



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

Edward Harrington
Controller

John W. Madden
Chief Assistant Controller

April 3, 1997

The Honorable Willie L. Brown, Jr.
Mayor, City and County of San Francisco
Room 336, Veterans Building

The Honorable Board of Supervisors
Room 308, Veterans Building

Re: 1996-97 Eight-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 an eight-month budget status report based on revenues received and appropriations expended through February 28, 1997. 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 (Muni Railway and Public Health)
- V. Issues to Monitor

I. OVERVIEW

We project a \$41.1 million year-end balance available to fund the 1997-98 budget. This is a \$16.6 million increase above the six-month report year-end projection. This estimate is based on current spending patterns and the dollar amount of supplementals currently pending Mayor and Board approval. The actual year-end balance may differ due to changes in revenues, current spending rates and/or differences in the dollar amount of supplementals ultimately approved by the Mayor and the Board.

Overall, the City's General Fund is in good financial order. The economy continues to improve and revenues are over budget. In addition, most City departments are spending within their budget allocations. There are sufficient funds to absorb all projected deficits and to fund some

additional requests for this year. A summary of our projected sources and uses by category follows. More details are provided in Sections II through V of this report.

Chart A: Eight-Month General Fund Budget Summary
 (in millions)

	Original Budget	Revised Budget	Year-End Projection	Variance
Sources:				
Beginning Balance				
Revenues	\$ 32.5	\$ 32.5	\$ 32.5	\$ -
Transfers In	1,461.4	1,461.7	1,484.7	23.0
Total Sources	<u>1,607.1</u>	<u>1,607.4</u>	<u>1,631.2</u>	<u>23.8</u>
Uses:				
Operating Expenditures	1,351.4	1,357.3	1,352.5	4.8
Transfers/Projects/Reserves	234.5	230.4	227.7	2.7
Citywide Retirement Savings	6.5	6.5	-	6.5
Required Set Asides	-	-	4.4	(4.4)
Pending Supplemental Requests	-	-	5.5	(5.5)
Total Uses	<u>1,592.4</u>	<u>1,594.2</u>	<u>1,590.1</u>	<u>4.1</u>
GF Reserve/Projected Surplus	<u>\$ 14.7</u>	<u>\$ 13.2</u>	<u>\$ 41.1</u>	<u>\$ 27.9</u>

Beginning Balance

As anticipated in the 1996-97 budget, we started the current fiscal year with a \$32.5 million beginning balance. Most of this surplus was attributable to higher than expected revenues and retirement rate savings in the prior fiscal year.

Revenues and Transfers In

We project revenues and transfers in to be \$23.8 million over our revised budget. A large part of our projected surplus is due to better than expected business tax, sales tax, hotel tax and property transfer tax growth. These sources have increased primarily because of the continued strength in the economy. Some portion of this expected surplus will be requested to fund specific supplementals (see Appendix A). Section II outlines the projected revenues by category.

Expenditures and Transfers Out/Reserves

Based on current spending patterns, we project a \$7.5 million surplus of expenditures and transfers out. Departments that are overspending should be working with our office and the Mayor's Budget Office to submit supplemental requests or to implement operational changes to reduce their current spending patterns. Section III outlines projected expenditures by department. Appendix B provides a status report on the Board reserves and their remaining balances.

Citywide Retirement Savings

The Retirement Board reduced the miscellaneous retirement contribution rate from 1.83% to zero, beginning in January 1997. This reduction will result in approximately \$6.5 million in General Fund savings this fiscal year. This change is reflected in the original and revised department budgets listed in our General Fund expenditure schedule (Chart C).

Required Set Asides

The **budget incentive program** requires ten percent of any General Fund surplus, expected to be about \$4.1 million, to be set aside for this program.

The **Library's budget** will be increased by approximately \$237,000 because Proposition E requires that, as discretionary revenues increase, the Library receives a portion of these additional funds. The **Children's Fund** baseline will not be increased, since the 1996-97 budget for the Children's Fund already exceeds our revised baseline calculations.

Pending Supplemental Appropriations

The Mayor and the Board are considering supplemental appropriation requests of about \$5.5 million (see Appendix A). This amount may be reduced or modified by the Mayor and the Board or by additional supplemental requests from departments in the next few months.

Projected Year-End Balance

The City has sufficient funds available to carry us through the rest of the fiscal year. Any unspent current year funds will be available to fund the 1997-98 budget.

