>Revised Budget*</u>			
<b>GENERAL FUND</b>						
<b>CULTURE AND RECREATION</b>						
Asian Art Museum	3,253	5,883	5,883	5,608	275	(1)
Art Commission	1,006	1,012	1,019	1,019	0	
Convention Facilities	5,329	5,266	5,722	5,647	75	(1)
Fine Arts Museum	4,737	4,951	4,964	4,925	39	(1)
Law Library	471	525	525	525	0	
Recreation and Park	58,409	53,994	55,533	53,733	1,800	(9)
Academy of Sciences	2,094	1,927	1,927	1,927	0	
County Educational Office	64	68	68	68	0	
Total Culture, etc.	<u>75,363</u>	<u>73,626</u>	<u>75,639</u>	<u>73,450</u>	<u>2,189</u>	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
Administration Services	3,728	3,483	3,599	3,599	0	
Assessor/Recorder	9,305	8,813	9,265	9,265	0	
Board of Supervisors	9,035	8,554	8,696	8,696	0	
City Attorney	12,703	6,904	7,018	7,018	0	
Controller	18,192	19,173	21,547	20,547	1,000	(10)
City Planning	11,553	11,803	12,085	12,085	0	
Civil Service	615	703	752	863	(111)	(11)
Ethics Commission	751	777	799	696	103	(1)
Human Resources	15,730	14,785	15,503	15,203	300	(1)
Mayor	23,773	23,519	25,376	25,138	238	(1)
Office of Contract Administration	2,619	2,844	2,998	2,754	244	(1)
Elections	13,872	7,516	7,516	7,776	(260)	(12)
Treasurer/Tax Collector	16,357	17,595	18,252	18,252	0	
General City Responsibility	45,795	55,808	53,313	50,263	3,050	(13)
Total General Admin.	<u>184,031</u>	<u>182,276</u>	<u>186,718</u>	<u>182,153</u>	<u>4,565</u>	
<b>TOTAL GENERAL FUND EXPS.</b>	<u>1,771,099</u>	<u>1,914,338</u>	<u>1,961,862</u>	<u>1,926,907</u>	<u>34,955</u>	
<b>TRANSFERS OUT OF GENERAL FUND:</b>						
Contribution to MUNI	94,305	100,792	100,792	101,207	(415)	(14)
Contribution to SFGH	72,345	94,815	94,815	86,437	8,378	(8)
Contribution to LHH	27,047	36,015	36,015	36,512	(497)	(8)
Contribution to Library	28,798	29,101	29,101	29,905	(804)	(14)
Contribution to Parking and Traffic	66,599	36,341	36,341	36,341	0	
Other Transfers	27,044	4,580	4,580	4,580	0	
TOTAL TRANSFERS OUT	<u>316,137</u>	<u>301,643</u>	<u>301,643</u>	<u>294,981</u>	<u>6,662</u>	
Project Expenditures	46,085	76,978	65,007	63,993	1,014	
Capital / Facilities Maintenance	56,554	15,859	54,305	47,016	7,288	
Projects, Capital & Facilities Maintenance	102,639	92,837	119,312	111,010	8,302	(15)
Reserves		30,017	30,017	5,017	25,000	(16)
TOTAL PROJECTS & RESERVES	<u>102,639</u>	<u>122,854</u>	<u>149,329</u>	<u>116,027</u>	<u>33,302</u>	
<b>TOTAL GENERAL FUND USES</b>	<u>2,506,011</u>	<u>2,338,835</u>	<u>2,412,835</u>	<u>2,337,915</u>	<u>74,920</u>	



**Notes to Uses of Funds Schedule:**

1. Based on current spending patterns, these departments are projected to end the year under budget primarily because of salary and fringe benefit savings.
2. The **Trial Courts** is projected to end the year \$1.20 million over budget due to over-expenditure for defense counsel for indigents. This shortfall is bridged through a supplemental appropriation request using \$1.05 million of the General Reserve and \$0.15 million from Child Support Service's fund balance.
3. The **Fire Department** is projected to end the year with a surplus of \$1.80 million. The Department is experiencing over-expenditure in the following categories:

- \$0.99 million in higher workers' compensation charges, and
- \$0.24 million in higher DTIS charges.

