

Edward Harrington
Controller

John W. Madden
Chief Assistant Controller

February 15, 1996

Honorable Willie L. Brown, Mayor
City and County of San Francisco
401 Van Ness Avenue, Room 336
San Francisco, CA 94102

Honorable Members of the Board of Supervisors
City and County of San Francisco
401 Van Ness Avenue, Room 308
San Francisco, CA 94102

Re: 1995-96 Six Month Budget Status Report

Ladies and Gentlemen:

Charter Section 3.302 directs the Controller to issue a report on the "projected financial condition of the City and County...(after) the first six month period of each fiscal year."

SUMMARY

We do not know what the Federal/State impact might be. Before discussing anything about the City's budget, we must first emphasize that there is no Federal 1995-96 budget. Federal decisions and resulting State actions still have the potential to create serious budgetary problems if they are designed to affect the current budget.

Outside the potential Federal impact, the General Fund is in good shape. We started the year with a \$10 million reserve. We now estimate that we could end the year with a reserve of \$24.2 million even if the Mayor and Board approved every supplemental appropriation request currently on file. \$16.8 million of this reserve is the result of a one-time accounting adjustment which I recommend be reserved for one-time capital or system needs. **This leaves \$7.4 million for contingencies between now and June 30, 1996.**

GENERAL CITY REVENUES

In total, revenues are estimated to be \$6.2 million over budget. *Property taxes* are expected to again be below budget due to assessment appeals, a \$3 million variance. While recent news about increased *Business tax* collections is encouraging, *Business tax* projections are not included in this report since most funds are not received until early March. *Sales taxes* are

projected to be substantially higher than budgeted, \$6.9 million, primarily due to a State Board of Equalization decision to allocate airport fuel taxes to us. The General Fund share of *Hotel taxes* is up \$2.9 million over budget and *Utility Users taxes* are \$2.7 million over budget. *Parking Fines* are estimated to be \$3.4 million under budget primarily due to not hiring additional parking control officers and not implementing handheld ticket issuing devices which were the basis of the budgeted increase. *Parking Meter* collections are also \$0.7 million under budget. Finally, the State dropped a *subvention* program that had provided \$1.3 million to the Assessor in 1994-95 in return for a new loan program which cannot be used to replace the lost funds. (See Attachment 2 for details).

GENERAL FUND EXPENSES

Most departments appear to be spending within their budgets. The *Fire Department* is estimating that they will overspend their budget by \$2 million due to overages in workers' compensation, premium pay, large sick leave buyouts of retiring officers and overtime spending. The *District Attorney's Family Support Bureau* was expected to generate a surplus for budgetary purposes; they are now projected to break even, representing a reduction to the General Fund of about \$400,000.

DEPARTMENT OF PUBLIC HEALTH (DPH)

DPH has funding problems which can be substantially offset if they are able to retain new health-related monies. DPH is projecting a shortfall of \$14.1 million in large part due to revenue shortfalls at Laguna Honda. The department estimates they can substantially offset these problems if they can be allocated \$13.2 million of previously unbudgeted health-related revenue. This includes new Health and Welfare realignment funds that had previously been shown on reports as available to the General Fund. For purposes of this report, we are assuming DPH retains these funds. We are also following the DPH projection that they will not need additional General Fund support.

MUNI RAILWAY

Muni Railway projects a deficit of \$2.3 million. Factors include a shortfall of \$1.3 million in fares and overspending in workers' compensation of \$3.6 million. These are offset by a carryforward surplus of \$1.8 million from 1994-95 and \$0.8 million of other miscellaneous savings. Muni management is projecting that they will be on target for salary spending; this is surprising given the budget had been cut by \$2.5 million in anticipation of employee negotiations "give-backs" which did not occur. Muni may also need to conduct additional reviews of its claims and judgments accounts.