II. REVENUES

Chart B: Schedule of Budgeted and Projected Revenues

Fiscal Year Ending June 30, 1997
 As of February 28, 1997
 (In thousands)

GENERAL FUND	ACTUAL FY95-96	FISCAL YEAR 1996-97				VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	PROJECTION			
PROPERTY TAXES	317,016	326,981	326,981	326,981	0	(1)	
BUSINESS TAXES:							
Business Registration Tax	8,841	8,886	8,886	9,077	191		
Gross Receipts Tax	23,355	28,204	28,204	28,810	606		
Payroll Tax	143,118	149,300	149,300	152,510	3,210		
Total Business Taxes	175,314	186,390	186,390	190,397	4,007	(2)	
OTHER LOCAL TAXES:							
Sales Tax	102,991	105,415	105,415	107,716	2,301	(3)	
Hotel Room Tax	60,242	78,515	78,515	84,988	6,473	(4)	
Utility Users Tax	53,693	57,024	57,024	55,405	(1,619)	(5)	
Parking Tax	14,820	14,308	14,308	14,641	333	(6)	
Real Property Transfer Tax	22,968	23,443	23,443	30,088	6,645	(7)	
Admission Tax	3,348	2,927	2,927	2,927	0		
Total Other Local Taxes	258,062	281,632	281,632	295,765	14,133		
LICENSES, PERMITS & FRANCHISES							
Licenses & Permits	6,103	6,295	6,295	6,141	(154)		
Franchise Tax	7,479	7,539	7,539	7,539	0		
Total Licenses, Permits & Franchises	13,582	13,834	13,834	13,680	(154)		
FINES, FORFEITURES & PENALTIES	821	632	632	632	0		
INTEREST/INVESTMENT INCOME	20,373	15,436	15,436	15,436	0		
RENTS & CONCESSIONS							
Garages - Rec/Park	5,848	5,826	5,826	6,570	744	(8)	
Rents and Concessions - Rec/Park	5,067	7,650	7,965	7,965	0	(8)	
Other Rents and Concessions	1,500	1,371	1,371	1,371	0		
Total Rents and Concessions	12,415	14,847	15,162	15,906	744		
INTERGOVERNMENTAL REVENUES							
Federal Subventions							
Social Service Subventions	102,030	106,005	106,005	106,005	0		
Other Grants & Subventions	12,212	7,626	7,626	7,626	0		
Total Federal Subventions	114,242	113,631	113,631	113,631	0		

CHART B (continued): SCHEDULE OF BUDGETED AND PROJECTED REVENUES

Fiscal Year Ending June 30, 1997

As of February 28, 1997

(In thousands)

GENERAL FUND	ACTUAL FY95-96	FISCAL YEAR 1996-97			VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	PROJECTION		
State Subventions						
Social Service Subventions	97,542	94,937	94,937	94,937	0	
Health & Welfare Realignment	147,764	151,000	151,000	151,000	0	(9)
Health/Mental Health Subventions	36,296	50,309	50,309	50,309	0	
Public Safety Sales Tax	49,741	51,798	51,798	53,050	1,252	(10)
Motor Vehicle In-Lieu - County	36,738	39,099	39,099	40,139	1,040	(11)
Motor Vehicle In-Lieu - City	27,782	29,437	29,437	30,839	1,402	(11)
Trial Court Funding	16,030	15,987	15,987	15,987	0	
Other Grants & Subventions	8,370	9,208	9,208	9,778	570	(12)
Total State Subventions	420,263	441,775	441,775	446,039	4,264	
CHARGES FOR SERVICES:						
General Government Service Charges	13,338	11,817	11,817	12,226	409	(13)
Public Safety Service Charges	9,423	9,178	9,178	8,773	(405)	
Recreation Charges - Rec/Park	13,596	9,231	9,231	9,231	0	(8)
MediCal, Medicare and health service charges	27,513	27,838	27,838	27,838	0	
Other Service Charges	43	985	985	985	0	
Total Charges for Services	63,913	59,049	59,049	59,053	4	
RECOVERY OF GEN. GOV'T. COSTS	6,979	6,912	6,912	6,912	0	
OTHER REVENUES	(192)	301	301	301	0	
TOTAL REVENUES	1,402,788	1,461,420	1,461,735	1,484,733	22,998	
TRANSFERS INTO GENERAL FUND:						
Airport	14,305	14,120	14,120	14,887	767	
Hetch Hetchy	30,165	30,165	30,165	30,165	0	
Other Transfers	52,912	68,886	68,886	68,886	0	
Total Transfers-In	97,382	113,171	113,171	113,938	767	
TOTAL GENERAL FUND RESOURCES	1,500,170	1,574,591	1,574,906	1,598,671	23,765	

