

FILE
COFEdward Harrington
ControllerJohn W. Madden
Chief Assistant Controller

February 6, 1997

The Honorable Willie L. Brown, Jr.
Mayor, City and County of San Francisco
Room 336, Veterans BuildingThe Honorable Board of Supervisors
Room 308, Veterans Building

Re: 1996-97 Six-Month Budget Status Report

Dear Mayor Brown, Ladies and Gentlemen:

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. This report is a six-month budget status report based on revenues received and appropriations expended through December 31, 1996. 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 **\$24.5 million year-end balance available to fund the 1997-98 budget**. This amount 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: Six-Month General Fund Budget Summary
 (in millions)

	Original Budget	Revised Budget	Year-End Projection	Variance
Sources:				
Beginning Balance	\$ 32.5	\$ 32.5	\$ 32.5	\$ -
Revenues	1,461.4	1,461.4	1,477.5	16.1
Transfers In	113.2	113.2	113.2	-
Total Sources	<u>1,607.1</u>	<u>1,607.1</u>	<u>1,623.2</u>	<u>16.1</u>
Uses:				
Operating Expenditures	1,354.4	1,355.7	1,356.6	(0.9)
Transfers/Projects/Reserves	238.1	237.9	238.6	(0.7)
Citywide Retirement Savings	-	-	(6.5)	6.5
Required Set Asides	-	-	2.6	(2.6)
Pending Supplemental Requests	-	-	7.4	(7.4)
Total Uses	<u>1,592.5</u>	<u>1,593.6</u>	<u>1,598.7</u>	<u>(5.1)</u>
GF Reserve/Projected Surplus	<u>\$ 14.6</u>	<u>\$ 13.5</u>	<u>\$ 24.5</u>	<u>\$ 11.0</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 to be \$16.1 million over our revised budget. A large part of our projected surplus is due to better than expected 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. Section II outlines the projected revenues by category.

Expenditures and Transfers Out/Reserves

Based on current spending patterns, we project expenditures and transfers out to be approximately \$1.6 million over budget. Some portion of this projected over spending will be brought in line by pending or anticipated supplementals to the budget. In addition, departments are also working with our office and the Mayor's Budget Office to implement operational changes to reduce their current spending patterns. We will provide a status report of their efforts

in our Eight-Month Budget Status Report. 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 recently 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 not reflected in the General Fund expenditure schedule by department (Chart C). The budget reduction will be reflected by department in our Eight-Month Budget Status Report.

Required Set Asides

The budget incentive program requires ten percent of any General Fund surplus, expected to be about \$2.4 million, to be set aside for this program.

The Library's budget will be increased by approximately \$143,000 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 \$7.4 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. To the extent the year-end balance is less than last year's \$32.5 million, the City has to produce additional funds just to fund the 1997-98 budget at the current year level.

II. REVENUES

Chart B: Schedule of Budgeted and Projected Revenues

Fiscal Year Ending June 30, 1997
 As of December 31, 1996
 (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:	0						
Business Registration Tax	8,841	8,886	8,886	8,886	0		
Gross Receipts Tax	23,355	28,204	28,204	28,204	0		
Payroll Tax	143,118	149,300	149,300	149,300	0		
Total Business Taxes	175,314	186,390	186,390	186,390	0	(2)	
OTHER LOCAL TAXES:							
Sales Tax	102,991	105,415	105,415	107,839	2,424	(3)	
Hotel Room Tax	60,242	78,515	78,515	81,580	3,065	(4)	
Utility Users Tax	53,693	57,024	57,024	57,024	0	(5)	
Parking Tax	14,259	14,308	14,308	15,094	786	(6)	
Real Property Transfer Tax	22,968	23,443	23,443	28,639	5,196	(7)	
Admission Tax	3,348	2,927	2,927	3,111	184	(8)	
Total Other Local Taxes	257,501	281,632	281,632	293,287	11,655		
LICENSES, PERMITS & FRANCHISES							
Licenses & Permits	6,103	6,295	6,295	6,107	(188)		
Franchise Tax	7,479	7,539	7,539	7,539	0		
Total Licenses, Permits & Franchises	13,582	13,834	13,834	13,646	(188)		
FINES, FORFEITURES & PENALTIES	821	632	632	632	0		
INTEREST/INVESTMENT INCOME	20,373	15,436	15,436	15,436	0		
RENTS & CONCESSIONS							
Garages	5,848	5,826	5,826	6,752	926	(8)	
Recreation Rents and Concessions	5,067	7,650	7,650	7,941	291	(8)	
Other Rents and Concessions	1,500	1,371	1,371	1,371	0		
Total Rents and Concessions	12,415	14,847	14,847	16,064	1,217		
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 December 31, 1996