The projected over-expenditure is offset by savings, as follows:

- \$1.80 million in lease charges for Treasure Island that will not be incurred,
  - \$0.96 million in reductions in capital and operating expenditures, and
  - \$0.27 million from the salary and benefits reserve for MOU provisions.
4. **Juvenile Probation** is projected to end the year on budget. The Department's over-expenditure in overtime and workers' compensation are being offset by reductions in capital and operating expenditures and a work order with Human Services for TANF-related services.
  5. The **Police Department** is projected to end the year \$4.23 million over budget based on the current spending rates. The contributing factors include:

- \$5.75 million due to overspending in salaries because fewer retirements happened than was originally assumed in the budget,
- \$3.18 million in overtime associated with responding to the anti-war demonstrations, and
- \$0.90 million in higher workers' compensation charges.

The projected over-expenditure is partially offset by savings, as follows:

- \$5.10 million in capital and operating expenditures, and
- \$0.50 million from the salary and benefits reserve for MOU provisions.

A \$4.23 million supplemental appropriation is pending approval to cover the remaining balance.

6. The **Sheriff** is projected to end the year \$0.50 million over budget based on the current spending rates. The contributing factors include:

- \$1.81 million in salaries due to lower realized attrition than originally budgeted,
- \$0.49 million in overtime associated with the provision of mutual aide to the Police Department during the anti-war demonstrations,
- \$2.20 million due to additional food costs associated with a larger jail population than originally assumed in the budget.

The projected over-expenditure is partially offset by savings, as follows:

- \$2.20 million from moving charges associated with the San Bruno jail construction to the project,
- \$1.10 million in reductions in capital and operating expenditures, and
- \$0.70 million from the salary and benefits reserve to cover MOU provisions.

A \$0.50 million supplemental appropriation is pending approval to cover the remaining balance.

7. The **Department of Human Services** is projected to end the year with \$25.71 million in savings. As noted above in Sources of Funds (Note #16 State, Social Services Subventions, page 12), the Department's revenues are also projected to be off \$10.35 million. The result is that the Department is providing \$15.36 million in net savings to the General Fund.

8. The **Department of Public Health** is projected to end the year with a net surplus of \$5.63 million in the General Fund. Across all funds, including SF General and Laguna Honda Hospitals, the department will end the year with a net surplus of \$13.51 million.

<u>PUBLIC HEALTH</u>	<u>SOURCES</u>			<u>USES</u>			<u>Net Savings / (Shortfall)</u>
	<u>Revised Budget</u>	<u>Projected</u>	<u>Surplus/ (Shortfall)</u>	<u>Revised Budget</u>	<u>Projected</u>	<u>Savings / (Shortfall)</u>	
Thousands \$							
<b>S.F. General Hospital</b>	\$ 493,682	\$ 515,168	\$ 21,486	\$ 493,682	\$ 506,790	\$ (13,108)	\$ 8,378
<b>Laguna Honda Hospital</b>	149,497	150,110	613	149,497	150,607	(1,110)	(497)
<b>Primary Care</b>	48,234	48,434	200	48,234	48,520	(286)	(86)
<b>Health at Home</b>	5,032	5,034	2	5,032	5,018	14	16
<b>Jail Health</b>	26,296	26,296	0	26,296	28,254	(1,958)	(1,958)
<b>Population Health &amp; Prevention</b>	337,220	337,451	231	341,820	334,392	7,428	7,659
<b>Subtotal - General Fund</b>	416,782	417,215	433	421,382	416,184	5,198	5,631
<b>Department Total - All Funds</b>	<u>\$1,059,961</u>	<u>\$1,082,493</u>	<u>\$ 22,532</u>	<u>\$1,064,561</u>	<u>\$1,073,581</u>	<u>\$ (9,020)</u>	<u>\$ 13,512</u>

Total expenditures are projected to exceed appropriations by \$9.02 million, whereas total revenues are projected to exceed budget by \$22.53 million, yielding a net surplus of \$13.51 million. A supplemental appropriation, funded by departmental revenues, is required to cover the projected shortfall at San Francisco General and Laguna Honda Hospitals.

The **Transfer Out – Contribution to SFGH** is projected to be \$8.38 million less than budget due to a net surplus in the San Francisco General Hospital's budget. The net surplus is primarily due to higher net patient revenue related to MediCal and Medicare rates.