Notes to Revenue Schedule:

- (1) **Property taxes** are expected to be on budget.
- (2) **Business taxes** are growing at approximately 8%, as compared to our budgeted growth rate of 6.5%. Therefore, we anticipate ending the year about \$4 million over budget.
- (3) **Sales tax** receipts have been strong, growing at approximately 7% over the previous year. We anticipate ending the fiscal year \$2.3 million over budget.
- (4) **Hotel taxes** are up approximately \$6.5 million. Occupancy is very high and hotels have consequently been able to increase rates, leading to higher than expected growth in tax revenues. This amount only reflects the net increase to the General Fund. Total hotel tax receipts will be higher but a significant portion is dedicated to specific spending purposes.
- (5) **Utility Users Tax** receipts through February indicate that utility users tax revenues will be below budget by approximately \$1.6 million, assuming PG&E implements its planned gas and electric refund payments to commercial customers. Telephone utility taxes have increased, but not enough to offset declining gas and electric revenues.
- (6) **Parking Tax** receipts indicate that the portion of parking tax revenues which remains in the General Fund will be \$0.3 million over budget, due to increased economic activity. See General Fund Subsidized Departments (Section IV) for comments regarding the portion of Parking Tax dedicated to Muni Railway.
- (7) **Real Property Transfer Tax** revenues have been strong. Overall, we are projected to end the year about \$6.6 million over budget. Property sales have been strong, leading to accelerated growth in transfer tax receipts.
- (8) **Recreation and Park Department Revenues** include the admission tax, garages, rents and concessions from recreation activities and recreation charges for services. Overall, department revenues are expected to be \$0.7 million over budget, due to higher than expected garage revenues.
- (9) We are not reflecting any anticipated growth in **Health and Welfare Realignment** revenue because Public Health is requesting a supplemental to use an expected \$1.1 million surplus to help balance their current year budget.
- (10) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$1.3 million over budget based on strong sales tax receipts.
- (11) **Motor Vehicle in Lieu** subventions are projected to be approximately \$2.4 million over budget.
- (12) **Other Grants and Subventions** are expected to be \$570,000 over budget because the Department of Elections has received state mandated cost reimbursements from previous elections. The

department has requested a supplemental to use this surplus to partially fund a special election this June.

(13) **General Government Service Charges** are expected to be \$0.4 million over budget, mainly due to projected \$0.5 million projected increases in planning fee revenues. The Planning department has a \$295,000 supplemental currently pending at the Board to use a portion of this projected surplus to fund new positions and equipment purchases.

III. EXPENDITURES

Chart C: Schedule of Budgeted and Projected Expenditures

Fiscal Year Ending June 30, 1997
 As of February 28, 1997
 (In Thousands)