ADDITIONAL 1994-95 SURPLUS

One-time revenue of \$16.8 million should be spent on one-time projects. For 1994-95 reporting purposes, accounting rules were changed which determine how much revenue can be recorded in any given period. Specifically, sales taxes used to be included in our fiscal year only if the state had received the funds before June 30. Under the new rules, sales taxes are now

recorded if they have been paid to a merchant by June 30. Similar changes occurred in motor vehicle in lieu taxes. This means that we recorded thirteen months worth of revenue in 1994-95. In the past the City has used one-time revenues to meet ongoing operational expenses. While this is sometimes unavoidable, this typically creates problems in subsequent budgets. These 1994-95 funds are legally available for use by the City. However, I would strongly encourage the Mayor and Board, to the extent possible, to use these funds for capital or other projects that need one-time infusions of funds. For example, the Assessor, Tax Collector and others need a new property records system. The City is also in the process of developing an interim Police 911/Computer Assisted Dispatch system which will need funding.

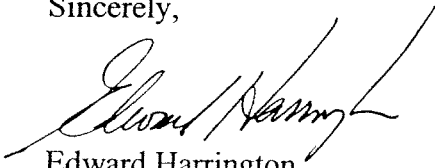
FINE TUNING

Several other adjustments will need to be made between now and year-end. The Children's Fund and Library Fund baselines need to be reviewed in light of new revenue projections and may need to be increased. Also, we will need to fund the recently established Budget Incentive Plan where departments can request a portion of whatever they save in their budgets. This requires the greater of \$2 million or 10% of the final budget surplus. We will reflect these changes as part of our next (eight-month) status report when more complete numbers are available.

CONCLUSION

The funds available appear to be sufficient to carry the City through the rest of the fiscal year if used prudently. There are still uncertainties, primarily in relation to Federal and State decisions, and I would recommend a minimum reserve be kept to cover contingencies between now and June.

Sincerely,



Edward Harrington
Controller

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attachments

cc: Department Heads
Sam Yockey

General Fund Reserve Status Report
1995-96 as of December 31, 1995
(in millions)

Beginning Budget Balance		\$ 10.0
Carryforward from 1994-95		\$ 16.8
Additional Revenue Identified (Attach 2)		<u>\$ 6.2</u>
Available		\$ 33.0
Less: (Details on Attach 3)		
Approved Supplementals	(\$ 2.8)	
Less expected repayments	<u>\$ 2.1</u>	
		(\$ 0.7)
Pending supplementals - With Board		(\$ 1.2)
- With Mayor		(\$ 2.2)
Additional Spending Needs:		
Muni Railway		(\$ 2.3)
Fire Department		(\$ 2.0)
DA Family Support		<u>(\$ 0.4)</u>
Remaining Legally Available Balance		\$ 24.2
Less one-time revenues		<u>(\$ 16.8)</u>
Continuing Balance		<u><u>\$ 7.4</u></u>