(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	152,100	1,100	(9)
Health/Mental Health Subventions	36,296	50,309	50,309	50,309	0	
Public Safety Sales Tax	49,741	51,798	51,798	52,705	907	(10)
Motor Vehicle In-Lieu - County	36,738	39,099	39,099	39,218	119	(11)
Motor Vehicle In-Lieu - City	27,782	29,437	29,437	29,748	311	(11)
Trial Court Funding	16,030	15,987	15,987	15,987	0	(12)
Other Grants & Subventions	8,370	9,208	9,208	9,778	570	(13)
Total State Subventions	420,263	441,775	441,775	444,782	3,007	
CHARGES FOR SERVICES:						
General Government Service Charges	13,338	11,817	11,817	12,493	676	(14)
Public Safety Service Charges	9,423	9,178	9,178	9,178	0	
Recreation Charges	13,596	9,231	9,231	8,926	(305)	(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	59,420	371	
RECOVERY OF GEN. GOV'T. COSTS	6,979	6,912	6,912	6,912	0	
OTHER REVENUES	(192)	301	301	301	0	
TOTAL REVENUES	1,402,227	1,461,420	1,461,420	1,477,482	16,062	
TRANSFERS INTO GENERAL FUND:						
Airport	14,305	14,120	14,120	14,120	0	
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	113,171	0	
TOTAL GENERAL FUND RESOURCES	1,499,609	1,574,591	1,574,591	1,590,653	16,062	

Footnotes 1-14: see discussion on the following pages

Notes to Revenue Schedule:

- (1) **Property taxes** are expected to be on budget.
 - (2) **Business taxes** are expected to meet the 6.5% budgeted growth rate. Since most business tax payments are not remitted to the City until March, it is too early to project any surplus or deficit for the fiscal year. Quarterly payments received to date reflect anticipated growth, so there is no reason to anticipate a shortfall.
 - (3) **Sales tax** receipts have been strong, growing at approximately 7% over the previous year. We anticipate ending the fiscal year \$2.4 million over budget.
 - (4) **Hotel taxes** are up approximately \$3.1 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.
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- (5) **Utility Users Tax** receipts through December indicate that utility tax revenues will be on budget. Gas and electric collections are lower than in previous years, but telephone utility taxes have increased enough to offset this loss.
 - (6) **Parking Tax** receipts indicate that the portion of parking tax revenues which remains in the General Fund will be \$0.8 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 \$5.2 million over budget. The rate increase that took effect in October 1994 introduced a tiered tax structure, with higher valued property transfers taxed at a higher rate than lower valued properties. Sales of higher tiered properties 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 \$1.1 million over budget.
 - Admissions tax revenues are over budget by approximately \$0.2 million.
 - Garage revenues are projected to be \$0.9 million over budget, largely due to the delayed closure for repair and construction of St. Mary's Garage until the next fiscal year.
 - Recreation rents and concessions are \$0.3 million higher than expected due to additional revenue from scoreboard advertising. The department has requested to use this \$0.3 million surplus to fund improvements to 3Com Park.
 - Golf revenues are projected to be about \$0.3 million below budgeted amounts.

- (9) Given the strength of sales tax and vehicle license fee revenue, **Health and Welfare Realignment** is expected to be \$1.1 million over budget. The health department is planning to request a supplemental to use this expected surplus to help balance their current year budget.
- (10) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$0.9 million over budget based on strong sale tax receipts.
- (11) **Motor Vehicle in Lieu** subventions are projected to be approximately \$0.4 million over budget.
- (12) **Trial Court Trust Fund** revenues received through December are lower than in the previous year, due to an unresolved legislative issue at the State level that affects the timing of receipts. We expect these issues to be resolved and to end the fiscal year on budget.
- (13) **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.
- (14) **General Government Service Charges** are expected to be \$0.7 million over budget. Most of this surplus is due to a \$500,000 increase in planning fee revenues. The Planning Department intends to submit a supplemental to use this surplus to fund additional or improved services.