GENERAL FUND	Fiscal Year 1996-97				
	ACTUAL FY 1995-96	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	VARIANCE SURPLUS (DEFICIT)
PUBLIC PROTECTION					
District Attorney	\$25,211	\$26,670	\$26,781	\$26,861	(\$80) (1)
Public Defender	9,224	9,515	9,641	9,766	(125) (2)
Sheriff	54,912	60,675	61,246	61,246	0 (3)
Trial Courts	41,674	43,436	43,436	41,686	1,750 (4)
Juvenile Court	20,718	21,736	21,750	21,965	(215) (5)
Adult Probation	7,258	7,637	7,679	7,679	0
Fire Department	123,271	119,384	119,384	117,813	1,571 (6)
Police Department	204,605	199,123	201,149	201,149	0 (7)
Co. Agriculture - Wts./Measures	816	990	990	990	0
Animal Care and Control	1,979	2,190	2,190	2,125	65
Public Administrator/Guardian	2,470	2,762	2,762	2,692	70
Total Public Protection	\$492,138	\$494,118	\$497,008	\$493,972	\$3,036
PUBLIC WORKS, TRANSPORTATION AND COMMERCE					
Parking and Traffic Commission	\$21,499	\$23,863	\$24,010	\$24,330	(\$320) (8)
Permit Appeals	249	283	283	263	20
PUC Light, Heat and Power	6,403	4,844	4,844	4,844	0
Telecommunications & Info. Services	2,521	4,206	4,206	4,206	0
Public Works	6,934	7,912	7,912	7,912	0
Total Public Works, etc.	\$37,606	\$41,108	\$41,255	\$41,555	(\$300)
HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT					
Human Rights Commission	\$999	\$1,228	\$1,228	\$1,183	\$45
Human Services	303,252	314,457	315,046	312,309	2,737 (9)
Comm. on the Status of Women	1,614	1,491	1,491	1,491	0
Total Human Welfare, etc.	\$305,865	\$317,176	\$317,765	\$314,983	\$2,782
COMMUNITY HEALTH					
Medical Examiner/Coroner	\$2,890	\$3,222	\$3,372	\$3,272	\$100
Community Health Services	125,609	144,096	144,439	144,439	0
Community Mental Health	141,103	153,197	152,915	152,915	0
Total Community Health	\$269,602	\$300,515	\$300,726	\$300,626	\$100

SCHEDULE OF BUDGETED AND PROJECTED EXPENDITURES - Continued
 Fiscal Year Ending June 30, 1997
 As of February 28, 1997
 (In Thousands)

CULTURE AND RECREATION					
County Educational Office					
Art Commission	\$1,117	\$1,121		\$1,121	\$0
Public Library	498	550	550	550	0
Recreation and Park	20,604	20,476	20,820	20,820	0 (1)
Academy of Sciences	45,202	51,747	52,142	52,142	0
Fine Arts Museum	1,432	1,557	1,557	1,557	0
Asian Art Museum	3,790	4,335	4,335	4,490	0
Law Library	1,207	1,323	1,323	1,276	(155) (1)
	245	258	258	258	47
Total Culture, etc.	<u>\$74,095</u>	<u>\$81,367</u>	<u>\$82,106</u>	<u>\$82,214</u>	<u>0</u>
GENERAL ADMINISTRATION & FINANCE					
Board of Supervisors					
Assessor	\$5,997	\$6,298	\$6,428	\$6,428	\$0
City Attorney	6,688	6,771	6,913	6,817	96
Treasurer/Tax Collector	5,583	10,841	10,861	10,861	0 (12)
Controller	11,060	12,233	12,486	12,186	300
Ethics Commission	11,859	12,899	12,899	12,899	0
Mayor	282	309	309	309	0
City Planning	4,897	16,596	16,624	16,624	0
Civil Service	4,913	5,392	5,563	5,563	0
Human Resources	490	535	535	435	100
Administration Services	12,251	13,103	13,103	13,603	(500) (13)
Real Estate	873	424	424	424	0
Recorder	239	404	404	404	0
Elections	1,031	1,126	1,126	1,126	0
Purchaser	4,084	2,556	2,556	2,673	0
General City Responsibility	1,669	2,011	2,011	1,811	(117) (14)
	34,023	25,580	26,252	27,037	200
Total General Admin.	<u>\$105,939</u>	<u>\$117,078</u>	<u>\$118,494</u>	<u>\$119,200</u>	<u>(785) (15)</u>
TOTAL GENERAL FUND EXPS.	<u>\$1,285,245</u>	<u>\$1,351,362</u>	<u>\$1,357,260</u>	<u>\$1,352,456</u>	<u>\$4,804</u>
TRANSFERS OUT OF GENERAL FUND:					
Contribution to MUNI	\$32,303		\$32,303	\$29,608	\$2,695 (16)
Contribution to SFGH	24,160		25,262	25,262	0
Contribution to LHH	9,289		9,939	9,939	0
Other Transfers and Reserves	129,333		128,430	128,430	0
Total Transfers Out:	<u>\$195,085</u>	<u>\$195,934</u>	<u>\$193,239</u>	<u>\$193,239</u>	<u>\$2,695</u>
TOTAL GENERAL FUND USES	<u>\$1,546,447</u>	<u>\$1,553,194</u>	<u>\$1,545,695</u>	<u>\$1,545,695</u>	<u>\$7,499</u>

Notes to Expenditure Schedule:

- (1) The **District Attorney's Office** is projected to end the year with an \$80,000 deficit because of overspending in their worker's compensation account. This projection assumes the department will be able to offset approximately \$600,000 in salary and benefit expenditures with recently awarded grant funds. The department has committed to getting Board approval of these grant resolutions by the end of the fiscal year.
- (2) The **Public Defender's Office** has a \$125,000 projected deficit because of lower than expected attrition this fiscal year. Since a portion of the Court's projected surplus in fees is attributable to the Public Defender performing more juvenile dependency cases in-house, the Public Defender is proposing to use a portion of the projected surplus in attorney fees at the Courts to fund this projected deficit.
- (3) The **Sheriff's Department** is expected to end the year on budget. The department had projected a deficit earlier in the fiscal year; however, they were able to reduce their rate of spending and identify grant funding to bring their budget into balance.
- (4) The **Trial Courts** are expected to end the year with a \$1.75 million surplus. This surplus consists of approximately \$860,000 in salary and fringes savings and \$890,000 in lower than expected contract attorney fees. As discussed above, a portion of the contract attorney fees savings is attributable to the Public Defender handling more juvenile dependency cases in-house.
- (5) The **Juvenile Court Department** is projected to be \$215,000 over budget largely because of a \$400,000 projected deficit in their worker's compensation budget.
- (6) The **Fire Department** is projected to have a surplus of approximately \$1.6 million largely because of a projected \$1.0 million surplus in their worker's compensation account.
- (7) Overall, the **Police Department** is projected to be on budget. The Human Resources Department projects a \$1.7 million surplus in their worker's compensation account. This, along with a surplus in permanent salaries, serves to offset the department's projected \$3 million deficit in their overtime account. This projection does not include any potential increase in overtime due to the U.S. Conference of Mayors which will be held in June.
- (8) **Parking and Traffic** is projected to have a \$320,000 deficit largely because of a \$1 million deficit in their workers compensation account as projected by the Human Resources Department.
- (9) **Human Services** is projecting a \$2.7 million surplus mainly because of a \$2.1 million surplus in their General Assistance (GA) budget.
- (10) Please refer to Section V for a discussion of the **Library's** current year budget.

- (11) The **Fine Arts** department has a supplemental currently pending at the Board to address their projected deficit in salaries and fringes without the use of the General Fund reserve.
- (12) Based on current spending, the **City Attorney's Office** will end the year with a \$650,000 deficit. However, the department will be submitting a supplemental appropriation that will fund this deficit from proceeds of a claims settlement related to the construction of the new jail. In addition, our projection assumes that the City Attorney will be able to negotiate and collect their current projected billings from all City departments.
- (13) **Human Resources** is projected to be \$0.5 million over budget because of underbudgeting for worker's compensation medical bill review services.
- (14) Based on current spending, the **Department of Elections** will be over budget by approximately \$100,000. The department has submitted a \$0.9 million supplemental to cover this projected deficit and the cost of conducting a special election in June.
- (15) **General City Responsibility** will be over budget by approximately \$800,000 because of larger than expected health subsidy payments for retired City employees and workers compensation payments for small departments.
- (16) Please refer to Section IV for a discussion of the **Muni Railway's** current year budget.

IV. GENERAL FUND SUBSIDIZED DEPARTMENTS

Muni Railway

Chart D: Muni Railway Projected Sources and Uses

Fiscal Year Ending June 30, 1997
 As of February 28, 1997
 (In Thousands)