The **Transfer Out – Contribution to LHH** is projected to be over budget by \$0.50 million due to a projected deficit in the Laguna Honda Hospital's budget. The net deficit is due to higher salary spending than originally budgeted.

9. **Recreation and Parks** is projected to end the year with a surplus of \$1.80 million. However, pursuant to the Charter, the savings must be retained by the Department and be dedicated to one-time expenditures in a subsequent fiscal year.
10. The **Controller's Office** is projected to end the year with a surplus of \$1.00 million through a combination of salary and fringe benefit savings (due to delayed hiring), reductions in operating costs, and the elimination of planned budget system and accounting/financial system upgrades.
11. The **Civil Service Commission** is projected to end the year with a deficit of \$0.11 million due to an estimated \$0.15 million in litigation costs, offset by an estimated \$0.04 million in salary savings. A supplemental appropriation is pending at the Finance Committee.
12. The **Department of Elections** is projected to be over budget by \$0.26 million due to and estimated \$0.35 million in litigation costs, offset by an estimated \$0.09 million in operating cost and project savings. A supplemental appropriation request of \$0.15 million is pending in the Mayor's Office.
13. **General City Responsibility** is projected to be under budget by \$3.05 million. Although there is \$5.40 million in additional retiree subsidy costs (i.e. the cost of health benefits for retirees and their dependents due to higher enrollment and an increase in rates), this increase is offset by other savings, as follows:
  - \$7.35 million remaining in the budget for Health Care Accountability and Minimum Compensation costs, and
  - \$1.10 million in savings due to the lease financing of equipment that was originally budgeted as a cash purchase.
14. Pursuant to the Baseline Requirements, outlined on pages 4-5, the **Transfer Out – Contribution to MUNI** is projected to be \$0.42 million more than originally budgeted. The **Transfer Out – Contribution to the Library** is projected to be \$0.80 million more than originally budgeted. These Transfers Out are dependent upon aggregate city revenues (i.e. discretionary revenues).
15. **Projects, Capital & Facilities Maintenance** is projected to have \$8.30 million in savings. These savings are related to \$7.29 million in capital project closeouts, \$0.68 million in savings in Proposition O (i.e., public financing of elections) implementation, and \$0.33 million in equipment expenditure savings resulting from the lease financing of the new Workers' Compensation Information System.
16. **Reserves** are projected to have \$25.00 million in savings. Based on current projections \$5.00 million will be available to close at year-end from the salary and benefits reserve. In addition, the **State Revenue Stabilization Reserve**, originally funded at \$20 million, will be closed out at year-end. This will offset the \$5.31 million in state revenue related losses discussed in the revenue section. See revenue Note #20 (State, Other Grants & Subventions) and Note #25 (Other Revenues).

**Workers' Compensation Summary**

Overall, the City's workers' compensation costs are projected to be 4.3 percent greater in FY 2002-03 than the FY 2001-02 actuals, but 11.4 percent greater than budget. This is in contrast to 6.2 percent growth in FY 2001-02 and 1.4 percent growth in FY 2000-01. The increase is mainly due to medical cost inflation. The estimates are based on nine-month actuals as well as prior year spending patterns.

With the exception of the Police and Public Health's Laguna Honda Hospital, all other departments with workers' compensation deficits are projected to be able to absorb these increases within their existing budget by year-end.