SELECTED GENERAL FUND REVENUES
1995-96 6-MONTH PROJECTION
PROJECTION VS. BUDGET

REVENUE SOURCE	FY 94-95	FY 95-96		Variance Projection Over (Under) Budget
	ACTUAL	BUDGET	PROJECTION	
Property Taxes	\$327,339,792	\$332,226,854	\$329,261,353	(\$2,965,501)
Sales Tax	102,526,308	93,736,000	100,650,000	6,914,000
Hotel Tax:				
General Fund	31,371,364	34,691,173	37,622,198	2,931,025
Hotel Tax Fund	62,730,265	61,661,027	63,488,661	1,827,634
Total	<u>94,101,629</u>	<u>96,352,200</u>	<u>101,110,859</u>	(A) <u>4,758,659</u>
Utility Users Tax	51,579,399	50,610,000	53,330,000	2,720,000
Parking Tax	30,111,203	31,087,000	32,814,000	(B) 1,727,000
Real Property Transfer Tax	20,038,067	20,433,000	20,719,000	286,000
Traffic Fines:				
Parking	46,666,499	51,558,515	48,195,000	(3,363,515)
Moving	<u>1,618,371</u>	<u>1,520,000</u>	<u>1,520,000</u>	0
Sub-total	<u>48,284,870</u>	<u>53,078,515</u>	<u>49,715,000</u>	<u>(3,363,515)</u>
Public Safety Sales Tax	45,237,465	47,524,000	48,794,075	1,270,075
Motor Vehicle In-Lieu:				
County	39,101,318	37,200,000	37,180,513	(19,487)
City	<u>29,005,397</u>	<u>27,922,000</u>	<u>28,281,825</u>	<u>359,825</u>
Sub-total	<u>68,106,715</u>	<u>65,122,000</u>	<u>65,462,338</u>	<u>340,338</u>
Trial Court Funding	16,019,806	15,987,000	15,720,000	(267,000)
Social Service Subventions	182,604,018	196,007,264	196,007,264	0
Other Subventions	19,757,087	12,475,370	11,175,370	(1,300,000)
Parking Meter Collections	13,346,944	14,028,171	13,354,000	(674,171)
Recreation Service Charges	17,871,071	17,712,241	17,712,241	0
Rec. of Gen. Govt. Costs	<u>7,822,723</u>	<u>7,983,845</u>	<u>6,871,842</u>	<u>(1,112,003)</u>
TOTAL	<u>\$1,044,747,097</u>	<u>\$1,054,363,460</u>	<u>\$1,062,697,342</u>	\$8,333,882
Deduct: Non-General Fund Impact:				
(A) - Hotel Tax				(1,827,634)
(B) - Parking Tax (COA)				<u>(300,000)</u>
GENERAL FUND IMPACT				<u>\$6,206,248</u>

(A) - Hotel Tax shows citywide total.

(B) - Parking Tax is citywide total. \$300,000 of the \$1,727,000 favorable variance is allocated to COA resulting to a net General Fund impact of \$1,427,000.

STATUS OF SUPPLEMENTAL APPROPRIATIONS**FISCAL YEAR 1995-96****As of February 9, 1996**

	<u>CHANGES APPROVED</u>	<u>CHANGES PENDING</u>
<u>Approved Supplementals</u>		
DPW - City Hall improvements pending bond sale:	(1,528,855) *	
Public Health - Health Authority:	(450,000)	
Parking and Traffic - St. Mary's Square Garage:	(266,000)	
Supplemental for Bayview Police Station:	(571,000) *	
Supplemental for Medical Examiner equipment:	(16,000)	
Medical Examiner - body removal services:	(8,799)	
	<u>(2,840,654)</u>	
Less Expected Repayments for General Fund Advances:	2,099,855	
	<u>(740,799)</u>	
<u>Supplementals Pending at the Board</u>		
Recreation and Park - storm damage repair:		(489,800)
Recreation and Park - Conservatory of Flowers design:		(250,000)
Registrar of Voters - enhance departmental operations:		(195,195)
Mayor - estimate of vested time:		(142,937)
Board of Supervisors - Muni Audit per Prop J:		(125,000)
CAO - Viacom/TCI Negotiations:		(45,500)
Art Commission - net of reserve for cultural centers:		(1,348)
		<u>(1,249,780)</u>
<u>Supplementals Pending with the Mayor & Controller</u>		
Human Resources - employee relations:		(758,090)
Public Health - health care worker retraining:		(419,143)
Public Health - breast cancer initiative:		(294,170)
Assessor - salary and fringes for Real Property Auditors and Appraisers:		(435,285)
Tax Collector - salary and fringes for Real Property Auditors and Appraisers:		(163,243)
Police OCC - relocate OCC:		(71,000)
Law Library - automation and reference room at courts:		(85,578)
		<u>(2,226,509)</u>

* General Fund Reserve would be replenished from sale of surplus property and bond proceeds.