SOURCES:	ACTUAL FY 95-96	FY 96-97			SURPLUS/ (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
Department Revenues:					
Passenger Fares	\$94,610	\$94,625	\$94,625	\$97,684	\$3,059
Sales Tax Allocation - MTC	24,228	25,795	25,795	25,795	0
Operating Assistance	2,408	2,861	2,861	2,951	90
MTC Bridge Toll Allocation	19,680	20,912	20,912	20,912	0
Other	29,690	31,700	31,700	31,917	217
Total Department Revenues	\$170,616	\$175,893	\$175,893	\$179,259	\$3,366 (1)
Proposition M Revenues:					
Parking Tax	\$15,661	\$14,308	\$14,308	\$14,641	\$333
Garage Rents	5,858	6,532	6,532	7,785	1,253
Traffic Fines/Meter Transfers	57,453	57,100	57,100	56,800	(300)
Total Other Financing Sources	\$78,972	\$77,940	\$77,940	\$79,226	\$1,286 (2)
General Fund Subsidy	\$34,761	\$33,850	\$33,850	\$32,564	(1,286) (2)
TOTAL SOURCES	\$284,349	\$287,683	\$287,683	\$291,049	\$3,366
Expenditures:					
Personal Services	\$208,138	\$212,998	\$212,998	\$209,946	\$3,052
Contractual Services	18,464	14,863	14,863	14,950	(87)
Materials and Supplies	21,597	19,433	19,433	19,865	(432)
Claims	9,050	8,087	8,087	8,087	0
Workers' Compensation	12,344	10,472	10,472	14,216	(3,744)
Other Operating Expenses	14,190	20,584	20,586	21,332	(746)
Facilities Maint. & Capital Projects	566	1,246	1,246	1,246	0
TOTAL USES	\$284,349	\$287,683	\$287,685	\$289,642	(\$1,957) (3)
PROJECTED SURPLUS/(DEFICIT)					1,409 (4)

Notes to Muni Schedule:

- (1) Muni is projected to have a \$3.4 million surplus in revenue largely due to higher than expected cash fares, tokens and fastpass revenues.
- (2) Muni receives several types of parking-related revenues, due to the passage of Proposition M. These include traffic fines, parking tax, parking meter and garage revenues. Parking tax revenues and garage revenues are up \$1.6 million, due to increased economic activity and early completion of garage construction. Traffic fine revenues are also expected to exceed budget by \$0.9 million, but \$1.2 million will be reallocated to the Port based on a negotiated agreement. As a result, Muni will receive \$0.3 million less in traffic fine revenues than budgeted.

Overall, Muni's Proposition M revenues are \$1.3 million over budget. These additional receipts will reduce the General Fund subsidy required to fund their budget.

- (3) Based on their current spending pattern, Muni Railway will overspend its expenditure budget by approximately \$2.0 million, largely because of a \$3.7 million projected deficit in their worker's compensation budget.
- (4) Overall, an anticipated surplus in revenues will more than offset the department's overspending. In addition, Muni has a \$372,000 supplemental pending to use a portion of their expected passenger fare surplus to fund several Proposition J audit recommendations, including additional clerical positions. Chart D includes both the projected spending and a corresponding reduction in the projected passenger fare surplus for the proposed supplemental.

Public Health

Chart E: Public Health Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 1997
 As of February 28, 1997
 (in thousands)

<u>Division</u>	<u>Over/(Under) Budgeted Amount</u>		<u>Net Surplus/ (Deficit)</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Community Health	(1,381)	1,381	-
Mental Health	(648)	648	-
Laguna Honda Hospital	(1,981)	1,981	-
San Francisco General Hospital	16,063	(16,063)	-
Total:	12,053	(12,053)	-

The Department of Public Health is projecting expenditure and revenue variances for each of the divisions. The department as a whole is expected to be on budget. Chart E assumes Mayor and Board approval of two supplementals for Public Health. The supplementals would appropriate new one-time and ongoing revenues to offset expenditures beyond budget and would not request the use of the General Fund reserve. The Mayor and the Board will be able to examine the various details in their review of the department's request. What follows is a summary of the significant variances by division:

Community Health Services

Revenues are anticipated to be \$1.4 million below budget, primarily due to:

- a reduction in Medi-Cal/Targeted Case Management (TCM) Program revenue due to program regulations which were recently implemented;
- a projected decline in Medicare revenues, mainly due to delays in the start-up of the Home Health Agency; and
- a projected shortfall in revenues in the California Children's Services (CCS) program.

Expenditures are projected to be \$1.4 million under budget, which will offset anticipated revenue losses. Anticipated expenditure savings in the CCS program make up the majority of the savings. There is also an overall savings anticipated in Community Health personnel accounts.

Mental Health, Substance Abuse and Forensics

Revenues overall are projected to be \$0.6 million below budget, mainly due to:

- \$1.1 million decrease in Medi-Cal revenues;
- \$0.8 million in additional state realignment revenue;
- \$0.6 million increase in Early Periodic Screening Detection and Treatment patient revenues;
- \$0.7 million decrease in the inpatient managed care allocation from the state;
- \$0.3 million shortfall in Medicare due to changes in the reimbursement rate for day treatment services;
- \$0.3 million loss in Title IVA (Emergency Assistance) funding;
- Short Doyle Medi-Cal for substance abuse treatment programs is projected to be under budget, but should be offset by an increase in State Alcohol funds, resulting in a net surplus of \$0.8 million; and
- a \$0.4 million decrease in state revenues for the forensic programs.