III. EXPENDITURES

Chart C: Schedule of Budgeted and Projected Expenditures

Fiscal Year Ending June 30, 1997
 As of December 31, 1996
 (In thousands)

GENERAL FUND	Fiscal Year 1996-97				VARIANCE SURPLUS (DEFICIT)
	ACTUAL FY 1995-96	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
PUBLIC PROTECTION					
District Attorney	\$25,211	\$26,820	\$26,837	\$27,301	(\$464) (1)
Public Defender	9,224	9,579	9,579	9,702	(123) (2)
Sheriff	54,912	60,745	60,745	60,745	0 (3)
Superior & Municipal Courts	41,674	43,675	43,675	43,675	0
Juvenile Court	20,718	21,765	21,765	22,365	(600) (4)
Adult Probation	7,258	7,648	7,648	7,648	0
Fire Department	123,271	119,410	119,410	119,410	0 (5)
Police Department	204,605	199,305	199,305	199,305	0 (6)
Co. Agriculture - Wts./Measures	816	995	995	995	0
Animal Care and Control	1,979	2,202	2,202	2,202	0
Public Administrator/Guardian	2,470	2,781	2,781	2,781	0
Total Public Protection	\$492,138	\$494,926	\$494,943	\$496,130	(\$1,187)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE					
Parking and Traffic Commission	\$21,499	\$23,972	\$23,972	\$24,672	(\$700) (7)
Permit Appeals	249	285	285	285	0
PUC Light, Heat and Power	6,403	4,849	4,849	4,849	0
Telecommunications & Info. Service	2,521	4,252	4,252	4,252	0
Public Works	6,934	7,945	7,945	7,945	0
Total Public Works, etc.	\$37,606	\$41,302	\$41,302	\$42,002	(\$700)
HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT					
Human Rights Commission	\$999	\$1,235	\$1,235	\$1,190	\$45
Human Services	303,252	315,014	315,049	312,615	2,434 (8)
Comm. on the Status of Women	1,614	1,493	1,493	1,493	0
Total Human Welfare, etc.	\$305,865	\$317,742	\$317,777	\$315,298	\$2,479
COMMUNITY HEALTH					
Medical Examiner/Coroner	\$2,890	\$3,242	\$3,242	\$3,242	\$0
Community Health Services	125,609	144,421	144,725	144,725	0
Community Mental Health	141,103	153,486	153,075	153,075	0
Total Community Health	\$269,602	\$301,149	\$301,043	\$301,043	\$0

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Fiscal Year Ending June 30, 1997
As of December 31, 1996
(In thousands)

	ACTUAL FY 1995-96	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	SURPLUS/ (DEFICIT)
CULTURE AND RECREATION					
County Educational Office	\$1,117	\$1,121	\$1,121	\$1,121	\$0
Art Commission	498	554	554	554	0
Public Library	20,604	20,593	20,593	20,593	0 (9)
Recreation and Park	45,202	51,974	51,974	51,974	0
Academy of Sciences	1,432	1,560	1,560	1,560	0
Fine Arts Museum	3,790	4,358	4,358	4,358	0
Asian Art Museum	1,207	1,330	1,330	1,330	0
Law Library	245	260	260	260	0
Total Culture, etc.	\$74,095	\$81,749	\$81,749	\$81,749	\$0
GENERAL ADMINISTRATION & FINANCE					
Board of Supervisors	\$5,997	\$6,325	\$6,454	\$6,454	\$0
Assessor	6,688	6,815	6,830	6,830	0
City Attorney	5,583	10,970	11,039	11,039	0 (11)
Treasurer/Tax Collector	11,060	12,295	12,295	11,995	300
Controller	11,859	12,965	12,965	12,965	0
Ethics Commission	282	311	311	311	0
Mayor	4,897	16,611	16,611	16,611	0
City Planning	4,913	5,428	5,428	5,428	0
Civil Service	490	538	538	438	100
Human Resources	12,251	13,170	13,585	14,585	(1,000) (12)
Administration Services	873	426	426	426	0
Real Estate	239	404	404	404	0
Recorder	1,031	1,133	1,133	1,133	0
Elections	4,084	2,562	2,562	2,662	(100) (13)
Purchaser	1,669	2,034	2,034	2,034	0
General City Responsibility	34,023	25,580	26,252	27,130	(878) (14)
Total General Admin.	\$105,939	\$117,568	\$118,868	\$120,446	(\$1,578)
TOTAL GENERAL FUND EXPS.	\$1,285,245	\$1,354,435	\$1,355,681	\$1,356,644	(\$963)
TRANSFERS OUT OF GENERAL FUND:					
Contribution to MUNI		\$33,850	\$33,850	\$33,418	\$432 (15)
Contribution to SFGH		25,262	25,262	26,362	(1,100) (16)
Contribution to LHH		9,939	9,939	9,939	0
Other Transfers and Reserves		169,034	168,870	168,870	0
Total Transfers Out:		\$238,085	\$237,921	\$238,589	(\$668)
TOTAL GENERAL FUND USES		\$1,592,520	\$1,593,602	\$1,595,233	(\$1,631)