**Chart E: Worker's Compensation Summary**

<b>Fund/Service Area</b>	<b>FY 2001-02</b>	<b>FY 2002-03</b>		<b>9-Month</b>		<b>Surplus/ (Deficit)</b>
	<b>Actual</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Projection</b>	
<b><u>GENERAL FUND</u></b>						
<b>Public Protection</b>						
Fire Department	\$6680	\$6,367	\$6,367	\$5,562	\$7,354	(\$987)
Police Department	7,378	6,913	6,913	6,025	7,905	(\$991)
Sheriff	2,067	2,056	2,056	1,482	1,976	80
Other GF Departments	1,103	1,340	1,340	1,116	1,488	(\$147)
<b>Public Works, Transportation &amp; Commerce</b>						
Business and Economic Development	455	15	15	3	3	12
<b>Human Welfare and Neighborhood Development</b>						
Aging & Adult Services	0	65	65	103	138	(\$73)
Human Services	1,953	1,854	1,854	1,209	1,612	242
<b>Community Health</b>						
Public Health	1,520	1,781	1,794	897	1,164	629
<b>Culture &amp; Recreation</b>						
Asian Art Museum	0	35	35	11	15	20
Convention Facilities	2	30	30	0	0	30
Fine Arts Museum	115	112	112	67	90	22
Recreation & Park	1,643	1,682	1,682	1,755	2,306	(\$623)
<b>General Administration &amp; Finance</b>						
Assessor/Recorder	178	185	185	190	254	(\$69)
City Attorney	340	168	168	105	140	29
Human Resources	1,757	837	837	631	842	(\$5)
Treasurer/Tax Collector	96	146	146	115	153	(\$7)
Other GF Departments	88	77	77	62	82	(\$5)
<b>Subtotal General Fund (GF)</b>	<b>25,374</b>	<b>23,664</b>	<b>23,677</b>	<b>19,332</b>	<b>25,520</b>	<b>(1,844)</b>
<b><u>GENERAL FUND SUBSIDIZED</u></b>						
<b>Community Health</b>						
SF General Hospital	3,912	3,526	3,526	3,821	4,897	(\$1371)
Laguna Honda Hospital	2,884	2,901	2,901	2,412	3,132	(\$231)
<b>Subtotal General Fund Subsidized</b>	<b>6,796</b>	<b>6,427</b>	<b>6,427</b>	<b>6,232</b>	<b>8,029</b>	<b>(1,602)</b>
<b>Subtotal General Fund &amp; Subsidized</b>	<b>\$32,170</b>	<b>\$30,092</b>	<b>\$30,104</b>	<b>\$25,565</b>	<b>\$33,549</b>	<b>(\$3,445)</b>
% Change from FY 2001-02 Actuals					4.3%	
% Change from FY 2002-03 Revised Budget					11.4%	

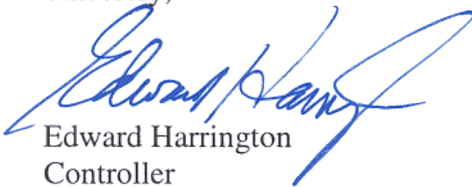
#### IV. CONCLUSION

**Funds available appear to be sufficient to carry the City through the remainder of the fiscal year and result in a projected year-end fund balance of \$45.94 million that can be applied to future years.** However, two key areas of uncertainty are still present as we move toward the new budget year: 1) the State Budget crisis, and 2) the continued possibility of a lagging recovery in the Bay Area.

Approval of pending or other anticipated supplementals could decrease the balance. Additionally, it is critical that departments adhere to current savings plans in order to achieve projected operating savings.

My staff and I are available to respond to any comments or questions you may have at this time.

Sincerely,



Edward Harrington  
Controller

**Attachments:** Appendix A: Status of Supplemental Appropriations  
Appendix B: Status of General Fund Board Reserves

**CC:** Department Heads  
Ben Rosenfield, Mayor's Budget Office  
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations  
 FY 2002-03  
 As of May 1, 2003**

	<b>APPROVED CHANGES</b>	<b>PENDING / POTENTIAL CHANGES</b>
<b>General Fund - Approved Supplementals</b>		
Art Commission - San Francisco Symphony	\$ (31,964)	
Treasurer / Tax Collector - Business Tax & Penalties Collections	119,652	
Assessor/Recorder - Backlog and Current Year Deficit	543,799	
<b>Total Changes Approved</b>	<b>631,487</b>	
 <b>General Fund - Supplementals Pending at the Board</b>		
Department of Human Services - Larkin Street Youth Center		\$ 176,000
City Planning - Environmental Review		305,000
Civil Service Commission - Legal Services & BOS Compensation		160,000 *
Human Resources - Job Transition Services		300,000
Police - Anti-War Demonstrations and Workers Compensation		4,230,573 *
Sheriff - Anti-War Demonstrations		495,210 *
Trial Courts - Indigent Defense		1,050,000 *
Elections - Ranked Choice Voting		1,500,000
City Planning - Environmental Reviews		714,075
 <b>General Fund - Supplementals Pending in the Mayor's Office</b>		
Elections - Legal Services		\$ 150,000 *
<b>Total Supplementals Pending - General Fund Only</b>		<b>\$ 9,080,858</b>

\* Supplementals indicate departments with current projected shortfall outlined in Schedule D.