Expenditures overall are expected to be \$0.6 million under budget largely because of:

- \$0.3 million projected savings in personnel expenditures, and
- \$0.3 million anticipated savings in contractual expenditures.

Laguna Honda Hospital

Revenues are anticipated to be \$2 million below budget, primarily resulting from a loss in Medi-Cal due to a reduction in reimbursement based on disallowances in acute rehabilitation services and a shift of the payer mix from Medicare to Medi-Cal, which reimburses at a lower rate. Since there is a projected surplus in materials and supplies, expenditure savings will offset the revenue problem.

San Francisco General Hospital

Revenues are projected to be \$16.1 million above budget to offset expenditure increases, primarily due to:

- \$10.5 million in additional revenue resulting from the anticipated increase in the census and higher costs of reimbursable pharmaceuticals;
- one-time revenues of \$3.6 million from SB 1255 (\$1.5 million), SB 855 (\$0.7 million), the sale of inventory to the prime vendor (\$1.3 million), and higher Prop 99 revenue (\$0.1 million).
- a net increase in patient revenue of \$1.8 million due to an additional \$1.3 million in ADAP (State funds for AIDS drugs) and other reimbursement for viral load testing (an AIDS test) which was not budgeted and \$0.5 million from improving the pharmacy TAR process;
- \$0.3 million increase in state realignment revenues;
- \$0.9 million increase from increased Mental Health Short-Doyle Medi-Cal billings;
- an anticipated \$0.6 million increase in revenue associated with Deloitte and Touche's eligibility work; and
- \$1.9 million decrease in revenues associated with the delays in opening the Mental Health Rehabilitation Facility.

Expenditures are expected to be \$16.1 million over budget, though specific revenues are anticipated to largely cover costs related to the increased census and pharmaceuticals. The primary reasons for the higher expenditures include:

- \$7.4 million increase in costs associated with the higher census and training;
- \$8.0 million increase in pharmaceutical costs, due to the increased cost and use of drugs;
- \$0.7 million shortfall in workers compensation (the Hospital is currently evaluating the apparent under budgeting and will take measures to adjust for any differences); and

V. ISSUES TO MONITOR

Library Spending

In October, a budget shortfall of \$2.8 million was projected for the Library. A supplemental appropriation was approved by the Mayor and the Board for \$1.6 million, leaving a balance of \$1.2 million. The remaining \$1.2 million was filled by placing a reserve on the book budget in case the Library was unable to realize other savings to offset this anticipated deficit. Therefore, we show the department on budget on Chart C. Based on the current rate of spending, it is estimated that the Library will over spend its personal services budget by \$1.0 million. This projected gap is offset by:

- \$237,000 increase in the Library baseline requirement due to increased citywide revenues;
- \$169,000 costs savings due to a decrease in retirement rates which the Library can use to reallocate for other purposes; and
- \$110,000 from projected cost savings for light, heat and power.

After taking into account the above factors, the remaining gap is approximately \$500,000. If necessary, this remaining gap would be closed by the book budget at the end of the fiscal year.

Worker's Compensation

Worker's compensation continues to be an area of budgetary concern. Chart F below reflects the Human Resources Department's projected year-end worker's compensation spending by department. The estimates are based on six-month actuals as well as prior year spending patterns. Overall, these projections result in a \$4.2 million projected deficit in the citywide worker's compensation budget. Based on last year's actuals, some of this deficit appears to be the result of underbudgeting by several departments.