Footnotes 1-16: see discussion on the following pages

Notes to Expenditure Schedule:

- (1) Based on current spending patterns, the **District Attorney's Office** would end the year with a \$464,000 deficit. The department reports that they will receive state grant funds of approximately \$500,000 to offset this projected deficit by the end of the fiscal year.
- (2) The **Public Defender's Office** has a \$123,000 projected deficit because of over spending in their telephone budget. They have submitted a supplemental in this amount to address the potential shortfall.
- (3) The **Sheriff's Department** is expected to end the year on budget. The department had projected a deficit; however, they were able to reduce their rate of spending and identify grant funding to bring their budget into balance.
- (4) The **Juvenile Court Department** is projected to be \$600,000 over budget because of a \$400,000 projected deficit in the department's workers compensation budget as well as overspending of their overtime budget.
- (5) Overall, the **Fire Department** is projected to be on budget. The Human Resources Department has projected a \$1.1 million surplus in the Fire Department's workers compensation account. This surplus will serve to offset a \$1 million projected deficit in the department's overtime account.
- (6) Similarly, the **Police Department** is projected to be on budget. The Human Resources Department projects a \$1.7 million surplus in the Police Department's workers 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 Mayor's Conference which will be held in June.
- (7) **Parking and Traffic** is projected to have a \$700,000 deficit largely because of a \$1 million deficit in their workers compensation account as projected by the Human Resources Department.
- (9) Please refer to page 15 for a discussion of the **Library's** current year budget.
- (10) **Human Services** is projecting a \$2.4 million surplus largely because of a \$2 million surplus in their General Assistance (GA) budget.
- (11) Based on current spending, the **City Attorney's Office** will end the year with a \$650,000 deficit. However, the Department of Public Works 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.
- (12) **Human Resources** is projected to be \$1 million over budget because of a prior year contract dispute involving workers compensation medical bill review services. This obligation will have to be paid this fiscal year. The department did not request a carryforward nor were funds available to pay for this expenditure from last year's budget appropriation.

- (13) Based on current spending, the **Department of Elections** will be over budget by approximately \$100,000. The department has submitted a \$1.1 million supplemental to cover this projected deficit and the cost of conducting a special election in June.

- (14) **General City Responsibility** will be over budget by approximately \$900,000 because of larger than expected health subsidy payments for retired City employees and workers compensation payments for small departments.

- (15) Please refer to page 12 for a discussion of the **Muni Railway's** current year budget.

- (16) Please refer to page 13 for a discussion of **Public Health'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 December 31, 1996
(In Thousands)

	ACTUAL FY 95-96	FY 96-97		CURRENT PROJECTION	SURPLUS/ (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET		
SOURCES:					
Department Revenues:					
Passenger Fares	\$94,610	\$94,625	\$94,625	\$97,241	\$2,616
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	31,698	31,698	31,915	217
Total Department Revenues	\$170,616	\$175,891	\$175,891	\$178,814	\$2,923 (1)
Proposition M Revenues:					
Parking Tax	\$15,661	\$14,308	\$14,308	\$15,094	\$786
Garage Rents	5,858	6,532	6,532	7,074	542
Traffic Fines/Meter Transfers	57,453	57,100	57,100	56,204	(896)
Total Other Financing Sources	\$78,972	\$77,940	\$77,940	\$78,372	\$432 (2)
General Fund Subsidy	\$34,761	\$33,850	\$33,850	\$33,418	(432) (2)
TOTAL SOURCES	\$284,349	\$287,681	\$287,681	\$290,604	\$2,923
Expenditures:					
Personal Services	\$208,138	\$212,998	\$212,998	\$211,555	\$1,443
Contractual Services	18,464	14,863	14,863	14,928	(65)
Materials and Supplies	21,597	19,433	19,433	20,108	(675)
Claims	9,050	8,087	8,087	8,087	0
Workers' Compensation	12,344	10,472	10,472	13,933	(3,461)
Other Operating Expenses	14,190	20,582	20,582	20,747	(165)
Facilities Maint. & Capital Projects	566	1,246	1,246	1,246	0
TOTAL USES	\$284,349	\$287,681	\$287,681	\$290,604	(\$2,923) (3)
PROJECTED SURPLUS/(DEFICIT)	-0-	-0-	-0-	-0-	-0- (4)