**APPENDIX A: Status of Supplemental Appropriations (continued)**  
**FY 2002-03**  
**As of May 1, 2003**

<u>NON-GENERAL FUND SUPPLEMENTALS</u>	<u>APPROVED CHANGES</u>	<u>PENDING / POTENTIAL CHANGES</u>
<b><u>Approved Supplementals</u></b>		
PUC - Consolidation of Administrative Offices	\$ 2,490,343	
Mayor - Lease Revenue Bonds	4,200,633	
Asian Art Museum - Improvements to Asian Art Museum	2,251,170	
Airport - Construction Investigation & Litigation	2,500,000	
PUC - Program Management Services	7,000,000	
Port - Emergency Removal and Repair of Drydock #1	1,762,549	
Public Works - Asphalt Silos	2,155,617	
<b>Total Changes Approved</b>	<b><u>22,360,312</u></b>	
<b><u>Supplementals Pending at the Board</u></b>		
MUNI - Capital Projects		\$ 35,506,484
PUC - Capital Improvement Program		65,075,000
PUC - Capital Improvement Program Staff		52,357
MYR - Juvenile Hall Reconstructions Cert. of Participation		45,000,000
<b><u>Supplementals Pending in the Mayor's Office</u></b>		
Hetch Hetchy - Equipment and Services for Holm Powerhouse		\$ 700,000
Clean Water - Contractual Services, Material and Supplies		1,560,189
Public Health - Smokeless Tobacco Settlement Programs		313,465
Airport - Free Luggage Cart Program		2,427,711
Public Health - Current Year Deficit		15,142,000
Trial Courts - Indigent Defense		150,000
<b>Total Supplementals Pending - Non-General Fund Impact Only</b>		<b><u>\$ 165,927,206</u></b>

**APPENDIX B: Status of General Fund Board Reserves  
 As of May 1, 2003**

<b>RESERVE</b>	<b>BEGINNING BALANCE</b>	<b>CHANGES AS OF 4/29/03</b>	<b>REMAINING BALANCE</b>
<b>Board of Supervisors</b>			
Official Advertising (50%)	\$ 318,200	\$ (288,200)	\$ 30,000
<b>Children, Youth and Their Families</b>			
Citywide Programs for Children and Youth	700,000	(700,000)	0
<b>Department of Public Health</b>			
Laguna Honda Laundry	1,252,913		1,252,913
Laguna Honda Nurses	491,380		491,380
<b>Human Services</b>			
In Home Supportive Services wage, benefit and program improvement increases	1,710,640		1,710,640
<b>Fire Department</b>			
Reorganization of Training Functions (6 months salary and fringes for 5 FTE)	322,277	(161,139)	161,139
<b>Human Resources</b>			
Collective Bargaining Project	253,875		253,875
<b>Elections</b>			
Elections Run-Off	1,322,849	(1,168,598)	154,251
<b>Maintenance of Vehicles (40%)</b>			
Administrative Services	2,400	(2,400)	0
Adult Probation	2,917	(2,917)	0
Adult and Aging Services	4,422	(4,422)	0
Admin Services - Consumer Assurance	5,828	(5,828)	0
Admin Services - Animal Care and Control	12,848	(12,848)	0
Assessor/Recorder	1,000	(1,000)	0
City Attorney	11,084	(11,084)	0
Admin Services - Medical Examiner	2,800	(2,800)	0
City Planning	2,400	(2,400)	0
District Attorney	14,531	(14,531)	0
Department of Public Health	157,677	(157,677)	0
Human Services	44,416	(44,416)	0
Emergency Communications	708	(708)	0
Fire Department	1,198,873	(1,198,873)	0
Human Rights Commission	1,000	(1,000)	0
Human Resources	200	(200)	0
Juvenile Probation	20,208	(20,208)	0
Mayor	640	(640)	0
Public Defender	4,600	(4,600)	0
Police	1,051,077	(1,051,077)	0
Recreation and Parks	322,365	(322,365)	0
Elections	3,000	(3,000)	0
Sheriff	117,972	(117,972)	0
Treasurer/Tax Collector	1,432	(1,432)	0
<b>Vehicle Purchase (50%)</b>			
Human Services	65,000		65,000
<b>TOTAL</b>	<b>\$ 9,421,532</b>	<b>\$ (5,302,335)</b>	<b>\$ 4,119,198</b>

Other reserves included in expenditure summary (Chart D).