Chart F: Projected Workers Compensation Spending
 (in thousands)

<u>Department</u>	<u>FY 95-96</u> <u>Actual</u>	<u>FY 96-97</u> <u>Budget</u>	<u>8-Month</u> <u>Actual</u>	<u>Current</u> <u>Projection</u>	<u>Surplus/</u> <u>(Deficit)</u>
General Fund:					
Juvenile Court	\$671	\$361	\$527	\$790	(\$429)
District Attorney	299	146	211	316	(170)
Recreation & Park	1,385	946	624	1,298	(352)
Human Services	562	404	325	658	(254)
Police	5,332	5,858	2,082	4,148	1,710
Fire	3,969	4,542	1,697	3,570	972
Small Depts.	272	17	132	196	(179)
Parking & Traffic	1,417	831	940	1,853	(1,022)
Other GF Depts.	2,527	2,367	1,416	2,429	(62)
Total General Fund	16,434	15,472	7,954	15,258	214
General Fund Subsidized:					
Municipal Railway	12,344	10,472	6,966	14,174	(3,702)
SF General Hospital	1,960	1,634	950	2,330	(696)
Total GF Subsidized	14,304	12,106	7,916	16,504	(4,398)
GRAND TOTAL	\$30,738	\$27,578	\$15,870	\$31,762	(\$4,184)

Police Costs for U.S. Conference of Mayors

As stated earlier, even though the Police department is projected to be on budget overall, the department is projecting a \$3 million deficit in their overtime account. This projection does not include the potential costs related to the U.S. Conference of Mayors scheduled for June 1997. The department must work with the Mayor's Budget Office to determine whether they will provide security for the Mayor's Conference within their overall budget allocation or submit a supplemental to the Board.

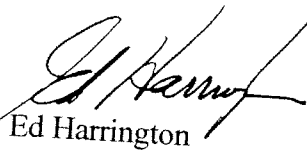
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Conclusion

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 the 1997-98 budget. My staff and I are available to respond to any comments or questions you may have.

Sincerely,



Ed Harrington

Attachments

cc: Department Heads
Steve Agostini
Harvey Rose

APPENDIX A
Status of Supplemental Appropriations
which impact the General Fund Reserve

Fiscal year 1996-97
 As of April 1, 1997

	CHANGES APPROVED	CHANGES PENDING
<u>Approved Supplementals</u>		
Department of Telecommunications - relocation:	(\$531,000)	
Human Resources - labor negotiations:	(415,000)	
Recreation and Park - scoreboard:	(315,000)	
Recreation and Park - golf equipment:	(295,000)	
Public Library - budget shortfall (Library baseline):	(130,000)	
Public Defender - rent and telephones:	(111,000)	
Medical Examiner/Coroner - equipment:	(91,000)	
District Attorney - staff support for domestic violence:	(83,000)	
Human Services - welfare reform task force:	(35,000)	
Medical Examiner/Coroner - computer equipment:	(19,000)	
Board of Supervisors - staff support:	(18,000)	
Art Commission - facilities maintenance:	(13,000)	
Board - membership:	(10,000)	
	<u>(2,066,000)</u>	
<u>Supplementals Pending at the Board *</u>		
Fire - transition costs re: transfer of paramedics from DPH:		(1,653,000)
Planning- new positions and equipment purchases		<u>(295,400)</u>
		<u>(1,948,400)</u>
<u>Supplementals Pending with the Mayor & Controller *</u>		
Sheriff-preplanning costs re: replacement of San Bruno jail:		(1,195,000)
Elections - shortfall, special election & enhancements:		(927,000)
Mental Health - substance abuse:		(670,000)
Assessor - support for subdividing parcels and Viacom defense:		(305,000)
Recreation and Park - urban forestry equipment:		(300,000)
Human Rights Commission - support for domestic partners legislation:		(119,000)
Recreation and Park - stadium manager:		(37,000)
Ethics Commission - implement Prop 208 and support for special election:		<u>(18,000)</u>
		<u>(3,571,000)</u>
Total Changes Pending:		<u><u>(5,519,400)</u></u>

* These amounts are subject to Mayor or Board changes.

APPENDIX B
Status of Board Reserves
 Fiscal Year 1996-97
 As of April 1, 1997

<u>RESERVE</u>	<u>BEGINNING BALANCE</u>	<u>CHANGES PENDING OR APPROVED</u>	<u>BALANCE AFTER CHANGES</u>
Department of the Environment	\$443,000	\$96,920 *	\$346,080
Youth Commission	102,000	102,000	0
Day Laborer Program	100,000	0	100,000
Integrated Pesticide Plan	100,000	100,000	0
Youth Line	100,000	0	100,000
Bilingual Domestic Violence - MCJC	60,145	60,145	0
Domestic Violence - COSW	60,000	60,000 *	0
Total:	<u>\$965,145</u>	<u>\$419,065</u>	<u>\$546,080</u>

* These amounts are subject to Mayor or Board changes.