Notes to Muni Schedule:

- (1) Muni is projected to have a \$2.9 million surplus in revenue largely due to higher than expected cash fare 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 \$1.3 million, due to higher than anticipated growth in economic activity. Traffic fine revenues are also expected to exceed budget by \$0.3 million, however, because of a negotiated agreement, \$1.2 million of these revenues will be allocated to the Port. As a result, Muni will receive \$0.9 million less in traffic fine revenue than budgeted.
- Overall, Muni's Proposition M revenues are \$0.4 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 \$2.9 million, largely because of a \$3.5 million projected deficit in their workers compensation budget.
 - (4) Overall, an anticipated surplus in revenues will offset the department's overspending. In addition, Muni has a \$730,000 supplemental pending to fund several Proposition J audit recommendations, including additional clerical positions. Chart D does not include any projected spending related to the supplemental.

Public Health

Chart E: Public Health Projected Surplus/(Deficit)

As of December 31, 1996
 (in thousands)

<u>Division</u>	<u>Over/(Under) Budgeted Amount</u>		<u>Net Surplus/ (Deficit)</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Community Health	(1,113)	1,113	-
Mental Health	(1,795)	1,795	-
Laguna Honda Hospital	(2,281)	2,281	-
San Francisco General Hospital	17,740	(18,840)	(1,100)
Total:	12,551	(13,651)	(1,100)

Note: The department proposes to offset this projected deficit with an anticipated \$1.1 million surplus in Realignment revenues.

The Department of Public Health is projecting expenditure and revenue variances for each of the divisions. The department as a whole is expected to have a \$1.1 million deficit and is proposing to balance with the anticipated surplus in Realignment revenues. Chart E assumes Mayor and Board approval of a \$17.8 million supplemental for San Francisco General Hospital, currently pending before the Health Commission. The supplemental would appropriate new one-time and ongoing revenues to offset expenditures beyond budget and would not request any new General Fund dollars. 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 \$1.1 million below budget, primarily due to:

- a reduction in Medi-Cal/Targeted Case Management 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 Environmental Health fees and revenues in the California Children's Services (CCS) program.

Expenditures are projected to be \$1.1 million under budget, which would more than 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, which is offset slightly by a projected shortfall in workers compensation.

Mental Health, Substance Abuse and Forensics

Revenues overall are projected to be \$1.8 million below budget, mainly due to:

- \$0.7 million decrease in the inpatient managed care allocation due to reductions in San Francisco General Hospital utilization;
- \$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; and
- while Short Doyle Medi-Cal for substance abuse treatment programs is projected to be under budget, it should be offset by an increase in State Alcohol funds.

Expenditures overall are expected to be \$1.8 million under budget largely because of a:

- \$0.8 million projected savings in personnel expenditures, and
- \$0.6 million anticipated savings in contractual expenditures.

Laguna Honda Hospital

Revenues are anticipated to be \$2.3 million below budget, primarily resulting from a \$1.8 million 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. Expenditure savings should offset the revenue problem. There is a projected surplus of \$1.6 million in various operating expenditures and Laguna Honda will defer additional equipment purchases if necessary to balance the budget.

San Francisco General Hospital

Revenues are projected to be \$17.7 million above budget to nearly offset expenditure increases, primarily due to:

- \$10.0 million in additional revenue resulting from the anticipated increase in the census and higher costs of pharmaceuticals;
- one-time revenues of \$4.3 million from SB 1255 (\$1.5 million), SB 855 (\$1.2 million), the sale of inventory to the prime vendor (\$1.3 million), and higher Prop 99 revenue (\$0.3 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.
- \$0.9 million increase from increased Mental Health Short-Doyle Medi-Cal billings; and
- an anticipated \$0.6 million increase in revenue associated with Deloitte and Touche's eligibility work.

Expenditures are expected to be \$18.8 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:

- \$8.4 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;
- \$0.6 million shortfall in workers compensation (the Hospital is currently evaluating the apparent under budgeting and will take measures to adjust for any differences); and
- the Hospital plans to implement a \$0.5 million salary savings increase and pursue a \$0.5 million savings in the UC contract to bring the budget back in line.

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 \$1.1 million. This projected gap is offset by:

- \$143,000 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 \$700,000. If necessary, this remaining gap would be closed by the book budget at the end of the fiscal year.

Workers Compensation

Workers compensation continues to be an area of budgetary concern. Chart F below reflects the Human Resources Department's projected year-end workers compensation spending by department. The estimates are based on six-month actuals as well as prior year spending patterns. Overall, these projections result in a \$4.2 million projected deficit in the City's workers 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 Actual</u>	<u>FY 96-97 Budget</u>	<u>6-Month Actual</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>
General Fund:					
Juvenile Court	\$671	\$361	\$398	\$796	(\$435)
District Attorney	299	146	130	360	(214)
Recreation & Park	1,385	946	624	1,249	(303)
Human Services	562	404	325	651	(247)
Police	5,332	5,858	2,082	4,164	1,694
Fire	3,969	4,542	1,697	3,394	1,148
Small Depts.	272	17	132	295	(278)
Parking & Traffic	1,417	831	940	1,879	(1,048)
Other GF Depts.	2,527	2,367	1,242	2,852	(485)
Total General Fund	16,434	15,472	7,570	15,640	(168)
General Fund Subsidized:					
Municipal Railway	12,344	10,472	6,966	13,933	(3,461)
SF General Hospital	1,960	1,634	950	2,201	(567)
Total GF Subsidized	14,304	12,106	7,916	16,134	(4,028)
GRAND TOTAL	\$30,738	\$27,578	\$15,486	\$31,774	(\$4,196)

Police and Fire Overtime

As stated earlier, even though departmental spending is within their total budgets, both Police and Fire are overspending their overtime budgets. The Police department is projecting a \$3 million deficit by the end of the fiscal year. This projection does not include the potential costs of overtime related to the Mayor's Conference scheduled for June 1997. The Fire department is also overspending their overtime budget by about \$1 million. Both departments must work with our office and the Mayor's Budget Office to determine how they can bring their overtime expenditures in line with their budgets.

Property Tax Reassessments

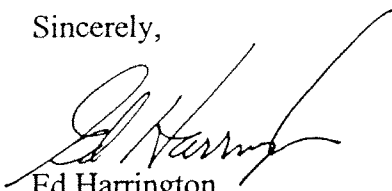
Through appeals and departmental action over the past few years, the Assessor's Office has reduced the assessed value of a significant number of properties, due to declining property values. Given the recent upturn in the City's real estate market, we expect the Assessor's Office to begin reassessing these properties upward within legal guidelines. We do not expect to see a related increase in Property tax revenues this year. We do, however, expect to see an increase over the next few years.

We will report back to the Board on the status of the above issues in our Eight-Month Budget Status Report.

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 January 31, 1997

	<u>CHANGES</u> <u>APPROVED</u>	<u>CHANGES</u> <u>PENDING</u>
<u>Approved Supplementals</u>		
Department of Telecommunications - relocation:	(\$531,000)	
Human Resources - labor negotiations:	(415,000)	
Public Library - budget shortfall (Library baseline):	(130,000)	
Human Services - welfare reform task force:	(35,000)	
Medical Examiner/Coroner - computer equipment:	(19,000)	
Board of Supervisors - staff support:	(18,000)	
Board - membership:	<u>(10,000)</u>	
	(1,158,000)	
<u>Supplementals Pending at the Board *</u>		
Recreation and Park - scoreboard:		(315,250)
Recreation and Park - golf equipment:		(300,000)
Public Defender - rent and telephones:		(123,000)
Medical Examiner/Coroner - equipment:		(91,000)
Art Commission - facilities maintenance:		<u>(13,000)</u>
		(842,250)
<u>Supplementals Pending with the Mayor & Controller *</u>		
Fire - transition costs re: transfer of paramedics from DPH:		(2,137,935)
Sheriff-preplanning costs re: replacement of San Bruno jail:		(1,195,000)
Elections - shortfall, special election & enhancements:		(1,115,000)
Mental Health - substance abuse:		(750,000)
Muni - Prop J. audit recommendations:		(730,000)
Recreation and Park - urban forestry equipment:		(300,000)
District Attorney - staff support for domestic violence:		(152,000)
Human Rights Commission - support for domestic partners legislation:		(119,000)
Recreation and Park - stadium manager:		(37,000)
Medical Examiner/Coroner - DUI testing program		<u>(35,000)</u>
		(6,570,935)
Total Changes Pending:		<u><u>(\$7,413,185)</u></u>

* These amounts are subject to Mayor or Board changes.

APPENDIX B
Status of Board Reserves
 Fiscal Year 1996-97
 As of January 31, 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	\$0	\$443,000
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	0	60,000
Total:	\$965,145	\$262,145	\$703,000

* These amounts are subject to Mayor or Board changes.